

The EBRD's experience with resident offices



European Bank
for Reconstruction and Development

EBRD Evaluation department
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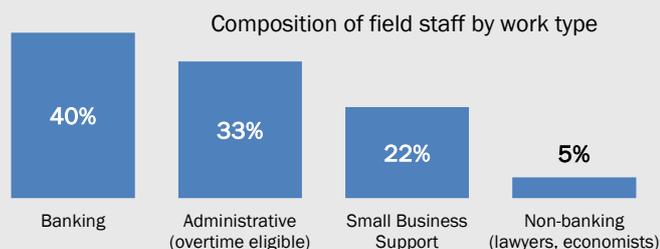
In the EBRD's 25th anniversary year, with a new strategic and capital framework and an operational effectiveness and efficiency initiative underway it is timely for the Bank to take stock of its field presence system. This evaluation identifies major challenges and opportunities for the Bank. Recommendations from this study suggest a new way forward for the resident office system.

Resident office system

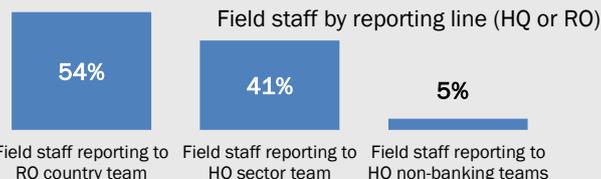
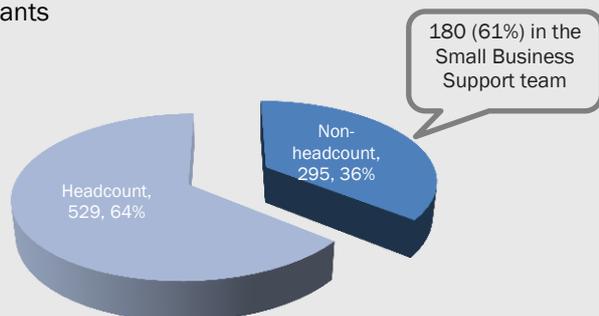
54 offices in 34 countries of operation: 8 countries have multiple offices. 7 countries lack a host country agreement.

Proportion of staff in the field changed little since 2000: 27 per cent of all EBRD staff members are located in the field (824).

Big increase in field staff numbers: Since 1999 numbers have risen by 77 per cent. Non-banking numbers have increased by 117 per cent since 2010.



A large percentage of field staff is non-permanent - not part of the formal headcount and either contractors or consultants



Findings

Criticality of RO system: 90 per cent of 645 staff responding to the staff survey consider the RO system fundamental to the EBRD business model.

Face to face contact with clients: is far greater within resident offices (30 to 39 per cent of staff time in ROs compared with 10 to 19 per cent for staff in HQ).

Policy dialogue: Resident heads of office spend 20 to 29 per cent of time on this, whereas HQ based colleagues spend just 5 to 9 per cent.

Delegation of approval authority to heads of resident offices: 64 per cent of respondents agreed to this for small projects (91 per cent of RO staff and 56 per cent of HQ staff).

Primary reporting line to resident heads of office: 50 per cent of all survey respondents thought that RO staff should report to the head of resident office.

Hub concept: 65 per cent of survey respondents in the Bank's two largest hubs (Moscow and Istanbul) thought it worked well. A minority of small ROs agreed (38 per cent).

Comparison with European Investment Bank (EIB) and IFC in the EBRD countries of operations: The EBRD has the most operations and high number of offices, but the smallest average size projects. The EIB has greater investment volume and average project size.

The EBRD's main resident offices



Evaluation Q&A on resident offices

Q Is the system relevant?

A The presence is *highly relevant* in relation to the type of clients the Bank is targeting and to providing support to the Bank's investment activity.

The presence is *somewhat less relevant* regarding:

- Its ability to support a more integrated approach because of the low level on non-banking expertise in the field (under 5 per cent of staff in ROs and clustered in just a few hubs or larger offices).
- Meeting future needs and challenges than it was to those of the past.

Q Is the system effective?

A The field presence system is *highly effective* in producing a range of outputs resulting from its focus on deal origination, client relationship development and maintenance and project monitoring.

It is *somewhat less effective* in helping ensure the delivery of outcomes and impacts because of the way ROs are staffed.

Q Is the field system efficient?

A There are inefficiencies caused by having an extensive field presence system with deep local knowledge but a highly centralised decision-making system and a lack of de-concentration of senior sector bankers and non-banking experts generally.

Additionally, there are an extensive range of staff-related issues that need to be addressed to ensure efficiency and to create the reality of 'One Bank' in terms of equitable treatment and remuneration of all staff.

The relative balance of power between country and sector team is efficient from a volume of business perspective but less so in terms of maximising the delivery of transition impact.



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Recommendations

1. Resolve identified inefficiencies in controlling, guiding and other management functions

Within 2 years approve a policy on decentralisation and resident offices; ensure that all countries with offices have adequate host country agreements in place; and, create automated reporting systems covering the human resources funded by the EBRD in each office at any point of time, total costs of each office, and portfolio performance in each country.

2. Resolve staff issues affecting effectiveness, efficiency and that are inequitable

Within 2 years a series of staff-related issues identified by this evaluation as affecting the organisational effectiveness, and efficiency, or where there are inequities between field and HQ staff should be resolved. Of prime importance is addressing the structural, procedural, behavioural, organisational and cultural factors that lead to the perception of local-hire non-overtime eligible staff (RO bankers in other words) being perceived as of less value than HQ counterparts.

3. Delegate decision-making authority

Within 1 year selected areas of decision-making authority should be delegated to heads of office operating with individual responsibility and accountability, accompanied by clear guidance and training. Delegated authorities may include small, non-complex or repeat projects, taking account of the risk profile; selected portfolio management actions; and administrative approval authority for budget expenditure and local personnel actions.

4. Ensure relevance of the transition impact concept for each country and that it captures all EBRD impacts

Ensure the ongoing review of the transition impact concept takes full account of the perspectives from the field to ensure relevance to each country and the Bank's clients; monitoring and reporting on realised transition impact should include RO contributions that currently go un-recognised, un-reported and un-rewarded.

5. Increase non-banking capacities in the field

Over a period of 5 years the Bank should substantially increase the proportion of non-banking experts in ROs and regional hubs with priority given to lawyers, sector and transition economists and policy dialogue specialists.

Read the full report at www.ebrd.com/evaluation.

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