

APPROACH PAPER

The EBRD's Experience with Resident Offices

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EBRD EVALUATION DEPARTMENT



European Bank
for Reconstruction and Development

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1. Introduction

1.1 Name and nature of the evaluation

An evaluation of the EBRD's *Experience with Resident Offices* (ROs) is included in the Board-approved Evaluation Department's (EvD's) 2014 work programme. Preliminary work on the evaluation started in 2014 and will be completed in 2015.

The study is a new type of evaluation for EvD – a so-called corporate evaluation that looks at an EBRD business process, or organisational and/or management issue in as much as these influence the relevance, results, efficiency and sustainability with which the EBRD delivers its various products and services in furtherance of its mandate. Such evaluations are routinely carried out by other independent evaluation offices of international finance institutions in recognition of the fact that organisational structure, management, and internal practices and processes influence the extent to which the institution achieves what it is expected to achieve.

1.2 Rationale for inclusion in the work programme

As shown in Section 1.3, the Bank established a field presence from its earliest days. Since then the Headquarters (HQ) has grown and so has the field presence (see section 1.3.2). The Bank has never had a formal guiding policy for the establishment of resident offices or more generally on decentralisation, and there has only been one (relatively modest) attempt (in 1999) to formally review achievements and set future direction.¹ A more recent effort (in late 2013), charged a small team with delivering a paper to the EBRD's management committee, Excom, on the EBRD's approach to "*decentralisation and delegation of decision-making and how this could have a positive impact on increasing efficiencies and promoting the feeling of belonging of staff to one Bank.*" EvD understands that a draft paper was prepared but that it was decided to put the effort on hold pending completion of the work of a process efficiency task force. That management intends to revive this work at some point provides a strong rationale and ready audience for the evaluation.

The EBRD's Board is also keenly interested in the topic from multiple perspectives – for example, cost effectiveness; scope of activities and performance expectations; division of authority and labour with HQ. A recent discussion in its Budget and Administrative Affairs Committee around the opening of a resident office in Athens (see section 1.4.3) surfaced some of these issues.

Thus the objective of the evaluation is to provide board and management with a set of findings and recommendations aimed at enhancing the effectiveness and efficiency of ROs towards delivery of the EBRD's mandate.

1.3 Background

1.3.1 Defining some terms

Not surprisingly in the absence of any guiding policy, the EBRD has no accepted definitions for terms relevant to the establishment of a field presence. In order to better understand what the EBRD is doing in a management sense with its field presence, the evaluation team has drawn on management literature to

¹ EBRD. (1999). *An Outline of the Role of the Resident Office Network for the Medium Term* (Addendum 1). This was supported by another paper issued at the same time – *An Outline of the Human Resource Strategy of the Bank for the Medium Term*.

define four terms with decentralisation being considered a generic term and three degrees of decentralisation – deconcentration, delegation and devolution. There is no generally-accepted definition of the terms - rather, the evaluation team has chosen or adapted those definitions it considers best serves the purpose of the evaluation (see Table 1).

Table 1: Definition of Terms

Term	Definition
Decentralisation	The granting of a measure of autonomy or independence to sub-units or groups within an organisation.
Deconcentration	Delegation of selected authorities and responsibilities away from the headquarters to largely non-autonomous lower-level units
Delegation	Significant delegation of authorities and responsibilities to semi-autonomous lower-level units.
Devolution	The transfer of authorities to autonomous lower-level units.

Source: Drawn from various sources by the evaluation team.

Of the above terms, deconcentration most strongly implies a geographical dispersal of authorities and responsibilities, such as through the establishment of a field presence, while delegation can equally take place in the same location as elsewhere.

The above concepts are useful, but they may not be sufficient to capture the value-added of a field presence because, to varying degrees, they involve moving existing authorities and responsibilities around, and sometimes also the people that carry them out, in order, presumably to do things more effectively and/or more efficiently. However, these terms do not capture the opportunities that may arise from a dispersal of authorities and responsibilities to do different things, and/or to do things differently in different places (customisation to a local context). The EBRD's countries of operations and its clients show considerable diversity – a local presence and local knowledge could help the EBRD customise its products and services and even to innovate to address specific local challenges, provided of course the staff in the local context are empowered and rewarded for doing so. Addressing country and client diversity could be an important concept associated with establishing a local presence. These issues will be considered by the evaluation and have been explicitly reflected in the evaluation results framework (see section 2.1.4 and annex 2).

1.3.2 Numbers of ROs and staff assigned

Getting data on the number of resident offices and the numbers of staff assigned to them is obviously basic factual information required as part of a description of the EBRD's experience with resident offices. However, it has not been easy to obtain complete and definitive data, a problem that has implications for the evaluation and may already signal a possible recommendation. Data is affected by definitional issues – for example, is a person a staff member of a resident office based on their own physical location or on the location of the person the staff member reports to? It is actually the latter. Because of multiple categories of staff present in resident offices the information required to get a complete picture is scattered across a number of departments and even then, it may not be complete or up-to-date.

Work on confirming the data is ongoing. However, preliminary analysis of the number of ROs shows that:

- The Bank as of writing had 50 ROs in 32 countries of operations. It also has a representative office in Brussels and has proposed further such offices in Tokyo and Washington DC; these are not included in the scope of the study.
- In addition to resident offices in the capital, there are 18 satellite (this word is used to avoid confusion with the term regional hub) offices in 6 of the countries of operation – Kazakhstan (5), Kyrgyzstan (2), Russia (6), Turkey (3), Tajikistan (1) and Ukraine (1) – see Annex 1 for a map.
- Not included in the above figures are 3 ROs closed in 2007 (Czech Republic, Estonia and Latvia). Also not included is 1 satellite office closed in 2010 (in Dnepropetrovsk). Included, however, is the RO in Slovenia, which while closed in 2008 was reopened in 2014.
- The Bank moved rapidly to establish a field presence – in its first 3 years of operation it opened 18 offices.
- Over the balance of the first decade a further 11 offices were opened, including the first 3 satellite offices (all in Russia).
- Eight new offices (4 of them satellite) were opened in the next decade between 2000 and 2009 while 4 were closed.
- Since 2010, 17 new offices have been opened (11 of them satellite offices) driven in part by the extension of operations to the South and Eastern Mediterranean (SEMED) region and in part by the full incorporation of Small Business Services (SBS) offices into the Banking Department.

The data on staff numbers in ROs are confusing. The RO Unit in Human Resources Department (HR) maintains data on staff located at ROs (whose principal place of assignment may be at either the RO or HQ). These include both headcount (regular staff and those on fixed-term contracts) and non-headcount positions (TC funded, fixed and short-term, and a variety of other types including general service, interns and secondees). Within both headcount and non-headcount categories staff may be overtime eligible (OTE) or non-overtime eligible (NOTE). There is another category of staff whose principal point of assignment is HQ but who are located in ROs – these have been mainly sector bankers but now also include lawyers from the Office of General Counsel (OGC) and economists formerly from the Office of the Chief Economist (OCE) – or more recently, the economists concerned come from VP Policy and Partnerships.

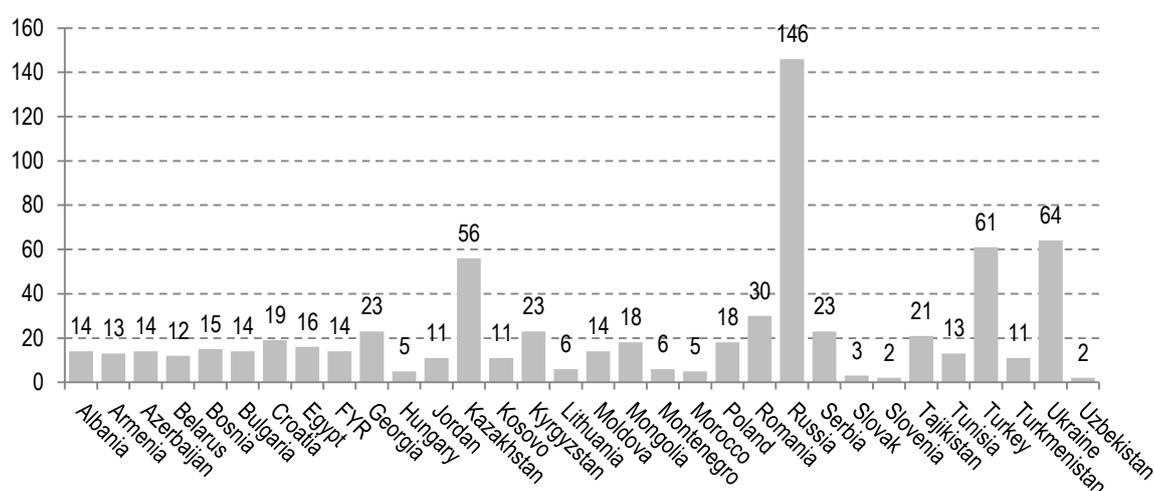
Again, analysis of staff numbers in ROs is ongoing but preliminary analysis shows:

- Data provided by the RO unit of HR up to September 2014 (not including assignees from headquarters and not including the reopened Ljubljana RO or the new Nicosia RO opened in December 2014) showed 703 staff members in ROs, of which two-thirds (465) were headcount and one-third (238) were non-headcount.
- The distribution of staff by country (not including assignees from HQ) is shown in Figure 1. Russia accounts for by far the largest number of staff in country and its main office is the largest. Russia is followed by three mid-size countries by staff numbers – Turkey, Ukraine and Kazakhstan. By size of main office, these three countries are joined by Romania using a cut-off of 30 staff. There are 7 main offices with 6 or less staff while the balance of 20 offices has between 11 and 23 staff. This suggests a categorisation of 1 large office, 4 mid-size offices, 20 small offices and 7 very small offices. All satellite offices have less than 11 staff.
- HR further indicated that 80-100 staff on the HQ headcount are located short or long-term in ROs.
- EvD has also been to establish from the data that there is currently a 74-26% split between HQ based staff and RO based staff, and that this allocation has not changed much over the past 15

years. However, EvD has thus far not been able to independently establish the oft mentioned 50/50 division between HQ and ROs of banking staff mentioned in a number of strategic Bank documents, although some banking group staff numbers provided by Budget have broadly confirmed this split.

- EvD noted marked shifts in the years 2008 and 2009 in the numbers of headcount vs non-headcount, support vs professional, regular contracts vs short term etc.) for which the Bank's crisis response was apparently a major contributor. Specifically, in 2009, a supplementary budget was presented to the Board, as part of the Bank's crisis response, which covered an increase in the number of professional recruits at ROs to deal with the greater volume of projects. Furthermore, a number of donor/TC funded positions in ROs were internalised in 2010, which primarily involved SBS staff.

Figure 1: RO Staff



Source: EvD analysis of data provided by HR RO Unit

EvD has the following outstanding questions it has addressed to HR's RO Unit.

- Confirmation of the total number of personnel (all categories) currently based in ROs;
- How may EvD independently establish the split between HQ and ROs of banking department staff as well as other departments/functions;
- Verification of EvD's analysis of the RO headcount data and longer term patterns identified by EvD (e.g. that until at least 2004, RO staff were not considered as headcount);
- Guidance as to what the classification in the HR data of some ROs as 'non EBRD offices' refers to.

1.3.3 Document review: EBRD policy on ROs

Unlike several other international financial institutions, the EBRD does not have a current explicit policy on ROs or decentralisation. However, particularly in the early days of the Bank and during its first decade *de facto* policies were established. In preparation of this approach paper EvD reviewed a range of strategic documents which collectively reveal a pattern of behaviour that has coalesced and evolved over time to form an implicit strategy (this historical review of the evolution of the EBRD's field presence is now complete). Documents reviewed by EvD included Board documents seeking approval to open a RO (only

present for the more recent RO openings), documents on the matrix management structure, various reorganisations in the Bank, annual business plans and budgets, capital resources reviews and country strategies. The document review identified the following significant points:

- Article 33 of the Basic Documents provides that “The Bank may establish agencies or branch offices in the territory of any member of the Bank.”
- Documents from 1991 and 1992 indicate the roles of ROs were to (i) to represent the Bank, (ii) promote the Bank’s services (i.e. mobilise finance and TA), including connecting headquarters with business opportunities, including some initial screening and (iii) facilitate operations by means such as assisting visiting missions, providing basic guidance and advice to the private sector and, if authorised, sit on boards as EBRD representatives.
- As part of the 1994 reorganisation merging merchant and development banking, ROs gained further functions – namely, project generation (specifically with local partners), implementation support and monitoring, marketing, pursuit of opportunities with financial intermediaries, and support to local SMEs, small projects and more complex privatisation and restructuring projects. Thus the role of ROs evolved from simply representational offices to a greater operational function.
- In 1999, a medium-term strategic direction paper reflected the shift to a greater operational role, in stating that the strategic role of ROs is ‘to increase the efficiency with which the Bank can deliver projects, improve their quality and transition impact, and to widen the range of potential projects from which the Bank can choose’, thereby serving transition.
- Since 2008, there has been increased strategic consideration of the use of different operating models including a growing number of satellite offices; the creation of hubs; and, since 2013, the posting of economists, and other support functions in ROs (although lawyers were present in Moscow from 2006).
- There has been no formal assessment of the RO system despite the fact early board papers indicate that the experience with ROs was to be reviewed regularly through the budget process. A review of budget documents shows a status update but there is no review.
- Over the years, assertions have often been made for “increased productivity achieved partly through efficiency gains in the project processing cycle” and “enhanced use of the network for implementation;” however supporting argumentation and evidence has not been presented. CRR4 asserted that RO network had “strengthened the effectiveness of the Bank’s transition, strategic and operational objectives” but no evidence presented to support these claims.
- Early papers refer to a commitment to decentralisation, “to pursue the objective of cost effectiveness and that the EBRD will scrutinise carefully the costs and benefits of enhanced local presence.” However, once again there is little documented evidence on the efficiency derived from having ROs. On the contrary, CRR4 acknowledges that local presence can increase overall costs, and it proposes more hubs to partly offset this.
- In terms of the framework for establishing EBRD resident offices, the EBRD has host country agreements with 28 countries, meaning that there are 8 countries where the EBRD operates without having a host country agreement in place (one country without a host country agreement is Moldova where there is a law in place that reportedly covers the areas normally covered by a host country agreement). There is a range of quality of legal frameworks, with the

longer, later host country agreements considered adequate to facilitate EBRD operations and to protect the EBRD's special status.

1.4 Preliminary Consultations

1.4.1 Headquarters perspectives

To inform the approach paper the EvD team interviewed 9 senior staff from banking (both in sector and country teams) and non-banking, predominantly based in HQ.

- All confirmed the importance of this study and in particular that addressing questions on decentralisation of authority and HR issues would be a timely input to inform ongoing discussions on the RO network.
- Concerning RO function, some interviewees viewed ROs as being at the service of banking while others viewed them as part at the service of the whole Bank. Interviewees also reflected different views regarding the role and value of ROs in policy dialogue.
- On the matrix architecture, several interviewees mentioned that they considered the sector-country team partnership as a useful tool in principle, or even a key strength for the Bank. Others differed asking whether the matrix works provides for the right balance of power between sector and country teams. The general opinion was that the matrix currently functions, but could be considerably improved through a rebalancing of authority and decision making more equally between sector and country teams, in parallel with greater decentralisation of other functions and staff, such as legal and economists.
- Regarding the performance of ROs, most interviewees reflected that this is an important issue to explore. Interviewees noted that annual business volume currently plays a greater role in performance assessment than other contributions.
- Interviewees mentioned several ongoing challenges including how to get the right skills mix, how to ensure good leadership in ROs, and how to run small offices more flexibly (adjusting to the inevitable swings in workload in a small office) and effectively (having the right skills available when these may only be needed periodically).

1.4.2 View from the ROs

In order to understand how this study might most usefully serve those working in ROs, feedback was received from 15 Heads of Office.

- All heads of office considered that local presence is critical to EBRD success.
- In terms of RO function, the question of the extent of RO involvement in policy dialogue was one of the least uniform areas of agreement; some commented that RO had a critical role to play in leading policy dialogue, with others considering that the approach was and should be led by sector teams and senior staff.
- In terms of matrix organisation, heads of office noted the complexity of the matrix organisation within an RO, identifying decision-making, dual-reporting, HQ-RO communication and budgetary mismatch concerns. Suggestions were made to improve performance and the contribution of ROs through further decentralisation of support functions and increased two-way engagement between RO and HQ.

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- An important reflection in heads of office feedback was how RO performance is currently assessed within the matrix. RO support systems concerns were identified, notably including in the HR duty of care and career management/selection of heads of office and staff, which are seen as not supporting interconnectedness, matrix development and ultimately, helping ROs maximise their contribution to the Bank's transition mandate.

1.4.3 Views from the Board

The evaluation team did not speak to any Board members in preparation of this approach paper although it will do comprehensively so as part of the evaluation itself. Rather, for the purposes of this approach paper it has taken points made in a recent discussion by the Budget and Administrative Affairs Committee on the proposal to open a RO in Greece as indicative of some of the Board views on ROs – this case was chosen as it is not only the most recent discussion but it is also, reportedly, the first time Management has presented a cost/benefit analysis in support of its business case.

- Inclusion of a financial cost-benefit analysis in the business proposal was seen as a very welcome step
- However, some members called for a wider analysis in future business cases beyond only financial items, such as transition impact and economic return
- There was considerable discussion on the budget request and concern that the supplementary budget not be used to supplement what could have been foreseen, but was not asked for, in the main budget, and what was seen by some as “padding” of the budget request to include incremental HQ positions
- Issues were also raised about the size of the RO (numbers of staff to be recruited)
- Some members requested more clarity from Management on the split between fixed term contracts and open ended contracts for the positions requested (uniquely, the Athens RO is proposed to be established for only a limited period so the nature of staff contracts is particularly important)
- Some concerns were expressed about redeployment of other RO resources – in particular the extent to which the Athens RO could be supported by staff in Istanbul and also Moscow

1.5 Other relevant evaluation work

The evaluation team looked at methodologies and findings from recent evaluations from other development financial institutions which included the Asian Development Bank (2007 and 2013), IFAD (2007), African Development Bank (2009), and FAO (2013). The World Bank Group (2010) also conducted a study looking at the effectiveness of its internal matrix organisation. The main points emerging from this review of other evaluation work that might be relevant to the current study are:

- All but one of the evaluations emphasised the lack of a clear results framework providing a comprehensive set of targets against which performance could be assessed.
- In terms of findings, the reports confirmed that development organisations consider field presence essential to their effectiveness.
- The reports emphasised that decentralisation has largely been well appreciated by shareholders and clients, with some visibility improvements emerging as a consequence. However, some reports note only a minimal effect in terms of strengthened ties with regional economic entities,

the private sector and civil society from the networks – in other words, they tend to be inward looking and focussed on institutional priorities more than outward-looking and focussed on client priorities.

- Reports suggest that decentralisation is associated with increased costs, and though they suggest it brings improved portfolio management. The reports are unclear on the extent to which this has led to overall improvements, and indicate that efficiency gains are not automatic.
- Several studies also indicated resident office staff concerns over career progression and insufficient delegated responsibility.
- The reports included several common recommendations to improve performance, calling for increased delegation of the support function either to regional or resident office teams, skills development, and invariably, increased connectivity between ROs and HQ.
- In terms of institutional approach recommendations, reports differed in emphasis. The initial AfDB report suggested a move from a resident mission policy to a decentralization strategy. Similarly, the IFAD report stressed that ongoing institutional reform processes must take full account of the decentralization of operations. The AsDB report recommended taking a differentiated approach to decentralising operations to meet the diverse regional development contexts, demands, and priorities.

2. Study scope and methodology

2.1 Scope

2.1.1 Time frame

The evaluation period will be from the date of establishment of the EBRD to the point of evaluation. The study needs to go back to the beginning as ROs were envisaged right from the establishment of the EBRD and indeed the first ones were established shortly thereafter. This review of the evolution of the EBRD's field presence has been completed as part of preparation of the approach paper. The evaluation from this point on will focus on the recent past, present and future.

2.1.2 Geographical scope and types of office covered

All offices in the EBRD's countries of operation will be covered, at least in terms of desk-based analysis. Offices in countries of operation include the principal office and all satellite offices (the word satellite is used rather than regional to more clearly distinguish between these and regional hub offices). Most if not all principal offices and a selection of satellite offices will be visited by at least one team member (see section 3.1 for details of the team). Representative offices will not be included in the scope of the study.

2.1.3 Evaluation questions

Evaluation studies are typically structured around a small number of questions to guide data gathering and. The core questions to be addressed by this evaluation are two. The first aims to establish the rationale for having ROs in terms of the expected results or expected value-added; the second to evaluate the extent to which those expectations have been met, and whether there have been any unanticipated results.

- Q1. What are the expected and realised results from the RO system (see next section and the preliminary results framework in annex 2 for further details on results)?

Q2. Does the EBRD have the balance right in its RO system with regard to:

- (i) Formal and informal rules, norms and practices, statements of purpose and policies with regards to ROs?
- (ii) ROs serving the needs of the whole Bank versus the needs of banking
- (iii) Country and sector teams in the matrix reporting and management system
- (iv) Management authority of the head of RO (Director or Head) over RO staff and country operations
- (v) Centralisation in HQ versus delegation of selected authorities and responsibilities to ROs
- (vi) The deconcentration of staff, skills and functions to ROs versus their location in HQ
- (vii) Corporate control (financial and administrative oversight) for ROs is centralised versus diffused across a number of HQ departments?

There is clearly a time dimension to the first question as expectations have changed over time. The second multi-part question seeks to explore some of the factors identified via document review and interviews as being an influential part of value added.

2.1.4 Results framework and theory of change

As part of preparing this approach paper, a preliminary results framework for the contribution of ROs was prepared (see annex 2). The evaluation itself will validate the theory of change and use it as the basis for assessing the contribution of ROs to results achieved by the EBRD. Clearly, it is not possible to include all the results from the RO system,² nor all the causal links between these. However, it does provide a framework to thinking about what results are expected from the RO system, and how these are to be achieved.

2.1.5 Indicators, data sources and analysis

As noted above, data gathering and analysis will be directed towards answering the evaluation questions. The discrete types of data to be gathered, the indicators to be used, sources of data, collection methods and commentary of any data limitations along with strategies to overcome these are all contained in an evaluation design matrix (see annex 3), while methods are further elaborated in the next section.

2.2 Methods

The methodology proposed has taken into account a number of factors: (i) this evaluation serves the learning purpose of evaluation more than the accountability purpose so understanding the reasons behind the evidence is as important as the evidence itself; (ii) much of the required information resides in people's minds rather than being documented; (iii) the importance of using mixed methods and qualitative as well as quantitative data; and (iv) given the subject of the evaluation, the essential need to have comprehensive coverage of field work. The methodology will have the following elements, each of which is further elaborated in following sections.

- (i) Document review

² The evaluation uses the terms RO network and RO system as separate concepts. The RO network is what it says – the network of ROs in the EBRD's countries of operation. The RO system on the other hand encompasses the HQ-RO interaction and the policies, processes and procedures that guide actions and interactions.

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- (ii) Quantitative data gathering and analysis
 - (iii) Structured interviews
 - (iv) Field visits
 - (v) Case comparisons – EBRD/EIB and EBRD/IFC
 - (vi) Survey(s)

2.2.1 Document review

The following types of documents will be the main ones reviewed for relevant information. A fair proportion of this work has already been undertaken in preparation of this approach paper.

EBRD documents

- (i) All strategy documents (capital resources reviews, country strategies and *ad hoc* policy and strategy documents) that contain information on the EBRD's strategy and policy towards ROs, whether implied or explicit.
- (ii) Documents on Bank restructuring and management arrangements (particularly the matrix management system)
- (iii) Host country agreements and similar.
- (iv) Job descriptions for Heads of ROs
- (v) Business cases for the opening of new ROs (only available for more recent openings)
- (vi) Internal performance assessment of ROs to the extent these exist
- (vii) Budget documents (non-quantitative aspects)
- (viii) Audit reports relevant to ROs
- (ix) Reports relevant to ROs by the Office of the Chief Compliance Officer
- (x) Documents/media reports held by Communications Department relevant to ROs
- (xi) Other EvD evaluations.

The team will analyse (and indeed has already started to) this qualitative data using its qualitative data analysis software, MaxQDA Plus.

Non-EBRD documents

- (i) Evaluations by other international finance institutions of their field presence or decentralisation policy
- (ii) Management literature on decentralisation.

Again, most of this work is complete and MaxQDA will be used to analyse this material.

2.2.2 Quantitative data gathering and analysis

Two types of quantitative data will be gathered and analysed. The survey(s) will also yield quantitative data but this is dealt with separately under section 2.2.6. Use of MaxQDA Plus will also allow the generation of some quantitative data from the qualitative data.

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- (i) Time series data on staff numbers present in ROs by type of staff, employment arrangement, RO headcount/non-headcount, overtime eligible/non-overtime eligible, and staff turnover. Work on this was carried out as part of approach paper preparation and it will be refined as the study progresses but the aim is to get indicative figures rather than precise numbers given definitional problems and the constantly changing situation.
 - (ii) Times series data on budgeted and actual expenditure on ROs with an aim being to establish the cost side of the cost/benefit equation and some idea of the incremental cost (if any) of having a field versus a totally HQ-based staff complement.

The data will be analysed using Excel.

A further level of quantitative analysis may be carried out if this proves feasible. For the first time ever, at least as far as the evaluation team knows, Management prepared a financial model showing the payback period as part of its business case for opening a RO in Athens, something that was welcomed by the members of the Budget and Administrative Affairs committee. The evaluation will assess this model and will consider whether it could be used as part of the evaluation. Of course, a full cost-benefit analysis would be useful but this is likely beyond the limits of the data availability to support the quantification of benefits (looking at the results framework in Annex 2 shows the potential problems that might exist in benefit quantification). Nonetheless, the evaluation will consider the feasibility of such an analysis, even for a single RO and on a partial basis (that is, not considering those benefits challenging to quantify).

2.2.3 Structured interviews

Interviews will be an important part of the methodology because, as with the evaluation of the EBRD's experience with policy dialogue in Ukraine, much of the required information exists only in people's minds. Interviews will be structured to facilitate analysis with MaxQDA Plus. Structuring will be according to type of interviewee and further in some cases to the particular function or past experience of the interviewee. The main types of interviewee will be:

EBRD

- (i) Board members – both representing countries of operation and others
- (ii) Senior VP
- (iii) Country and banking department MDs and directors
- (iv) Other – executive counsellor and head of small business investment committee
- (v) Head of RO
- (vi) Other RO staff
- (vii) VP human resources and corporate services; managing director human resource; directors of information technology and administrative services; deputy directors of talent management, performance and reward, business partnering; senior human resources business partner resident offices; senior mobility officer; and lead reporting and analytics for human resources information systems
- (viii) VP policy and partnerships; managing directors of external relations and partnerships, and country and sector economics
- (ix) VP risk; managing directors risk management, and environment and sustainability
- (x) General counsel; lead and chief counsel

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- (xi) VP finance; managing director financial strategy and planning; director local currency and capital markets development; deputy director financial strategy and business planning; head of budget
 - (xii) Others – head of internal audit, chief compliance officer; managing director corporate strategy; chief economist
 - (xiii) Director communications department; deputy director internal communications; editor-in-chief; senior media manager; and unit heads long-term communication output, and business information services
 - (xiv) Former heads of ROs now in other positions in the Bank.

Non-EBRD

This group of interviewees will be almost exclusively at the field level. It will comprise the following types of interviewees:

- (i) Business associations
- (ii) A random sample of EBRD clients
- (iii) Heads of other international finance institutions resident offices; heads of EU and UN offices
- (iv) EBRD contact points in ministries of finance and central banks; other important ministries depending on sectors of EBRD engagement
- (v) Selected media contacts
- (vi) Selected non-government and community service organisations
- (vii) Possibly, recently-retired former heads of EBRD ROs.

Notes will be made of all interviews. These will be shared with interviewees for correction and addition as they see fit with all notes held on a confidential drive. The interview notes will be analysed using MaxQDA Plus, producing both qualitative and quantitative output.

2.2.4 Field visit coverage

An evaluation of the EBRD's experience with ROs would lack credibility and may miss important information without visiting the great majority of offices. Accordingly, the four-person evaluation team will divide into rotating pairs to visit as many ROs as is possible (the larger ROs will be visited by 3 or 4 team members), and up to half of satellite offices.

The types of interviewees to be met are covered in the previous section.

2.2.5 Case study comparisons

Consultations carried out for preparation of this approach paper brought up the issue of the EBRD's business model compared to that of the European Investment Bank (EIB). As far as the evaluation team understands, the EIB had few or only small ROs, but it shares many of the same clients or same types of clients with the EBRD in its countries of operation – often co-financing operations managed by the EBRD. In serving the same type of clients it appears to have a different *modus operandi*. This provides for an interesting comparative case. In preparing the case, the evaluation will:

- (i) Analyse the structure of the EIB and EBRD portfolios for selected countries to highlight differences in terms of nature of clients, sectors of operation, size of operation

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- (ii) Understand the differences in mandate of the two banks and how this plays out in terms of business processes
 - (iii) Discuss with EIB the reasons why it does not have a similar RO network, why it chooses to work with the EBRD frequently, and to what extent the existence of the EBRD's RO network plays a role in the decision to work with the EBRD.

Recent information to hand indicates that the EIB has now opened “an extensive network of offices across Europe” and what this means in practice will be explored by the evaluation.

A second comparative case will look at the structure and function of the International Finance Corporation of the World Bank Group (IFC) and EBRD representation in a selected country (or countries). IFC is generally considered to be the EBRD's closest comparator among the international finance institutions. Until recently at least (EvD understands changes may have been made recently, or may be planned though details are not available), IFC offices were structured to create a clear separation between advisory services/policy dialogue and the investing activity. The EBRD does not have such a separation. Some of those consulted by EvD (both within and outside EBRD) during the evaluation of the EBRD's experience with policy dialogue in Ukraine considered that some of the Bank's advice served the interests of the EBRD's investing activity more than it met the needs of the country. The evaluation will carry out the comparison for a single pair of ROs initially, and then make a decision whether further evidence is needed. If indeed changes have been made to the structure of IFC offices, the nature of and reasons for the changes will be documented. The strengths, weaknesses, opportunities and constraints of the two systems will be identified.

2.2.6 *Survey(s)*

To provide more quantitative data to supplement interviews, the evaluation will conduct an anonymous interview of EBRD staff. The survey instrument is yet to be designed. However, experience with a survey conducted for the evaluation of the EBRD's experience with policy dialogue in Ukraine will be used. EvD's counterpart in the Asian Development Bank has provided a copy of the survey instrument used in its recent evaluation of ADB's decentralisation policy.

Two other surveys will be considered – a survey of EBRD clients and a survey of in-country representatives of other international finance institutions and bilateral development financing entities. The decision on whether to proceed with this either comprehensively or in selected countries will be made on the basis of whether contact lists can be developed and the extent to which translation might be necessary.

The evaluation team will also look into the possibility of using the EBRD's 2014 client survey to extract information relevant to the evaluation.³

2.3 Deliverables

Outputs of the study will be:

- This approach paper
- A one-page information sheet on the evaluation
- A final report of 30 to 35 pages of main text with a limited number of annexes
- A set of companion documents compiling the evidence base in more detail – available on

³ See <http://www.ebrd.com/news/2015/ebrd-client-survey-reveals-high-levels-of-satisfaction.html>

request for those that wish to access it

- A presentation to the Audit Committee
- A web summary
- A video clip for online viewing
- A brown bag presentation

2.4 Potential problems and limitations of the study

A significant problem faced by the study is the fragmented nature of quantitative data – both human resource and financial data – for ROs. Not only is the data fragmented but so is the responsibility for ROs within headquarters. The study will have to work within these limitations and will in any case not seek to generate precise figures as noted above.

The EBRD has never had a formal policy on ROs or decentralisation and documentation on ROs is sketchy at best. This limitation will be addressed by a heavy focus on interviews and surveys to extract the required information from people's heads. Fortunately, there is a sufficient degree of institutional memory with a number of well-informed long-serving staff members.

3. Administrative arrangements

3.1 The evaluation team

The evaluation team will consist of the following EvD staff members:

Keith Leonard, deputy chief evaluator, evaluation leader – in addition to serving 7 years in the Asian Development Bank's independent evaluation department, he was director of ADB's regional office in the South Pacific. In the course of his evaluation work he worked with staff in many of AsDB's ROs as well as routinely engaging with ROs of other international finance institutions. He has owned, managed and been on the boards of a number of SMEs (turnover up to \$7 million) and has been heavily involved in deal origination, marketing and management.

Shireen El-Wahab, principal evaluation manager, team member – Shireen has been based in the Guatemala RO of the Inter-American Development Bank and the Indonesia RO of the World Bank. She was previously a FI staff member at the EBRD within the small business team and while with the World Bank, focused on MSME support, often working in collaboration with IFC.

Saeed Ibrahim, evaluation analyst, team member – Saeed was five years with the Islamic Development Bank prior to joining EvD as a country programme manager and is familiar with IsDB's processes regarding ROs.

The EvD staff will be joined by a consultant, Richard Vokes. Richard was previously head of the Asian Development Bank's resident offices in Sri Lanka and Nepal (terms of reference to be prepared). An external peer reviewer with substantial private sector deal origination experience from an IFI perspective will be recruited.

3.2 Peer reviewers

The EvD peer reviewer is Barry Kolodkin, senior evaluation manager.

Proposed external peer reviewers are (to be confirmed):

Max Alier, former IMF resident representative in Ukraine

Bruce Murray, former Head of Asian Development Bank of China RO and member of EvD's external peer review panel

3.3 Management reviewers

In the case of Special Studies such as this, EvD's designated counterparts in Management are the two Focal Points (Sekine, Kanako SekineK@ebrd.com; Hargitai, Zsuzsanna HargitaZ@EBRD.com; MC Evd MCEvd@ebrd.com) that in turn co-ordinate with the relevant departments/teams for circulation of the draft AP. In addition to the designated Focal Points, the study team have also identified the Managing Directors for Countries of Operations Group and Corporate Strategy respectively (Descamps, Olivier DescampO@ebrd.com; Lankes, Hans Peter LankesH@ebrd.com) as key counterparts in Management for this study on ROs.

3.4 Timetable

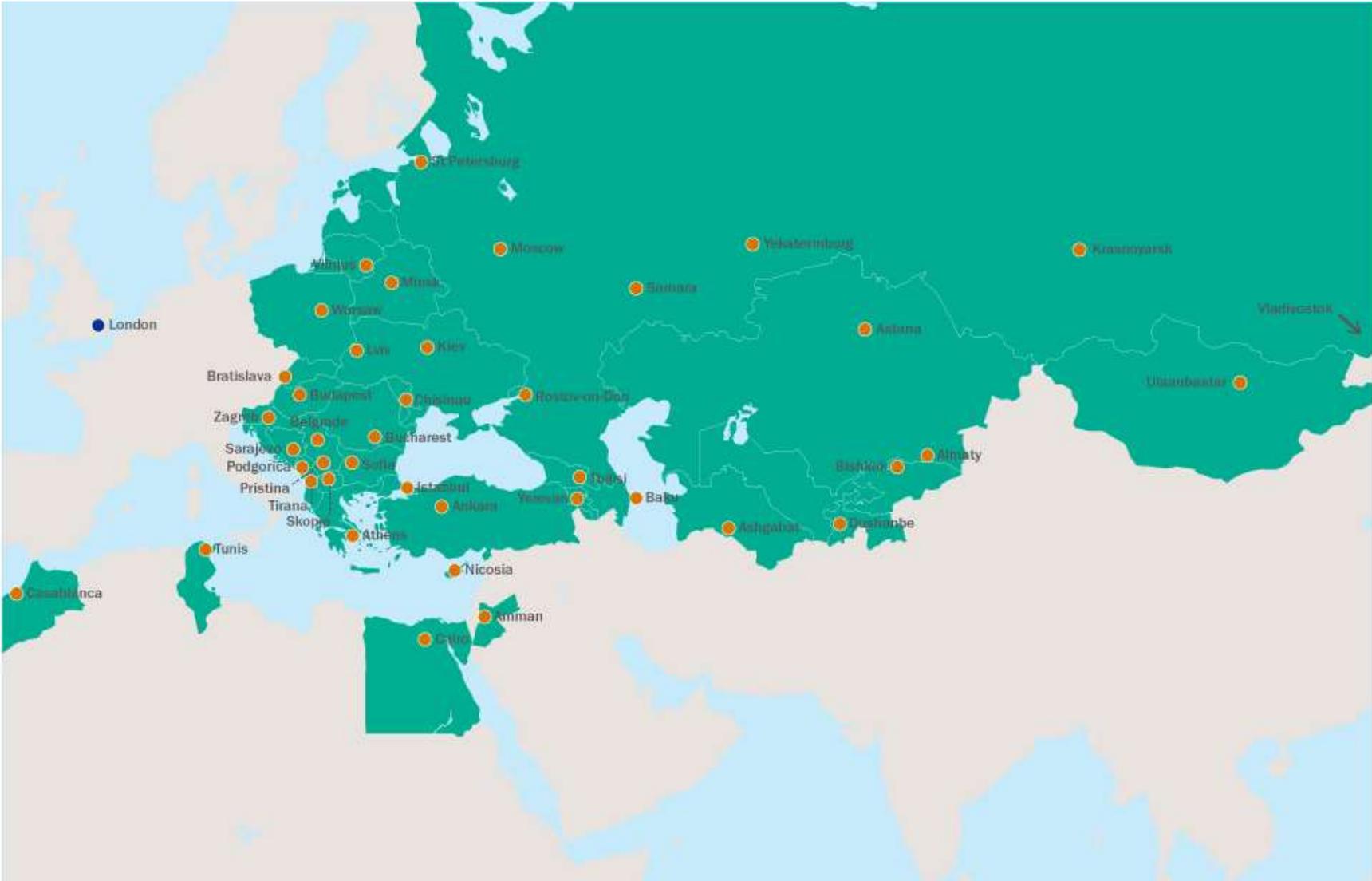
The following schedule is challenging but achievable.

Milestone	Date (by week)
Study starts	I November 2014
Approach paper approved	II May 2015
Consultants recruited	IV May 2015
Field visit complete	IV September 2015
Survey complete	II September 2015
Draft with executive summary circulated to internal peer reviewers	I October
Draft with executive summary cleared by CE for circulation to external peer reviewers	III October 2015
Draft with executive summary cleared by CE for Management Comments	II November 2015
Final editing	II December 2015
Final approved by Chief Evaluator	III December 2015
Final distribution within the EBRD and to Board	III December 2015
Web publication	III December 2015

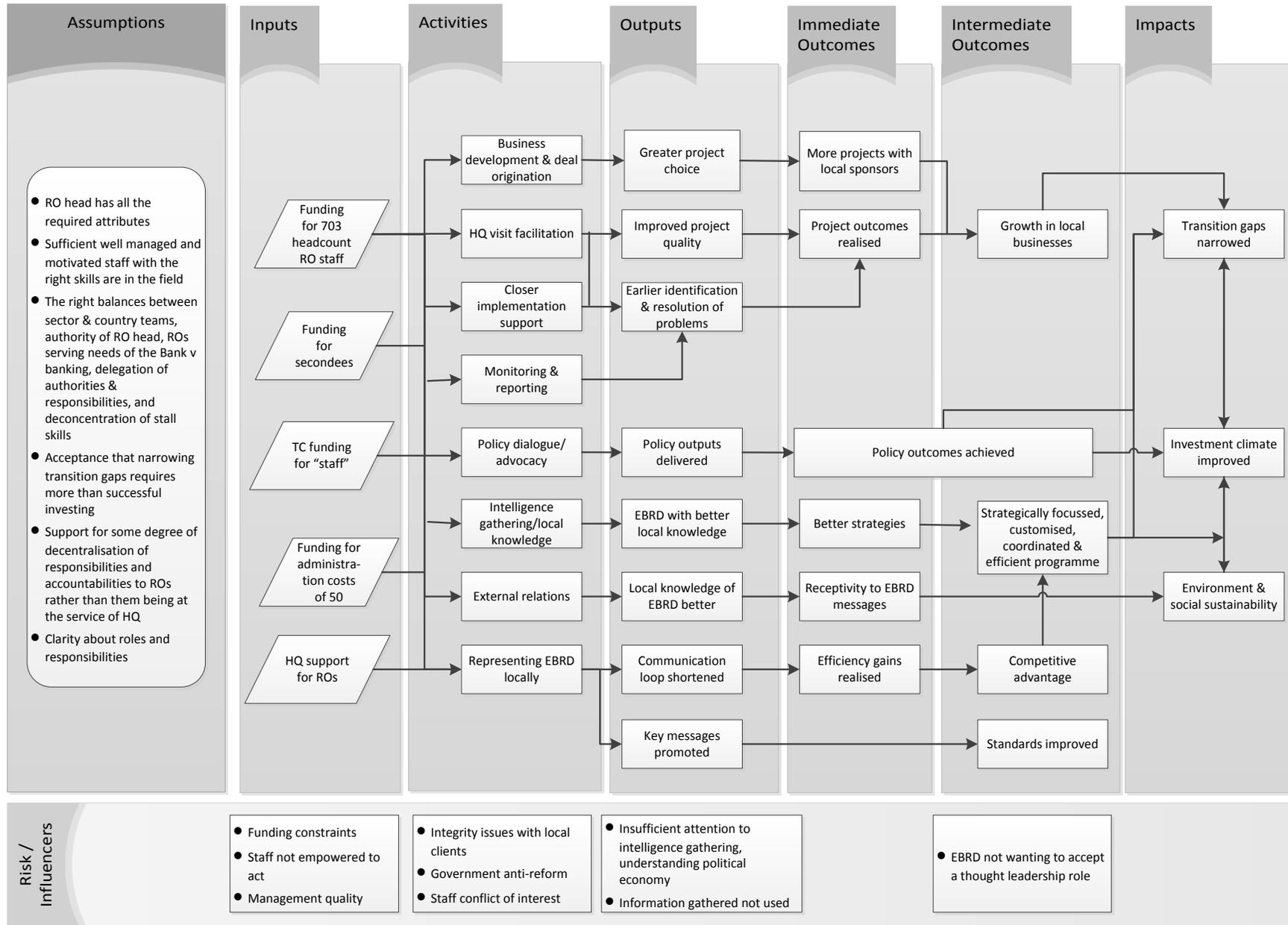
3.5 Budget

The budget for consulting services is £40,000, including the services of an external peer reviewer.

Annex 1: Distribution of EBRD ROs



Annex 2: Results framework - EBRD Resident Office Network



Annex 3: Evaluation design matrix

Evaluation Question	Factor	Indicators	Sources of Data	Collection Methods	Potential limitations of data and means to address these
Q1. What are the expected and realised results from the RO system?	<p>The articulation of the expected results and their understanding by EBRD shareholders, HQ and RO staff and non EBRD stakeholders</p> <p>The tracking of the intended results</p> <p>Extent of role and quality of RO outputs and contributions to expected outcomes. Role includes:</p> <ul style="list-style-type: none"> - business development - project supervision - external relations - intelligence gathering - representing EBRD locally <p>Unintended effects of the RO system</p>	<ul style="list-style-type: none"> - RO system objectives clearly stated - Consistency in interpretation of objectives across stakeholders - RO network outputs/outcomes articulated - RO network outputs/outcomes measured - RO network results understood across stakeholders - Costs of RO network - Annual RO network performance against EBRD corporate objectives - Quality of in house engagement - Quality of in country engagement - Financial sustainability of RO network 	<p>All strategy documents</p> <p>Business case for RO network</p> <p>Job descriptions for Heads of ROs</p> <p>Internal performance assessment of ROs</p> <p>Documents/media reports held by Communications Department relevant to ROs</p> <p>Other EvD Evaluations</p> <p>EBRD Board</p> <p>EBRD Staff (see AP2.2.3)</p> <p>Non EBRD (see AP2.2.3)</p> <p>Portfolio management data</p> <p>RO performance scorecards</p> <p>EIB colleagues</p> <p>Planned v actual budgetary allocation to RO networks</p> <p>Cost-benefit analysis</p>	<p>Document review</p> <p>Survey</p> <p>Structured interviews</p> <p>Case comparison</p> <p>Portfolio Data analysis</p> <p>Quantitative Data Gathering and analysis</p>	<p>Without an explicit one time defined RO policy, expectations for RO system are difficult to rely on. Attribution of results to the RO network will be difficult given the overlapping elements which contribute to the EBRD performance. While it is not possible to isolate the RO effects per se, agreement on a theory of change as appended to the AP should help.</p> <p>Availability, completeness and reliability of documents/financial data and interview information: triangulation should help mitigate</p> <p>Anonymity of survey data does not allow follow up: careful preparation of survey instrument and triangulation with structured interviews should help mitigate</p> <p>Data varies with RO; field visits will be made to as many RO as possible, and together with triangulation of data sources this problem should be mitigated.</p>
Q2. Does EBRD have the right balance between:					
(i) Formal and informal rules, norms and practices,	The evolution of the formal and informal framework with regards to	<ul style="list-style-type: none"> - Legal framework adequate for RO network to 	Host country agreements and similar	Document Review	Availability and reliability of documents: triangulation

Evaluation Question	Factor	Indicators	Sources of Data	Collection Methods	Potential limitations of data and means to address these
statements of purpose and policies with regards to ROs?	ROs The appropriateness of such a design framework Incentive structure differences depending on sector or country positioning	effectively function – Adequate internal resource allocation and budgetary incentives to contribute to RO performance – Adequately defined and designed incentives, mandates – Adequate quality control and accountability mechanisms – Adequate HR framework (staffing and duty of care) – Adequate IT system to support the management of RO network and the RO functions	Reports relevant to ROs by the Office of the Chief Compliance Officer EBRD Board of Directors EBRD staff (see AP2.2.3) Management literature on decentralisation Evaluations by other international finance institutions of their field presence or decentralisation policy Time series data on staff numbers present in ROs and mobility across the bank Times series data on EBRD budget distribution, budgeting arrangements and actual v planned expenditure on ROs Other EvD Evaluations Internal performance assessment of ROs if such exists	Structured Interviews Survey Quantitative Data Gathering and analysis	should help mitigate Anonymity of survey data does not allow follow up: careful preparation of survey instrument and triangulation with structured interviews should help mitigate System Data Comprehensiveness
(ii) ROs serving the needs of the whole Bank versus the needs of banking?	The extent to which the RO office organisation represents the full functions of the EBRD Breadth of RO function The appropriateness of the staffing skills mix in RO The adequacy of RO management	– RO function profile trends – Extent of cross-support to HQ versus RO core function related business – Effort and function proportion allocation – RO staffing profile trends – RO banker mobility trends – Banking satisfaction with RO – Nonbanking satisfaction with RO – Extent of integration and communication between satellite offices (such as SBS) and resident office	Job descriptions for Heads of ROs Other EvD Evaluations Time series data on staff numbers present in ROs and mobility across the bank Times series data on EBRD budget distribution, budgeting arrangements and actual v planned expenditure on ROs EBRD Staff (see AP2.2.3) Portfolio Data Analysis	Quantitative Data Gathering and analysis Document Review Structured Interviews Survey	Availability and reliability of documents: triangulation should help mitigate Anonymity of survey data does not allow follow up: careful preparation of survey instrument and triangulation with structured interviews should help mitigate System Data Comprehensiveness

Evaluation Question	Factor	Indicators	Sources of Data	Collection Methods	Potential limitations of data and means to address these
		<ul style="list-style-type: none"> – Head of Office profile – Portfolio performance (quality and volume trends) 			
(iii) Country and sector teams in the matrix reporting and management system?	Matrix management policy and status quo	<ul style="list-style-type: none"> – Country and sector teams reporting lines mapping – Portfolio quality – RO network skills mix 	<p>Documents on Bank restructuring and management arrangements</p> <p>HR database</p> <p>EBRD staff (see AP2.2.3)</p> <p>Portfolio Management database</p>	<p>Document Review</p> <p>Structured Interviews</p> <p>Survey</p> <p>Quantitative Data Gathering and analysis</p>	<p>Availability and reliability of documents: triangulation should help mitigate</p> <p>Anonymity of survey data does not allow follow up: careful preparation of survey instrument and triangulation with structured interviews should help mitigate</p>
(iv) Management authority of the head of RO (Director or Head) over RO staff and country operations?	<p>Matrix management policy and status quo</p> <p>Extent of dual reporting for each RO</p> <p>Success of dual reporting</p>	<ul style="list-style-type: none"> – Management authority mapping over each RO – Head of Office Profile map – Extent of HoO satisfaction with reporting lines – Extent of sector team satisfaction with RO bankers reporting to HQ 	<p>Job descriptions for Heads of ROs</p> <p>Evaluations by other international finance institutions of their field presence or decentralisation policy</p> <p>EBRD staff (see AP2.2.3)</p> <p>HR database</p>	<p>Document Review</p> <p>Structured Interviews</p> <p>Survey</p>	<p>Availability and reliability of documents: triangulation should help mitigate</p> <p>Anonymity of survey data does not allow follow up: careful preparation of survey instrument and triangulation with structured interviews should help mitigate</p>
(v) Centralisation in HQ versus delegation of selected authorities and responsibilities to ROs?	<p>Matrix management policy and status quo</p> <p>Decision making in EBRD between HQ and RO network</p>	<ul style="list-style-type: none"> – Extent of flow of information between JQ and RO – Evidence of efficiency gains at RO network 	<ul style="list-style-type: none"> – Job descriptions for Heads of ROs – Evaluations by other international finance institutions of their field presence or decentralisation policy – Time series data on staff numbers present in ROs and mobility across the bank – Times series data on EBRD budget distribution, budgeting arrangements and actual v planned expenditure on ROs – EBRD Staff (see AP2.2.3) 	<p>Case comparison</p> <p>Document Review</p> <p>Structured Interviews</p> <p>Survey</p> <p>Quantitative Data Gathering and analysis</p>	<p>Availability and reliability of documents: triangulation should help mitigate</p> <p>Anonymity of survey data does not allow follow up: careful preparation of survey instrument and triangulation with structured interviews should help mitigate</p> <p>System Data Comprehensiveness</p>

Evaluation Question	Factor	Indicators	Sources of Data	Collection Methods	Potential limitations of data and means to address these
			<ul style="list-style-type: none"> – EIB colleagues – Portfolio management data – Project Octopus 		
(vi) The deconcentration of staff, skills and functions to ROs versus their location in HQ	Matrix management policy and status quo	<ul style="list-style-type: none"> – RO network staffing profile – Evolution and extent of decentralisation of banking and non-banking departments – Evolution and extent of deconcentration of EBRD functions to RO system 	<ul style="list-style-type: none"> – Evaluations by other international finance institutions of their field presence or decentralisation policy – Time series data on staff numbers present in ROs and mobility across the bank – Times series data on EBRD budget distribution, budgeting arrangements and actual v planned expenditure on ROs – EBRD Staff (see AP2.2.3) – Project Octopus 	<ul style="list-style-type: none"> Document Review Structured Interviews Survey Quantitative Data Gathering and analysis 	<p>Availability and reliability of documents: triangulation should help mitigate</p> <p>Anonymity of survey data does not allow follow up: careful preparation of survey instrument and triangulation with structured interviews should help mitigate</p> <p>System Data Comprehensiveness</p>
(vii) Corporate control (financial and administrative oversight) for ROs is centralised versus diffused across a number of HQ departments?	<p>Decision making within HQ on RO network</p> <p>Responsibility for data on RO</p> <p>Any challenges which have driven changes within RO system</p>	<ul style="list-style-type: none"> – Adequately defined and designed incentives, mandates and quality control and accountability mechanisms – Evidence of application consistency, issues and follow-up on any internal recommendations and decisions on RO system 	<ul style="list-style-type: none"> – Job descriptions for Heads of ROs – Management literature on decentralisation – Evaluations by other international finance institutions of their field presence or decentralisation policy – Audit reports relevant to ROs – Reports relevant to ROs by the Office of the Chief Compliance Officer – Internal performance assessment of ROs if such exists – Other EvD evaluations – Documents/media reports held by Communications Department relevant to ROs – Project Octopus 	<ul style="list-style-type: none"> Document Review Structured Interviews Survey 	<p>Availability and reliability of documents: triangulation should help mitigate</p> <p>Anonymity of survey data does not allow follow up: careful preparation of survey instrument and triangulation with structured interviews should help mitigate</p>