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Evaluation Department Work Programme 2011 Revised Final Report

Evaluation Department
(EvD)



European Bank
for Reconstruction and Development

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Evaluation Department Work Programme 2011

13 June 2011

During the 16 February Audit Committee discussion of the Evaluation Department's (EvD) Final Work Programme for 2011, members expressed their broad support for three basic propositions:

- EvD's Final 2011 Work Programme (WP), as proposed, reflected substantial prior consultation and agreement, was the basis for the department's 2011 resource envelope, and should guide the department's work for the remainder of the year.
- Nevertheless, with the entry into service of a new Chief Evaluator, 2011 is a transition year, making some modification in the focus and output of the department both expected and desirable. Such changes can be accommodated as appropriate through flexibility in executing the 2011 WP.
- The WP for 2012, to be put before the Committee in October, presents it and the department with a larger opportunity to review priorities and deliverables going forward.

EvD proposed to return to the Committee with recommended modifications, and subsequently did so on 19 April. This memo sets out specific recommendations put to the Committee on that occasion, as well as some further elaboration on a number of questions raised by the Committee.¹

Summary of Proposed 2011 Work Programme Changes

EvD reviewed the 2011 WP against a few key criteria:

- Are individual pieces of work still seen as priorities and likely to yield useful findings and insights?
- Would introduction of modified products allow us to examine specific issues and/or reach a wider audience more effectively?
- How might we make better use of the department's large existing pool of knowledge and analytical work?
- Can we deliver some innovative products in the short run, in order to illuminate our shared thinking about next year's work plan and products?

Against this background EvD proposed to move ahead along the following lines:

- Produce a few new pieces of thematic work in order to draw more fully upon EvD's existing analytical base and have greater reach and relevance within the Bank, both Board and Management.
- Deliver some selected Operation Performance Evaluation Reviews (OPERs) in a "lighter" and more accessible format to test whether this would improve uptake, usability and impact, again at both the Board and operational levels.
- Reprogramme some OPERs as less resource intensive Expanded Monitoring Report (XMR) Assessments based on a reassessment of their likely relevance and utility.

¹ This memo is a revised version of the memo placed before the Audit Committee and the Board in April (CS/AU/11-18). For ease of review, substantive additions to or changes in that memo are indicated with margin lines. Tables have been moderately reformatted, but are otherwise essentially unchanged.

- Postpone selected pieces of now-programmed work judged likely to be of limited “insight value”, or where project status has changed (for example, in recovery), or critical inputs are expected to be delayed.

Work Programme 2011 – Specific Proposed Changes

Proposed revisions to EvD’s 2011 WP are set out in greater detail below.

A. Special Studies and Synthesis Papers

EvD proposed two basic changes with respect to the programme of Special studies. First, as noted above, EvD would postpone a few selected Special Studies given revised assessments of their expected timeliness and/or utility. Table 1 sets out the revised list of Special Studies intended for delivery in 2011; three previously programmed Special Studies will be postponed, and one new Special Study has been added.

Second, EvD will complement its Special Studies, on a trial basis, with new products provisionally referred to as “Synthesis Papers”.

- The rationale for Synthesis Papers is that there is a large existing body of analytical work in the form of completed evaluations – which represents a substantial past investment in analysis of potential interest and relevance to operations and policy – but from which we are now extracting little value. While OPERs and XMRA’s can receive focused attention during their preparation and upon delivery, their audiences tend to be one-off and relatively limited.
- Drilling into this existing material for higher level findings and insights, and presenting it in a compact and attractive form that is accessible and relevant to a wider audience, could be a powerful additional tool to disseminate lessons. Moreover, providing insights and lessons at a more thematic level would reduce some of the internal sensitivities around project-specific findings, and avoid some of the confidentiality concerns that inevitably arise with respect to transaction-specific findings.

The intention is to prepare a few synthesis pieces that would:

- draw from existing analytical work relevant to a specific larger topic, either sectoral or thematic; little or no original research would be done
- seek to draw out from evaluated experience some consistent themes, issues, problems, and pragmatic responses that offer some general applicability
- be compact and focused, and explicitly designed to provide users with operationally relevant insights

Beyond its Special Studies and new Synthesis Papers, EvD also plans a few additional pieces of work that don’t fit neatly into either category; rather they are more intended to help improve EvD’s own effectiveness.

- First, we will produce a concise piece on “Evaluability– Practices and Experience”, which will provide an overview of processes, practices and instruments employed in other organisations to assess the effectiveness and impact of their operations. Not a synthesis of the EBRD’s own experience, it would instead be a vehicle to review practices employed elsewhere and

contribute to our own thinking about better meeting the challenges of evaluability in the EBRD.

- Second, EvD has commissioned a first-ever user survey. Soliciting the views of internal users (Board, management and staff) about EvD products, processes and engagement, the survey will provide valuable input into EvD's ongoing reflections on improvement in all three areas. The expectation is for this survey to be conducted in June, with a view to an Audit Committee discussion of its findings at an early opportunity.

Table 1 presents additional details of EvD's proposed menu of Special Studies, Synthesis Papers, and these two additional more internally focused pieces.

B. Project-specific Evaluations

EvD also proposes some limited modifications in the 2011 WP of project-specific evaluations, with the principal changes as follows:

- The standing categorisation of "in-depth" and "regular" OPERs will be dropped as lacking any meaningful distinction. New OPERs will, as a rule, be substantially more compact, but without sacrificing rigour or depth; and typically they will continue to involve field-level analysis.
- EvD has also identified a few selected OPERs that are expected to raise only a few issues and for which a concise, high-quality evaluation could be produced largely on the basis of desk work.
- Reprogramme a few selected OPERs as XMR Assessments, reflecting a variety of considerations.

Table 2 shows the proposed modified programme of project-specific evaluations, along with explanatory notes for individual items.

Implications of Proposed Work Programme Changes

The Audit Committee's 19 April review of EvD's proposed revisions identified two specific issues for which additional discussion and analysis was desired: the prospective budgetary implications of changes to WP 2011; and the implications for EvD's sampling methodology of changing the number and mix of OPERs and XMRAs. This section addresses each issue in turn.

A. Budget

The various modifications in the 2011 Work Programme set out for the Audit Committee will require some selective reallocations relating primarily to consultant and travel funding. However, the Chief Evaluator assured the Committee that any such changes would be modest, and in any event would be accommodated within the agreed budget envelope.

B. Sampling Issues

Each year a sub-set of EvD's project-specific evaluations is used to compile its reported statistics on overall institutional performance. This process is set out in detail in EvD's annual work programmes and will not be repeated here. In brief, EvD and Operations together agree a large set of projects that are "eligible" for evaluation based on specific criteria related to project status and maturity. OPERs are done for

a sub-set of these eligible investments, some of which are selected randomly and some deliberately. XMR Assessments are done for a further sub-set of eligible investments, all selected randomly; for the remaining final sub-set of eligible projects a cursory review of XMRs is performed.

Under agreed best practice evaluation criteria, only the evaluation ratings for randomly selected OPERs and XMR Assessments are used to calculate the aggregate statistics for institutional performance that are reported to the Board and shared externally; no rating from any deliberately programmed evaluation is included in the overall statistics. This process is intended to produce a set of randomly chosen evaluations of sufficient size to allow EvD to draw some general conclusions about Bank performance that are statistically justified and comparable over time.

Thus the question arises whether the modified sample of evaluations now being proposed for WP 2011 continues to satisfy the statistical criteria on which the original work programme had been built. Will EvD's proposed changes undermine the integrity of the 2011 evaluation sample for the purposes of making defensible statements about wider Bank performance? The short answer to this is no; the implications of the proposed changes are modest from a statistical perspective and can be accommodated within best practice methodology.

First, the Evaluation Cooperation Group's Good Practice Standards, to which EvD adheres, establishes targets for sampling confidence and error to be applied to a three-year rolling sample. The potential for unavoidable deviations on an annual basis is thus recognised and can be accommodated within the methodology.

Second, only four of the proposed reclassifications of project-specific work (OPERs and XMRAs) actually affect the composition of the random pool, and therefore the institutional ratings. (These are the XMR Assessments that have been reclassified as XMR Reviews.) Statistically, the effect of this is to reduce the 2011 coverage ratio from 53 per cent to 49 per cent (that is, evaluated projects/projects eligible for evaluation); with a confidence level of 95 per cent, this raises the sampling error to 5.22 per cent, which is slightly above the 5 per cent specified by best practice. This small increase in the sampling error can either be accommodated within the three-year envelope or corrected by randomly reclassifying four XMR Reviews and Assessments. EvD's intention is to offset the small effect through the 2012 sample.

Conclusion

This report presents EvD's revised work programme for 2011, and incorporates responses to specific issues raised by Audit Committee members. Details of the new the new work programme follows.

1 : Special Studies (SS), Synthesis Papers (SP), and Other Work (OW)

- Technical Cooperation – Insights and Lessons -- Review of a selection of completed TC OPERs to identify frequent issues, extract lessons of broad applicability, and provide an operationally relevant and user-friendly synthesis.
- Corporate Recovery (Distressed Assets) – Insights and Lessons -- Examination of selection of post-crisis corporate recovery cases, completed evaluations, and practices in other institutions to identify common issues around, for example, vulnerability, early warning, information flow, and so on. This paper would respond to IA Recommendations regarding Management of Impaired Assets, and could feed into a possible workshop for staff.
- Financial Institutions (FI) – Insights and Lessons -- A synthesis of findings from 29 completed evaluation reports (OPERs, TC OPERs and Special Studies) on the FI sector between 2007 and 2010 to identify issues and lessons relevant to operation design and execution.
- Evaluability – Practices and Experience – This piece will provide an overview of processes, practices and instruments employed in other organizations to assess the effectiveness and impact of their operations. It would not be a synthesis of the EBRD's own experience but instead an examination of practices employed elsewhere and their possible applicability to EBRD's activities and challenges.
- Local Capital Markets and Financial Intermediation -- A Special Study reviewing EBRD's promotion of local capital markets, including local currency lending/bond issuance and borrowing through 2008.
- EBRD Nominee Directors -- Already in the 2011 Work Programme, but the paucity of baseline data is identified as a major constraint to meaningful findings. Revised proposal would focus on developing baseline data this year, with an evaluation in 2013 then based on two years of performance.
- Equity Exits -- A Special Study on EBRD's exits from direct equity investments 2006-2010. Follow-on to previous Study completed in 2009. Study issues for coverage subject to scoping.

2 : Project-Specific Evaluations

- Leasing -- Lighter OPER planned, focusing on rationale, results and lessons learned from strategic effort to improve corporate governance.
- Finance-- A crisis response undertaking in the form of balance sheet restructuring, since pre-paid. Propose to evaluate selected issues in place of full-fledged OPER.
- Oil-- An oil exploration company, over-dependent on a few key contracts subsequently cancelled or suspended during the crisis. Currently in Corporate Recovery. No site visit will be possible, with lighter evaluation to be based on a file review and interviews.
- MSME Financing Framework -- Will seek to encompass modalities of measuring development outcomes, including ex-ante and ex-post benchmarks
- Equity-- To be reviewed following fuller examination of potential TC candidates; another TC project/framework may offer more potential from an evaluation perspective.

3 : Expanded Monitoring Report Assessments

- Property Fund-- Formerly an OPER; approved in 2007, crisis-hit after a slow start, and no further investments made. No physical construction has taken place. An XMRA will be sufficient.
- Environmental Investment Fund -- Still a question mark as no XMR yet planned.
- Equity Fund -- Reclassified from OPER to XMRA as several previous studies on funds have identified product-level lessons and recommendations

4: Summary of all WP2011 Revisions

- Corporate Sector Automotive -- Postponed to permit new work, and subject to further review of priorities within Manufacturing and Services.
- Country-level Evaluation -- Postponed; subject to further review of desired focus and outputs.
- EBRD Policy on Concessions -- Reassessment and consultations indicate limited postponement in favour of a re-think in terms of potential outputs and value of findings.
- Financial Sector Framework -- Substantial OPER work completed in recent years; only limited disbursements from 3rd Phase.
- Transport project-- Postponed in view of major restructuring of the operation in Dec 2010.
- Manufacturing -- Status of investment program makes it premature for evaluation in 2011.
- Agribusiness-- OPER already in progress on project in Serbia.
- Communications project -- Small project with limited wider significance.
- Property fund-- Formerly an OPER; fund approved in 2007, crisis-hit after a slow start further investments made. No physical construction has taken place. An XMRA will be sufficient.