EVALUATION REVIEW

Country strategies – an initial review

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EBRD EVALUATION DEPARTMENT

European Bank for Reconstruction and Development

The Evaluation Department (EvD) at the EBRD evaluates the performance of the Bank's completed projects and programmes relative to objectives in order to perform two critical functions: reinforcing institutional accountability for the achievement of results; and, providing objective analysis and relevant findings to inform operational choices and to improve performance over time. EvD reports directly to the Board of Directors, and is independent from the Bank's Management. Whilst EvD considers Management's views in preparing its evaluations, it makes the final decisions about the content of its reports.

EvD produces occasional discussion papers on topical issues intended to bring useful insights from an evaluation perspective to the Bank's Board and Management. This discussion paper provides some early analysis and observations about the Bank's restructured country strategies which are intended to increase operational focus and strengthen the ability to demonstrate effectiveness, including through an embedded results framework. It is based on a more extensive piece of work prepared for EvD by Frontier Economics and managed by Regina Husakova, EvD Principal Evaluation Manager. The principal author of that work is Dr. José Carbajo, Associate Director of Frontier Economics. The full paper is available on request. This review has been prepared separately by EvD and is circulated under the authority of the Chief Evaluator. The views expressed herein do not necessarily reflect those of EBRD Management or its Board of Directors.

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Foreword

The EBRD's Board and Management have agreed that strengthened country strategies are central to operational focus and to accomplishing demonstrable results at the country level. Management committed to develop and apply a results framework for country strategies, and over the past 18 months has produced numerous new strategies using a new Country Strategy Results Framework (CSRF) described to the Board as:

> "CSRF represents an explicit articulation, through clear and measurable indicators, of the transition results expected from the Bank's activities in a country during the strategy period. CSRF provides a logical link between country's transition challenges through to Bank's choice of strategic priority areas and the specific objectives and results that would be influenced by its activities during the strategy period."

The CSRF is properly seen also in a wider institutional context of enhanced result setting, management and monitoring to achieve more effective overall results and more consistency and alignment of objectives across activities and incentives across the organisational structure.

The Board has reviewed the new country strategies closely, expressed broad support for the direction of change, and indicated that this work should remain a priority.

The Evaluation Department (EvD) has contributed broadly to the Bank's intensified results focus and has sought early opportunities to provide useful feedback and support to work in progress, especially at its initial stages. After numerous new country strategies were produced using the new approach, EvD decided to prepare an initial review, with three objectives: to assess the evaluability of the early examples of the new results framework, and the incorporation of key "good practice" features into the new strategies; to contribute useful feedback to country strategy discussions and the evolving work; and, to begin to build methods and metrics for EvD to use in country level evaluation work in the future.

In late 2015 EvD commissioned an external assessment of eight new country strategies using the CSRF. The work was to draw from the experience in other IFIs that have already included results frameworks in country strategies; develop from this a generalised set of good practice features for results-focussed country strategies; and, assess a sample of new EBRD country strategies against these features.

This paper summarises the resulting work, which was led by Frontier Economics with the close involvement of EvD staff. It presents an assessment of eight EBRD country strategies approved between September 2014 and October 2015 against the core objectives set out in the CSRF Design document and the good practice features identified, and summarises the main findings from this initial sample. The full version of that paper is available on request.

Executive Summary

The main strengths and weaknesses identified in the initial sample of 8 new country strategies are set out below. This is followed by a condensed set of questions and answers – questions that capture the core intended features of the new strategies as set out in the Country Strategy Results Framework (CSRF) Board document, and answers summarising the results of this review.

Strengths

- ✓ Evaluability: Compared with pre-CSRF strategies, the *new* country strategies are an overall improvement in "evaluability" (i.e. the ability to evaluate country strategies ex post).
- ✓ Priorities: The *new* documents explicitly identify actionable priorities ("strategic directions") translated into '*key themes*', with an improved selectivity and prioritization of Bank activities in country.
- ✓ Challenges and responses: Country strategies identify and describe transition challenges, planned operational response and policy dialogue for each 'key theme'
- ✓ Results framework: Country strategies include a *results framework matrix,* which attempts to link the challenges, objectives, activities and tracking indicators that are relevant for each key theme.

Weaknesses

- ↓ Stakeholders: Discussion of the relevance of the country strategies to the objectives and priorities of the country's government and key stakeholders (private sector and civil society) tends to be limited.
- ↓ Comparative advantage: The EBRD's comparative advantage is not explicitly addressed in many transition diagnostics and selection of Bank operations (such as instruments and modalities).
- ↓ Strategic directions: identification of 'key themes' follows description of the operational environment and transition challenges and, at times, the potential role of the Bank. However, the link between operational environment and strategic choices is not sufficiently explicit. A degree of 'assumed logic' is used in the analysis and selection of strategic directions.
- ↓ Resources: documents lack any discussion of the resource envelope and/or resource implications of the proposed actions.
- ↓ Intervention logic: The results framework lacks explicit review of the 'theory of change' behind proposed activities, which would include: assumptions; risks; and impact on transition reform.
- ↓ Political economy: references in the country strategies were few, and implicit and/or indirect.

Key intended design features and initial assessments

Q. Are the strategic themes in the country strategy formulated and aligned closely with the Bank's Medium-Term Directions set in the Bank's strategic plans and other strategic initiatives?

A. Perhaps implicitly; the link to medium-term directions is not made explicit in the strategies reviewed.

Q. Is the choice and combination of strategic themes and selected objectives appropriate for the stage of transition of the country?

A. Possibly; but the process and final selection of strategic themes is not sufficiently linked to the analysis.

Q. Does the strategy contain 2-5 strategic themes that are relevant and adjusted to the country's specific challenges while ensuring focus/selectivity during the strategy period? (2-3 objectives per theme; and 1-2 indicators per objective).

A. Yes, country strategies identify themes, objectives and indicators; however there is room for improvement.

Q. Is the review of the country strategy implementation 'effective' in the way performance is assessed (i.e., tracking progress based on metrics/indicators identified in the CSRF and assessing actual results by the quantitative or qualitative account of indicators)? Is it monitored via Country Strategy Updates?

A. This is not directly part of the country strategies themselves but rather the monitoring processes; excluded from this assessment.

Q. Do new country strategies contain a full assessment of the effectiveness of the previous country strategy in achieving its intended objectives? Is it made public together with the strategy?

A. All strategy documents recount past performance, but fall short of a full assessment of effectiveness.

Q. Is the CSRF fulfilling its design objectives of: keeping it simple (realistic and not over-engineered)?; striking the right balance (between strategic focus and demand-driven business)?; using appropriate and measurable indicators (of outcomes to reflect Bank's aggregate results)?; addressing the attribution issue (linking country's transition progress with the impact of Bank's activities)?

A. Yes, but the quality of results frameworks and theory of change is weak, i.e. in formulation of objectives at different levels (outputs – outcomes) and corresponding indicators at those levels; in the measurability of tracking indicators; and in usefulness to attribute outcomes/impacts to Bank activities.

Q. Does the new design fulfil the stated purpose of improving their function as a management and accountability tool?

A. Too early to tell; evidence suggests several areas for improvement.

EBRD country strategy quality assessment checklist

The analysis used 17 issues/questions to help assess the quality of country strategies. The questions drew from an assessment of 'good practice' in other IFIs with well-established country strategies, adjusted for the EBRD's context. They cover the four key areas which make up the country strategy structure: *analysis*, *selection*, *instruments*, and *results*. The scope covered by the questions in each area is summarised below. The main findings from this review are presented in the next section.

Analysis

Stakeholder expectations and priorities

To what extent does the analysis:

- *Reflect the government's transition and growth objectives, plans and priorities?*
- *Address the concerns of non-government stakeholders (for example private investors and/or civil society?*
- *Reflect feedback from public consultation?*
- *Reflect the overall medium-term strategy objectives of the EBRD?*

This set of four questions aims at checking the extent to which the expectations and priorities of stakeholders are reflected in the analysis of the country strategy. Stakeholders include the government; the private sector investor community; civil society; and the Bank.

The EBRD's expectations are captured in its overall medium-term strategy resulting from the institution-wide operational priorities identified in regular planning exercises such as the Strategic and Capital Framework (SCF) and 3-year rolling Strategy Implementation Plans (SIP).

The government's national objectives and the Bank's high-level objectives would be expected to be present in the background analysis supporting the country strategy. However, the way and extent in which the expectations from the private sector and civil society are taken into account may be less apparent.

Business environment and transition challenges

How well does the analysis identify and describe the transition gap challenges and opportunities of the business environment in the country?

The analysis of the transition gaps, challenges and opportunities in the business environment forms a crucial part of the analysis phase of the country strategy since it is the core anchor on which the set of strategic priorities are based.

The link between the business and policy environments and the transition challenges in the country needs to be well explained.

Political economy

How well does the analysis supporting the country strategy identify and describe the interaction between the political and economic processes in the country, the status of public governance and the role of institutions and stakeholder incentives to implement reforms?

The analysis in the country strategy needs to reflect awareness of the prevailing political economy conditions: the interaction between political power, interest groups and policy reform potential, and how it may influence the choice of strategic priorities. This type of analysis might be present but not as part of the strategy paper being published.

Selection

The EBRD's comparative advantage to address the country's transition challenges

To what extent does the selection of strategic directions ("key themes") take account of :

- *Past experience, knowledge and lessons from previous EBRD strategies in the country?*
- *Synergies or complementarities with other IFIs or bilateral donors active in the country?*

The two questions are meant to capture how well the analysis considers (i) the lessons from previous country strategies of the Bank; and, (ii) the interaction of the Bank with other IFIs or bilateral donors active in the country. This helps identify EBRD's comparative advantage and how it informs selection of strategic priorities.

Choice of strategic directions ("key themes")

How well are the strategic directions ("key themes") in the strategy linked to the cross-cutting themes/transition gaps/transition objectives in key sectors of the country economy?

The selection of strategic priorities is at the heart of the country strategy design. It is the most important specific element of the document, showing where the Bank expects to focus its operational and policy dialogue efforts in the country over the medium term.

A clear focus is expected on the link between strategic priorities chosen and the analysis and evidence related to the relevant transition gaps and objectives across sectors.

Instruments and modalities

Resource input requirements and availability

Does the strategy discuss the resources (technical, financial, human) to be used to implement the strategic directions during the country strategy period, in terms of overall resource envelope, relative weight attached to each priority, and location? (Does the Bank have the right resources in the right places to deliver effectively and efficiently on its country strategy?)

One would expect some discussion of resources, whether those that are needed to implement the country strategy are available, or whether additional resources are required.

Instruments (projects, TC, policy dialogue) and modalities (loans, equity, guarantees)

To what extent does the country strategy clearly identify:

- *The instruments (investment, TC, policy dialogue) and implementation modalities (debt, equity, FIs, risk sharing, grants...) with which the EBRD will implement the selected strategic directions?*
- *The coordination between the instruments (projects, TC, policy dialogue) with which the EBRD will implement its strategic priorities if not covered by relevant sector integrated approaches?*

The Bank has a set of key instruments (projects, TC, and policy dialogue) and modalities (such as loans, equity and guarantees) to implement the country strategy priorities. The identification and justification of such set of instruments and modalities are essential for the country strategy design.
The two questions aim to check how well the strategy (i) identifies those activities, linking them with the priorities in each sector, or for each cross-cutting theme; and (ii) discusses how the set of activities will be coordinated (such as across Banking and non-Banking departments) to optimise impact.

Results

Intervention logic (or “theory of change”)

How well does the country strategy identify and describe:

– *The intervention logic (theory of change) linking Bank instruments (projects, TC, policy dialogue) and modalities (debt, equity, FIs, risk-sharing, grants…) including: (i) expected transition impact results from implementing the strategic priorities of the country strategy and (ii) the causal links connecting the Bank’s activities with those results?*

– *The contextual and external factors (including assumptions and key sources of risk) which can influence the expected transition impact of implementing the Bank’s activities in the country?*

A good country strategy design should, in principle, have a well-described "intervention logic", or theory of change, making explicit the causal links between the Bank's activities and the targeted transition impact results.

The idea supporting the intervention logic is not to take for granted that the Bank's actions will lead to the expected results, but instead to explain how it will happen, making explicit the external factors (e.g. business climate; reform-minded government, etc.) that could influence the Bank's actions, positively or negatively, and ultimately the achievement of the intended transition results.

A detailed intervention logic helps to articulate possible changes to the strategy (for example in a country strategy update) when the external factors change.

Results framework

How well does the country strategy identify:

– *The various results expected from addressing the strategic directions of the country strategy in terms of outputs, outcomes and long term impacts?*

– *(i) the set of result monitoring indicators – qualitative and/or quantitative (with baseline and indicative targets) -associated with the results (outputs and outcomes) expected from implementing the strategic priorities; and (ii) sources of data and agreed monitoring arrangements (such as between HQ and RO)?*

– *The transition gap indicators being targeted by the EBRD’s actions, both macro (or top-down) indicators, and micro (or bottom-up) indicators, which can be aggregated to assess the overall impact of the Bank’s instruments and modalities*

A good country strategy design requires a robust set of monitoring indicators --an essential component of any country strategy results framework-- to monitor the implementation of the strategy.

It involves (i) a clear identification of the set of expected results, in terms of outputs, outcomes and impacts; (ii) a set of Bank activity indicators to monitor the extent in which those results are being achieved; and (iii) a set of macro and micro indicators of transition gaps in the country, which will be influenced by the actions of the Bank over time.

Main findings

The main findings of the review carried out against the specific questions identified above are summarized under the broad headings of: Analysis; Selection; Instruments; and, Results Framework.

Analysis

Government & stakeholders' objectives and priorities

There is a degree of inconsistency in the level of detail and clarity about government and stakeholder objectives and plans across strategy documents.

The 'political context' section could provide a list of key objectives and initiatives, which would help serve as a guide to the Bank's alignment and complementarity with them. It could also clear about areas which may present opportunities, but are outside of the Bank's expertise or where there is overlap with other IFIs and donors.

Clear identification of stakeholder priorities is critical when Bank operations are new and a country strategy has been developed for the first time (such as those for Jordan and Cyprus).

The country strategy for Jordan is fairly thorough and explicit on this contextual information and how the Bank's role fits within it. In contrast, the Cyprus country strategy assumes extensive background knowledge of Cyprus's economic and policy environment, and notably how that and the Bank's role fit within the Troika programme; it doesn't have an explicit description of programme objectives although these are referenced as essential guidance for Bank strategic priorities throughout the strategy.

Public consultation

Strategies do not mention the public consultation process the Bank carries out in the development of all draft country strategies under its 'Public Information Policy' (PIP); it often involves a meeting of a Bank delegation with civil society organisations.

Business environment

Business environment, structural reforms, and the assessment of transition challenges (or transition gaps) are all consistently discussed in country strategies but at different levels of detail. Indication of how much transition gaps will be closed across sectors as a result of the strategy is missing.

Social and environmental dimensions

Civil society organisation concerns about draft strategies (reported in public consultation documents) relate to the social or environmental dimensions of, and general application of corporate social responsibility to, the Bank's selection and undertaking of projects, as 'mainstreamed' into Bank's policies and activities. This suggests room for greater clarity the strategy documents.

Political economy

Internal analysis and discussion would benefit from an assessment of the prevailing political economy conditions: the interaction between power, wealth and policy reform potential, and how it may influence the choice of strategic priorities.

Selection

Transparency and consistency

There could be more transparency and consistency in showing how the Bank determines and designs its strategic priorities.

The narrative can lack explicit treatment of the choice of priorities, particularly in terms of the Bank's comparative advantage, associated risks/ expected impact of selected priorities.

There is a degree of 'assumed logic' in the strategies; for example that priorities follow from the operational environment and transition challenges as described and the potential role/ expertise of the Bank; but the links are not made explicit.

Rationale supporting the choice of key themes

It would be useful for strategies to show more clearly the application of specific criteria to selecting and developing priorities (or 'key themes').

When challenges (and opportunities) are identified as significant but then do not feature in strategic priorities, the reason (ideally with evidence) should be made clear.

For example, in the Kyrgyz Republic document, the description of the Bank's activities in the previous strategy period highlight:

> "Private sector's access to finance remained one of the strategic priorities for the Bank and in the post-crisis environment the EBRD was virtually the only lender to the domestic financial sector."

Yet, access to finance is not explicitly recognised as a strategic priority for the new period and no specific reason is given.

When a new 'theme' is introduced, there could be clearer supporting information in terms of background analysis and rationale for introducing it (and Bank's comparative advantage in doing so).

Promoting regional inclusion is a new theme in the Morocco strategy, but no underlying rationale is presented.

More evidence of the Bank's potential strengths in tackling identified issues would help; for example, a new regional office in Gaziantep in Turkey is described as having potential to improve regional development issues, but without any further support.

Bringing specialised gender capacity for first time to Tajikistan lacks supporting analysis, though the gender profile there is fairly similar to other countries in the region.

Lessons and links to strategic directions

A link should be made between continuing previous strategic directions and whether lessons informed new priorities or the decision to add new areas of focus not previously covered. It can be difficult to see/understand these links even if they may be implied. A summary of new strategic directions could usefully also flag the past set, what will be kept and what dropped.

Instruments

No discussion of resource implications

Strategies do not mention resource implications to implement the identified strategic priorities, which is a vital parameter for making choices and assessing realism. This is a significant gap in any circumstance but particularly in the Bank's resource constrained environment.

Instruments and modalities

Generally the operational responses described are comprehensive; but in some cases they are also generic/wide-encompassing, and don't clearly identify sector-specific instruments and modalities of Bank intervention.

Where operational responses described are specific and identify the instruments and technical assistance or specific programmes and cooperative initiatives the Bank will use to achieve results, there could still be more consistency in narrative when Bank activities are identified in response to some key priorities for the country.

The operational response for some key themes can be tentative and/or broad – more a scoping exercise than action plan (such as privatisation).

While examples of specific activities can be given for a specific transition challenge, there can also be cases where a challenge is described but no specific actions given and no reason stated for why not (such as outside Bank expertise, or an action area for another actor.

Results framework

Link between objectives and indicators

Objectives are not set out sequentially or along a causal chain (outputs to outcomes to impacts) and accompanied relevant indicators at each level, for example:

> "Support Kyrgyz exporters, by facilitating access to finance and improving standards"

would be better stated as:

> "**Impact:** Increased export capacity/volume
>
> **Outcome 1:** Improved access to finance for exporters;
> **Outcome 2:** Improved standards of exporters
>
> **Activities/Outputs:** as stated"

The current "hybrid" statement of objectives allows the results framework not to link indicators directly to objectives at different levels, and often only include activity/output level indicators, or not include indicators for some aspects of the objectives/activities.

Attribution to Bank's actions

Some tracking indicators define successful outcomes when the Bank is one of many influencing actors, a clear 'attribution' challenge, for example:

> "Evidence of successful enactment and/or implementation of IC-sponsored reforms related to improving the business environment"

Imprecise definition of indicators (metrics) OR activities

Tracking indicators can be defined in a broad and somewhat imprecise manner, for example:

> "evidence of improved regulatory environment, including for the non-banking sector"

Some 'activities' are broadly defined without a clear indication of the intervention modality the Bank intends to use (projects, TC, policy dialogue?), for example:

> "support development of capital market instruments for SME equity financing"

Difficult to verify or wide-encompassing

Some indicators rely on metrics that are difficult to verify metrics or very widely drawn in terms of achievable outcomes, for example:

> "number of client firms reporting increased productivity"

and

> "number and qualitative account of successful operation of innovative companies supported directly or indirectly by the Bank'"

Mix of outputs and outcomes

Some tracking indicators contain a mix of 'output' and 'outcome' measures, for example:

> "total number/volume of loans for energy efficiency projects and volume of energy savings achieved"

Overreliance on the transition impact monitoring system

The definition of many indicators depends on prospects of a future Bank operation and thus it is "delegated" to a future choice of TIMS indicators related to such potential project(s), for example:

> "evidence of … successful restructuring and the introduction of good corporate governance and business standards (baseline set at project level in TIMS)"

Generic indicators of 'success' or 'improvement'

Many tracking indicators refer to "evidence of improvement" or "evidence of progress" related to Bank activities (such as projects or policy dialogue) but without specifying what exactly the Bank will do or how such improvement/progress is, or will be, linked to Bank's activities and the benchmarks to measure success against. For example:

> "evidence of targeted regulatory/institutional reforms successfully implemented (for example…progress on Water Act, progress on energy regulator reforms"

Coverage of challenges and activities

Some key themes do not capture the challenges described in the document narrative AND not all identified activities get reflected in the tracking indicators, for example:

> "Narrowing the infrastructure gap through commercialisation, reform and efficiency" is a key theme -- but the results framework table does not include the ESCO initiative described in page 24 of the strategy document"

and

> "TC-supported dialogue" is mentioned in 'Activities' but no tracking indicator is identified"

Repeat indicators

On one occasion the same indicators are used to assess progress/success in more than one challenge, for example:

> "total number/volume of loans for energy efficiency projects and volume of energy savings achieved"