

SPECIAL STUDY

The EBRD's experience with resident offices

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EBRD EVALUATION DEPARTMENT



European Bank
for Reconstruction and Development



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Abbreviations

EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EvD	Evaluation Department
HQ	Headquarters
IFC	International Finance Corporation
NOTE	Non-overtime eligible
OTE	Overtime eligible
RO	Resident Office

Definitions

Community service organisation	A collective terms covering non-government organisations, business organisations and other interest groups
Decentralisation	The granting of a measure of autonomy or independence to sub-units or groups within an organisation
Deconcentration	The geographic dispersal of staff and selected functions from HQ to offices in other locations, with or without delegation of authorities and responsibilities 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.
Effectiveness	The extent to which the RO system produces results
Efficiency	The relationship between the qualitative and quantitative outputs/desired results produced by the RO system, and the inputs provided.
Head of Office	In this report the term head of office or heads of office is used generically to signify the EBRD staff member that heads an EBRD office in one of its countries of operation. In practice, the Bank's offices are headed by the a Country Director (a level 8 position in the Bank's job families) or a Head of Office/Senior Banker (a level 7 position in the job families). Where required, the level distinction is made.
Localisation	The replacing of expatriate staff with local-hire staff.
Regional hubs	Large resident offices designated to take the lead at regional level: Russia – Moscow ; Central Europe & the Baltic States – Warsaw ; South-Eastern Europe – Belgrade ; Eastern Europe & Caucasus – Kiev ; Central Asia – Almaty ; Turkey & SEMED – Istanbul .
Relevance	The extent to which RO system activities are suited to the EBRD's priorities, policies and mandate.
Replication	The creation of non-autonomous local branch offices close(r) to clients that replicate certain head office functions; principally staffed with local-hires with a few staff transferred on temporary assignment from headquarters; with selected delegation of responsibilities; and no or limited delegation of authorities.
Representation	Transfer of single function – that of being the public face of the organisation locally – to a small non-autonomous unit; likely with expatriate representative on a fixed term basis with a few local hires.
Resident Office	EBRD branch office in a country of operations
Satellite Office	A country of operation additional to the principal resident office. The term regional office is more commonly used to refer to these offices because they are in the regions of the country. However, it also includes capital cities, where the principal RO is in the commercial capital.
Small office	ROs with the highest proportion of country staff, for example there were a total of 3 staff in Ljubljana in 2015 which were all country staff.

Executive summary

This report presents the findings of an evaluation by the independent Evaluation department (EvD) of the European Bank for Reconstruction and Development's (EBRD's) resident office (RO) or field presence system.

In its 25th anniversary year, with a new Strategic and Capital Framework 2016 to 2020 in place 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 as well as opportunities for the Bank.

Facts and figures

As of December 2015, the EBRD had 54 offices in 34 countries of operations with 8 countries of operation having more than one office

Human Resources Department data to December 2015 show 824 staff in the field – 27 per cent of all staff

About 33 per cent of the staff in the field are overtime eligible, 22 per cent are Small Business Support staff and 5 per cent are non-banking (lawyers and country economists), the balance of 40 per cent are banking staff

Staff numbers in the field grew by 77 per cent from 1999 to 2015

However, the proportion of staff in the field has changed little, ranging from 20 per cent to 30 per cent and being the same in 2015 as it was in 2000 – thus as the field presence has grown, so has the size of HQ

Of the staff in the field, 529 were headcount positions and 295 were non-headcount (the latter including around 180 Small Business Support staff as well as others on a range of contract types of 2 years or under)

Budget Department data to June 2015 show that 54 per cent of staff in the field were country team members, 41 per cent sector team members and 5 per cent non-banking staff – this means that 46 per cent of the staff in resident offices do not report primarily to the head of office.

There are only 39 non-banking staff in the field though numbers have grown by 117 per cent over the period 2010 to 2015 – 6 out of 34 principal offices have non-banking staff

Available data shows a 40 per cent increase in costs over the period 2010 to 2014

7 offices lack a host country agreement

Survey responses

90 per cent of 645 EBRD staff who responded to the evaluation survey consider the field presence system is fundamental to Bank's business model

RO-based bankers typically spend 30 to 39 per cent of their time in face-to-face contact with clients compared to

10 to 19 per cent for HQ-based bankers – being in the field significantly increases client contact

Heads of office typically spend 20-29 per cent of their time in face-to-face policy dialogue compared to 5-9 per cent for HQ-based colleagues

64 per cent of all respondents to the staff survey would delegate approval authority for small projects to heads of office – however, 44 per cent of HQ respondents disagreed with the notion while only 9 per cent of RO respondents did

Over 80 per cent of heads of office and 50 per cent of all respondents agreed that all staff present in a RO should have a primary reporting line to the head of office

65 per cent of survey respondents in the Bank's two largest regional hubs (Moscow and Istanbul) thought the regional hub concept is working reasonably well – only 38 per cent from small ROs agreed.

Comparison with peers

Over the period 2010 to 2015, the European Investment Bank (with a minimal field presence in 14 of the EBRD's countries of operation) approved 1,261 operations for a total of €99.6 billion with an average transaction size of €79 million compared to the EBRD's 2,309 transactions for €53.7 billion with an average transaction size of €23 million

Comparative figures for the International Finance Corporation, which is more strongly decentralised than either the European Investment Bank or the EBRD with 65 per cent of its staff in the field, are: 441 transactions approved for €13.5 billion with an average transaction size of €31 million.

The EBRD has a substantial field presence

- ✓ However there is no delegation of authority as the Bank is highly centralised in other respects – all decisions of any consequence are made in London and much of the expertise required for arriving at these decisions, including the approval of operations, resides in London.
- ✓ A resulting inefficiency comes from an information asymmetry as the deep local knowledge that should inform decisions is in the field and not where the decisions are made – meanwhile, field-based staff are remote from the headquarters (HQ) decision-making process and have to develop an understanding of its complexity and the people involved in order to navigate the system.

Field staff numbers have grown substantially over time

- ✓ However, the number of staff in HQ has also grown commensurately such that the proportion of total staff in the field has changed little in the last 15 years.
- ✓ With no net deconcentration of staff away from London no obvious efficiency gains from the significant field presence are evident.

The EBRD's 'One Bank' programme has been in place for a number of years

- ✓ However many local-hire RO staff (and some of their managers) perceive they are viewed as “second class citizens” without the same recognition, promotional opportunities, benefits or, in some cases, are not viewed as being equally capable as HQ colleagues with the same job title and level. Small Business Support staff view their 2-year contract arrangement and different treatment in other regards as setting them apart from other staff – thus they see integration as “work in progress”. While these are perceptions and perceptions may or may not be valid, the evaluation found that there are structural, procedural and behavioural factors at play that explain these perceptions and give them validity. Management experience shows that whether valid or not, negative perceptions should be addressed.
- ✓ The survey results and interviews reveal significant differences of opinion between RO and HQ-based staff on key matters of importance – according to many RO-based interviewees, their views are neither sought nor taken into account in the decisions made in HQ on matters of strategic importance (such as, a proposed revision of the transition impact concept), nor indeed on other important though not strategic matters. The evaluation considers these perceptions have validity.

No readily available and comprehensive data on the EBRD's field presence

- ✓ At the time of the evaluation there was no automated reporting system for generating comprehensive information on the sum of regular staff, consultants and other categories of employees in the field at any point in time. Management has informed EvD that new reporting capabilities were added in 2016.
- ✓ There was no readily available and comprehensive information on how much the field presence system costs – financial reports were not available on the total cost of the field presence system, nor as a result, disaggregated reports by office so it is not possible to conduct any efficiency analysis or to plan actions such resource allocation and the opening and closing of offices on the basis of good cost information let alone cost-benefit analysis.

Lack of a formal strategy for field presence

There is no policy or strategy on decentralisation to:

- guide growth in the field presence in terms of numbers of offices and numbers and types of staff in those offices (and the implications relative to the appropriate size of the HQ);
- guide decisions on the functions to be carried out by ROs (and consequentially the functions to be carried out by HQ);

(iii) specify the results expected from the field presence system; or to determine on what basis offices should be opened or closed.

- ✓ The evaluation found evidence of only one comprehensive and documented review of the field presence system (carried out in 1999)

Resident offices support banking highly effectively, particularly in deal origination, client relationships and monitoring

- ✓ However, the Bank has moved to increase the importance of policy dialogue (one of the top two RO functions according to survey responses) without as yet significantly resourcing it, or supporting it by training, or (as evidenced by interviews) taking these skills requirements sufficiently in to account in the selection of heads of office.
- ✓ Meanwhile, non-overtime eligible staff in resident offices predominantly comprise bankers (around 65 per cent) with the balance being 28 per cent Small Business Support staff, 6 per cent non-banking staff and 1 per cent of “others”.

27 per cent of EBRD staff are in the field

However interviews revealed many unresolved staff issues that need to be addressed – including:

- issues around succession planning, career progression, utilisation of skills developed and training of heads of office;
- the continued relevance of a local-hire non-overtime eligible staff category given the type of staff the Bank aspires to employ, legitimate questions about career prospects, the promotion of the One Bank concept, and the Bank's aspirations regarding mobility of staff; and
- apparent inequities in remuneration and benefits.

The achievement of transition impact is central to the Bank's mandate

- ✓ However, many staff in ROs struggle to see the relevance of the concept, as currently defined, to their country and clients – some simply see it as something “internal to the Bank,” a hurdle to be cleared for deal approval but not something of wider significance. Ongoing work on the transition concept would benefit from systematically seeking the views of frontline staff in the field.
- ✓ ROs make many contributions to results that are not captured under the current transition impact definition and monitoring process.

The Bank has committed to a stronger country focus

This will occur through more focus on policy dialogue; strengthened country strategies in which sound diagnostic work provides the basis for strategic operational selectivity, and; results frameworks provide a

sounder basis for monitoring of and reporting on sector and economy-wide results.

- ✓ However, current processes; the relative dominance of sector teams; a collective, consensual and HQ-based decision-making process; limited managerial authority of heads of

office; and the staffing profile of ROs powerfully reinforce the status quo.

- ✓ An essential source of information for managing for results and demonstrating sound banking at the country level will be profit and loss statements for the country portfolio – these are not yet routinely available.

Evaluation Questions

1/ Is the Bank's field presence system relevant?

In part. It is highly relevant in relation to the type of clients the Bank has traditionally targeted and in terms of providing support to the Bank's investing activity. But it could be even more relevant if there were more bankers and more non-banking experts in the field as this would contribute to greater effectiveness and efficiency. Additionally, while the field presence has been highly relevant to the past challenges, its relevance to the ambitious forward agenda the Bank is committed to is questionable. There will be new demands on the institution requiring different skills and delivery channels. This will likely require changes "on the front line" in the Bank's countries of operation.

2/ Is the Bank's field presence system effective?

In part. It has been highly effective in producing a range of outputs resulting from a focus on deal origination, client relationship development and maintenance, and project physical and financial monitoring. However, it has been less demonstrably effective in supporting the delivery of outcomes and impacts. This is in part because of the way ROs are staffed, which limits their ability to engage in: (i) policy dialogue (despite this being an important function of ROs it is insufficiently supported in the view of this evaluation); (ii) wider outreach and communication; and (iii) capacity development. The evaluation also identifies a number of areas where ROs make a significant contribution to results that go un-recognised by the wider Bank and un-reported and un-rewarded.

3/ Is the Bank's field presence system efficient?

No. There are a number of inefficiencies caused by: (i) having an extensive field presence system with deep local knowledge of markets and clients but a highly centralised decision-making system that lacks that local knowledge; and, (ii) limited deconcentration of senior sector bankers and non-banking experts. An extensive range of staff issues needs to be addressed to ensure efficiency; to ensure One Bank in terms of equitable treatment and remuneration of all staff; and to increase the ability of heads of office to effectively manage all resources available for delivery of results at the country level.

The current functioning of the matrix and the relative balance of decision-making power between country and sector teams brings efficiencies for business volume but less so in terms of delivering outcomes and impacts across all countries of operation. Many country team members consider that rather too much power rests with the sector teams in terms of which deals get done – the issue was mentioned more frequently by those in the smaller and more challenging countries of operation.

4/ Are there other issues affecting performance of the field presence system?

Yes. These include an organisational culture prevalent in some parts of the headquarters that views resident office bankers as less capable than their headquarters counterparts, even for staff with the same job title and at the same level. Staff in ROs sense this and feel that in some ways they are viewed as "second class citizens" (these words were used on more than one occasion and similar sentiments were expressed frequently, not only by the staff concerned but also by some heads of office). This feeling is exacerbated by the view that in some respects field staff are not treated the same as HQ-based staff are in terms remuneration, benefits, promotion prospects and in other ways. This issue has its roots in the Bank's early documents approving the establishment of a field presence system which point to the efficiency gains from hiring local staff who would be lower-priced than London-hired staff. The evaluation calls for a reassessment of whether a local market comparison and a local hire non-overtime eligible category of staff are appropriate for the type of person the Bank wishes to attract; the philosophy behind One Bank, and the Bank's aspirations regarding mobility of staff.

Host country agreements are an additional factor of importance. In a number of countries the Bank is operating without a host country agreement while in others the host country agreement does not cover all the areas necessary for facilitating the relationship between RO and country authorities, and for providing the necessary legal protection for the Bank and its staff. The evaluation considers that there should be no office without a fully "fit-for-purpose" host country agreement.

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/or that are inequitable

Within 2 years a series of staff-related issues identified by this evaluation as affecting the organisational effectiveness, efficiency, or where there are inequities between field and HQ staff should be resolved. Of prime importance is addressing structural, procedural and behavioural/organisational 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 one 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 the relevance of the transition impact concept for each country of operation and that it captures all impacts resulting from the Bank's presence

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

In developing recommendations and suggested actions EvD is aware of two important factors possibly affecting implementation: (i) a number of the issues identified as affecting the performance of ROs also affect HQ – in other words they are Bank-wide issues which may or may not require a Bank-wide solution; and (ii) given the absence of readily available complete cost data the cost of implementing the recommendations cannot be calculated and the financial feasibility of implementing the recommendations may well rest on reducing costs in HQ, something not within the scope of this evaluation.

EvD is also aware of ongoing work on the transition impact concept, approach to country strategies and the Operational Effectiveness and Efficiency initiative all of which can contribute to addressing some of the issues raised by this evaluation.

The findings and conclusions of the evaluation are based on a comprehensive gathering of primary data of any evaluation conducted by the EvD, including:

1. Extensive document review
2. Analysis of data provided by the Human Resources and Budget departments
3. Visits to 26 field offices – 19 of 32 principal resident offices and 6 of 14 satellite offices in operation
4. A survey of resident office and selected HQ staff that produced 645 responses to the survey questions and many responses to a series of open-ended questions that produced over 5,700 coded segments of data (analysed using qualitative data analysis software).¹
5. A total of 485 interviews – including 321 with EBRD staff based in ROs and 50 in HQ; roughly evenly split between males and females; 87 per cent of the interviews in resident offices were recorded (64 per cent in HQ). Of the total, detailed interview notes were prepared for 165 (35 per cent) of which 148 were analysed using qualitative data analysis software yielding just under 7,000 coded segments of data in addition to the 5,700 derived from the survey open-ended questions.
6. Data extraction from the EBRD's 2014 client survey.
7. Comparison of the EBRD, IFC and EIB in terms of business model and portfolio accompanied by a description of the evolution in approach to field representation by IFC and EIB.
8. Review of related evaluation evidence from other international finance institutions

One of the evaluation's strengths lies in large quantities of qualitative data gathered through interviews and the staff survey. Quantitative data came from the survey, from information provided by the Human Resources Department and Budget departments and the comparative EIB/EBRD/IFC portfolio analysis. However, as noted above, there is a lack of comprehensive and readily available time series data on the Bank's field presence system. Had this been available, it would have contributed to the evaluation findings. However, qualitative data provides valid and unique findings and "qualitative enquiry cultivates the most useful of all human capacities: the capacity to learn".²

The absence of a policy on decentralisation and ROs means the evaluation could not be "anchored" against a policy of stated intent.

Despite unavailability of important information on the field presence system and the absence of a formal guiding policy, the evaluation has assembled a robust body of evidence that supports its findings and recommendations and which can also be used for other evaluations and reviews.

¹ A coded segment is a portion of text which has been coded (labelled) as referring to a particular issue.

² Patton, MQ. 2015. *Qualitative Research and Evaluation Methods* (4th edition). Thousand Oaks: Sage Publications Inc.

1. Introduction

In this chapter;

Purpose, scope, concepts, methodology, strengths and limitations

Nature and purpose of the evaluation

This report presents the findings of an evaluation of the relevance, effectiveness and efficiency of the EBRD's resident office (RO) or field presence system.³ The evaluation was carried out by EvD as part of its Board-approved work programme.

This study is a corporate evaluation, the first of its kind for EvD. Corporate evaluations assess the extent to which business processes, organisational, and management issues influence the delivery of results, achievement of expectations and overall efficiency.

The main objective is to provide Board and Management with findings and recommendations to enhance the effectiveness and efficiency of the Bank's field presence system in supporting delivery of the EBRD's mandate. The additional key audience is the approximate 800 EBRD staff members in ROs and those that manage them in the field and in headquarters (HQ).

Review of management literature and key concepts

To better understand the EBRD's management of its field presence system, the EvD team reviewed relevant management literature. Four terms occur most frequently – **decentralisation, deconcentration, delegation and devolution**. There are no generally-accepted definitions of these but as shown in the definitions section at the front of this report, the EvD team developed composite definitions for them based on the literature, subsequently revising and adding to them during the evaluation.

Early on, EvD considered that **deconcentration** was the most appropriate term for what the EBRD had done in developing its field presence. However, during the evaluation, it became clear that this did not accurately describe what the EBRD has done.

- i) It strongly implies that the centre (HQ) should become smaller as people and functions are dispersed elsewhere. As shown in Chapter 3 this has not happened.

- ii) One would expect a more multinational mix of staff in ROs if deconcentration had occurred since the HQ is multinational. Again, this is not the case – staff in ROs are predominantly local.
- iii) The definition envisages limited delegation of selected authorities to the largely non-autonomous lower-level units but there is almost no delegation of authority to EBRD field offices – all decisions of any consequence are taken in HQ.

This led the team to come up with a fifth term – **functional replication**, being a duplication of functions across multiple field locations. The definition of 'replication or 'functional replication', which could be termed 'branch creation' or 'projection of the Bank locally', stresses staffing with local hires rather than any permanent or semi-permanent transfers from HQ; some delegation of responsibilities; and, no or only limited delegation of authorities. This best fits what the EBRD has done in establishing its field presence.

Meanwhile, decentralisation, deconcentration and delegation are various routes the EBRD could choose to follow. Devolution is never likely to be appropriate.

The EBRD's early field offices were representative offices which quickly evolved to assume operational support functions thereby replicating some HQ functions. This remains the case today.

The European Investment Bank (EIB) field offices are mainly representative offices. This contrasts with the International Finance Corporation (IFC) which has significantly deconcentrated from HQ to regional hubs – the aim was to go from 80 per cent of staff in Washington DC to 80 per cent in the field though it fell a little short of this objective. IFC regional hubs enjoy a high degree of delegated authority and accountability, although some of this delegated authority has subsequently been repatriated to Washington DC (see Chapter 5 for a comparison of the EBRD, EIB and IFC in terms of portfolio composition and field presence).

The above concepts help us understand what is happening in a management sense, but do not capture the potential value-added of a field presence. Moving around existing authorities and responsibilities and sometimes the people carrying them out is done, presumably, to become more effective and efficient to achieve the same or more for less. However, these terms do not capture the opportunities that may arise from a dispersal of authorities and responsibilities to do different things (innovate or the production of different results), 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

³ The term "resident office system" or "field presence system" is used to show that the evaluation does not just look at "what's out there" but also recognises that the ROs do not exist in isolation from headquarters (HQ) so in assessing relevance, effectiveness and efficiency it is necessary to assess the whole system, not just a part of it.

presence and local knowledge could help the EBRD customise its products and services and even to innovate to address specific local challenges, provided staff in the local context are empowered and rewarded for doing so, which currently they are not. Addressing country and client diversity could be an important purpose associated with having a local presence but this is currently not the case. Of course, this may come with a loss of standardisation (one size fits all) and perhaps increase in risk. These and other issues are addressed in the evaluation.

The evaluation team (page 2) consisted of four EvD staff members including the then Director, Deputy Chief Evaluator, 5 EvD staff members and 2 consultants, including one former head of the Nepalese and Sri Lankan resident offices at the Asian Development Bank and a qualitative data analysis software expert.

Methodology

The study involved document review of management literature on decentralisation, EBRD documents relevant to ROs and relevant evaluations conducted by other IFIs.

Initial steps: To gather background information and solicit ideas on the study's scope and main issues, the evaluation team interviewed 9 long-serving staff with important institutional knowledge on ROs, selected Board members and 15 heads of office.

Approach paper: Management provided comments on EvD's approach paper to this study. A preliminary results framework (annex 1) was prepared to show a possible causal chain between inputs provided by the EBRD for its field presence system, the activities carried out by ROs, and outputs, outcomes and impacts resulting from inputs and activities. Implicit assumptions and risks that could affect delivery of results were identified. For analysis of the EBRD's RO system effectiveness according to the framework see Chapter 7.

Evaluation questions addressed include:

- i) To what extent and in what ways is the EBRD's field office system relevant?
- ii) Is the EBRD's field presence system effective and in what ways does it contribute to results?
- iii) Is the Bank's field presence system efficient and what are the main contributors or inhibitors of efficiency?
- iv) What other factors not captured under relevance, effectiveness and efficiency (if any) affect the performance of the Bank's field presence system?

Staff survey: 645 staff responded to an online survey sent to most RO based staff (73 per cent response rate) and selected HQ staff (41 per cent response rate). The survey was based on a non-probability sample. The EvD team decided which individuals from the EBRD population would receive an email with the link to the survey based on a set of characteristics, including their function, department and location. Full survey results are presented in Chapter 3.

Field visits Between July and October 2015, EvD visited 26 field offices including 19 out of 32 resident offices and 6 out of 14 satellite offices, for interviews and observations.⁴ Interviewees included: the Country Director/Head of Office (or acting head), Deputy Head, as many EBRD staff as possible during 2 to 3 day visits including all non-banking staff, office managers and banking staff; key EBRD focal points in government (usually Ministry of Finance and or Central Bank); and heads of other international financial institutions (IFC, EIB and selectively, World Bank and Asian Development Bank). Interview evidence is presented in Chapter 4.

Case Comparisons: EvD conducted case comparisons of the EBRD with IFC and World Bank Group which both also operate in the EBRD's countries of operations. Each with distinctive business models and field presence. This had a quantitative element (structure of portfolio comparison) and a qualitative one (interviews with staff from EIB and IFC as well as EBRD staff perceptions on the other two banks).

Staffing and budget analysis The human resources department provided data on field staff numbers while the budget department also provided data on staff numbers in ROs and time-series cost data (see Chapter 2).

Other evaluation evidence Evaluations by other institutions on the subjects of resident offices and decentralisation were reviewed and a comparison made with the findings of EvD's evaluation to highlight areas of commonality and difference to either provide supportive evidence, or to offer new or different insights.

External peer review of the study was conducted by former Director General of the Asian Development Bank's Private Sector Operations Department Philip Erquiaga and former Director General, Operations Evaluation Department of the Asian Development Bank, former Country Director for the People's Republic of China for the Asian Development Bank.

Study strengths

Large evidence base

The commanding evidence base of EBRD staff views on the Bank's RO system derived from quantitative and qualitative data from 645 survey responses and interviews with 359 EBRD staff and 109 external parties. All current and many former heads of office were interviewed.

Frankness of interviewees

Frank views shared by interviewees with EvD and the willingness of most to be recorded, with a guarantee of anonymity. The recording of the majority of interviews allowed for a much more precise capture of the data from

⁴ Resident offices located in Armenia, Belarus, Bosnia & Herzegovina, Croatia, Cyprus, Egypt, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Macedonia, Morocco, Poland, Romania, Russia, Slovak Republic, Tajikistan, Turkey and Ukraine. Satellite offices in Astana, Osh, Karakol, St Petersburg, Ankara and Gaziantep.

interviews with further checking of interview notes by interviewees.

Broad coverage of the field visit programme

EvD visited 26 EBRD field offices – 19 principal ROs and 7 satellite offices, which allowed for interviews with a full cross-section of RO-based staff in all regions of the Bank's operations ranging from the largest hubs and all sizes of office.

Qualitative data analysis

EvD analysed evidence from interviews and open-ended survey questions using qualitative data analysis software (MAXQDA) allowing for a much more structured and comprehensive analysis of this major evidence base than has ever been achieved before in an EvD evaluation. In all there were 12,696 coded segments of qualitative data for analysis.

Strength of the evaluation team

The team has relevant experience in a variety of international finance institutions in addition to the EBRD, supported by a strong external peer review team.

Study limitations

No policy on decentralisation

The Bank does not have a policy on decentralisation or more specifically on ROs and in the absence of this there are only limited and partial statements available on the purpose and expected contribution of ROs and much of what does exist is dated. The Bank's field presence system has evolved according to perceived operational needs rather than being guided by any formal policy or strategy. Unlike two evaluations carried out by the Asian Development Bank's independent evaluation department, this evaluation could not be conducted against the expectations laid down in a policy document.

Data system deficiencies

As shown in the next chapter there are deficiencies in the Bank's data systems such that there was no readily available accurate and comprehensive data on how many staff there are in the field, nor on the total cost of the Bank's field presence. This precluded any quantitative comparative efficiency analysis by this evaluation.

Limited interview notes

In the event, interview notes have thus far only been prepared for 35 per cent of the interviews carried out (165 of 468). Whereas the intent had been to prepare notes for all interviews, the fact that the majority were recorded and were of average duration of around 1 hour meant that it was a much more time-consuming task than expected to produce the notes. In light of this the team made a purposeful selection of interviews for full note preparation as explained in the chapter on 'Internal Interviews'.

No counterfactual

No counterfactual situation exists as the EBRD has offices most countries of operations and opening of an office is among the first moves the Bank takes when starting operations in a country so no "before and after" or "with and without" comparisons are possible.

Structure

Chapter 2 – the nature of the Bank's field presence system – evolution, numbers and location of field offices, staff numbers and skills and cost data

Chapter 3, 4 & 5 – main evidence from survey interview and case comparison between the EBRD, EIB and IFC.

Chapter 6 – evidence produced the EBRD's client survey and evaluations on ROs and decentralisation by evaluation offices at the Asian Development Bank and African Development Bank.

Chapter 7 – Answers to the key evaluation questions and findings

Chapter 8 - Recommendations

Four working papers are available on request:

- i) Basic data on the Bank's field presence system
- ii) Evidence from the survey of EBRD staff
- iii) Evidence from interviews
- iv) Case comparison with the EIB and IFC.

2. The resident office system

– Evolution, legal basis and staff data

Evolution

Unlike several other international finance institutions (such as the Asian and African Development Banks), the EBRD does not have an explicit policy on ROs or decentralisation. However, particularly in the Bank's first decade, *de facto* policies were established. 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, one that is driven largely by the banking imperative. The document review identified the following significant points:

- There has been only one formal review of the RO system (being the 1999 medium-term strategic direction paper that explicitly covered ROs) despite the fact early board papers indicate that the experience with ROs was to be reviewed regularly through the budget process. The evaluation looked at all annual business plans and budget documents from 1998 to 2014 in which it could only find status updates rather than reviews.
- Over the years, assertions have often been made for “increased productivity [as a result of the field presence] achieved partly through efficiency gains in the project processing cycle” and “enhanced use of the network for implementation;” however supporting evidence has not been presented. The fourth Capital Resources Review asserted that RO network had “strengthened the effectiveness of the Bank’s transition, strategic and operational objectives” but no evidence was 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 no documented evidence on the cost effectiveness derived from having ROs or evidence of any careful scrutiny of costs and benefits. On the contrary, the fourth Capital Resources Review acknowledges that decentralisation and local presence can increase overall costs (again without supplying evidence).

1991-1994

Article 33 Basic Documents states “The Bank may establish agencies or branch offices in the territory of any member of the Bank.”

Documents from 1991 and 1992 specify the roles of ROs were to (i) represent the Bank, (ii) promote the Bank's services of mobilising finance and technical assistance, connect HQ with business opportunities, and conduct some initial screening and (iii) facilitate operations through 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 a predominantly representational focus to a greater operational function.

18 offices opened in first 3 years

1995-1999

11 new offices were opened, including the first 3 satellite offices (all in Russia).

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 offices,” thereby serving transition.

2000-2009

8 new offices opened (4 of them satellite) while 3 ROs closed in 2007 (Czech Republic, Estonia and Latvia). RO Slovenia closed in 2008 (and later reopened)

Since 2008, there have been a growing number of satellite offices; the creation of ‘regional hubs’ (see definitions); and, since 2006, the posting of lawyers and economists to selected ROs.

2010-2015

In 2010, 1 satellite office closed (Dnepropetrovsk, Ukraine) and RO Slovenia reopened

17 new offices opened (11 of them satellite offices) driven in part by the extension of operations to the South and Eastern Mediterranean region and in part by the full incorporation of Small Business Support offices into the banking department.

Legal basis

As noted above, Article 33 of the Basic Documents founding the EBRD, state that “The Bank may establish agencies or branch offices in the territory of any member of the Bank.”

Article 46 indicates that once the Bank does open an office, legal action may be taken against the Bank

A host country agreement is a way of protecting the Bank against possible legal action through facilitating the interface between the RO and the country authorities

In terms of the framework for establishing EBRD resident offices, as of April 2016 the EBRD had host country agreements with 29 countries, meaning that there are 7 countries where the EBRD operates without having a host country agreement in place.

Negotiations were reportedly underway with two countries of operations to agree comprehensive host country agreements – one has been operating on the basis of a brief letter and the other has been operating for 25 years without any agreement.

There is a range of comprehensiveness of legal frameworks, with the longer, later host country agreements considered adequate to facilitate EBRD operations and to protect the EBRD’s special status and, hopefully also, those of its staff. In other cases, the agreements do not cover all issues that arise – for example one agreement consists of a letter signed decades ago by one person.

The absence or inadequacy of host country agreements seems to be caused by the EBRD’s sense of urgency to “get up and running” in a country without waiting for the often lengthy process of gaining agreement on the legal basis for establishing an office. Once the Bank starts operations, it certainly loses a degree of leverage over

putting in place a “fit for purpose” host country agreement.

Interviews with staff and heads of office revealed a number of issues around taxation, social insurance and purchasing that are difficult to resolve in the absence of their coverage in a host country agreement.

Resident and satellite offices

As at the end of 2015, the EBRD had:

- 54 offices in 34 countries of operations (including principal ROs and satellite offices).
- Representative offices in Brussels and Tokyo and was in the process of opening a further such office in Washington DC but these offices are not included in the scope of the study because their purpose is distinctly different.
- 18 satellite offices in 6 of the countries of operations – Kazakhstan (5), Kyrgyzstan (2), Russia (6), Turkey (3), Tajikistan (1) and Ukraine (1).

Data on the number of ROs and the numbers of staff assigned to them is required to describe and assess the performance of the EBRD’s field presence system. However, it was not easy to obtain complete and definitive data.

Some countries of operations have more than one EBRD office located in the country. The country with the largest number of offices in 2015 was Russia with 7 (Moscow, Yekaterinburg, St Petersburg, Vladivostok, Krasnoyarsk, Rostov-on-Don and Samara), followed by Kazakhstan with 6 (Almaty, Astana, Ust Kamenogorsk, Shymkent, Aktobe, Kostanay) then Turkey and Kyrgyz Rep with 3 offices each (Turkey - Istanbul, Ankara, Gaziantep. Kyrgyz – Bishkek, Osh, Karakol) and finally Ukraine and Tajikistan both with 2 offices (Ukraine – Kiev & L’viv. Tajikistan – Dushanbe & Khujand).

Mapped: The EBRD’s principal resident offices



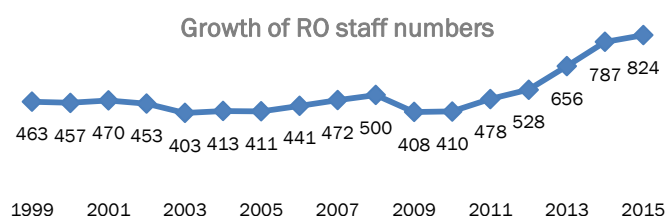
Staff numbers

Data issues

EvD found it difficult to obtain complete and definitive data on RO staff numbers. Data is affected by definitional issues – for example, is a staff member part of an RO or HQ based on their physical location, or on the location of the person the staff member reports to? It is actually the latter (except for heads of office). Due to multiple categories of staff in ROs information is scattered across departments and may not be complete or up-to-date.

Overall growth of RO staff

RO staff numbers have grown substantially over time, averaging about 4 per cent per annum over the past 16 years. Staff members have increased from 463 in 1999 to 824 in 2015, a 77 per cent increase. The sharpest increase was in the last 6 years, from 410 in 2010 to 824 in 2015 (with an increase in 2012-13 by almost a quarter (from 528 to 656).



Distribution of staff by country



Figures from HR department, not including assignees from HQ. 80-100 staff from HQ are located short or long-term in a RO.

In 2015, Russia had by far the largest number of EBRD staff, followed by Turkey, Ukraine, Kazakhstan and Serbia. The EBRD’s local presence is super sized in 1 country, large in 4, medium in 20 and small in 9. All satellite offices have less than 11 staff.

Budget department data on distribution by country differs from HR slightly although the top 5 countries are the same. Countries of operations with the highest number of staff located in each country were Russia (106), Turkey (73), Ukraine (65), Kazakhstan (60) and Serbia (31). In view of the current level of engagement with Russia, the Bank has re-allocated some Russian based staff, resulting in downsizing of some offices.

Types of staff

The data on staff numbers in ROs is fairly ambiguous. The RO Unit in Human Resources department maintains data on staff located at ROs whose principal place of assignment may be at either the RO or HQ.

EvD noted marked shifts in the years 2008 and 2009 in the numbers including in

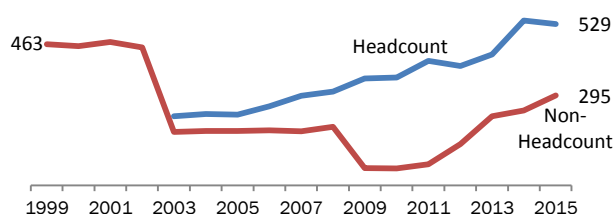
- *headcount* ((regular staff and those on fixed-term contracts) vs *non-headcount* (TC funded, fixed and short-term, and a variety of other types including general service, interns and secondees),
- *overtime eligible* (administrative) vs *non-overtime eligible* (professional),
- regular contracts vs short term

for which the Bank’s financial 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 converted to budget positions beginning 2010, which primarily involved Small Business Support staff.

Headcount and ‘non’ headcount

Data on staff numbers maintained by HR includes staff whose positions are categorised as both *headcount* and *‘non’-headcount*.

HR data to end of 2015 showed that out of the 824 staff members in ROs, two-thirds (529) were headcount and one-third (295) were non-headcount (not including assignees from HQ).



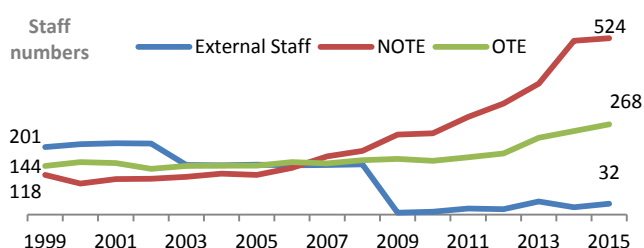
Overtime and non overtime eligible

Within both headcount and non-headcount categories staff may be *overtime eligible* (OTE) or *non-overtime*

eligible (NOTE). Generally support staff are eligible for payment for any overtime work. Professional staff are not eligible for any additional payment for time worked outside regular hours.

The trends shown in the chart below indicate:

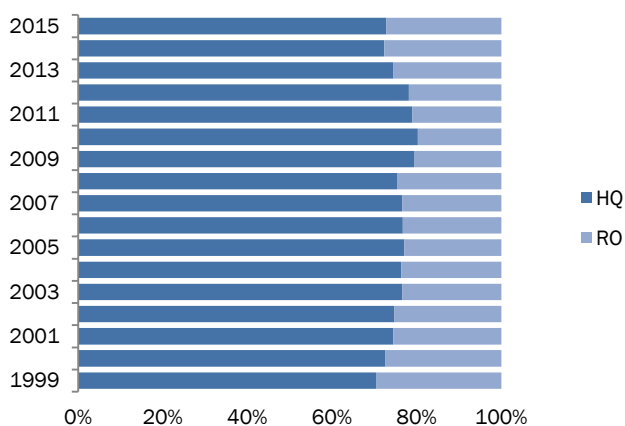
- i. The proportion of support staff in ROs (OTEs) has stayed fairly constant over the years (see chart below).
- ii. Since 2009 there has been quite a sharp increase in NOTES in ROs. This does raise the question of whether there is a lack of support staff in ROs (this was certainly an issue raised by some heads of office in interviews).
- iii. 15 years ago the Bank seemed to be making extensive use of an “external staff” category, and in 1999 they represented the highest proportion of staff in ROs.



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 have since 2006 included lawyers from the Office of General Counsel and more recently, economists formerly from the Office of the Chief Economist and now from the Sector Economics and Policy department in the Economics, Policy and Governance group, VP Policy and Partnerships.

Staff split between ROs and HQ

There was a 73:27 percentage split between HQ-based staff and RO-based staff, and this allocation has not changed much over the past 15 years (HR data below).



A number of strategic Bank documents mention a 50:50 division of banking staff between HQ and ROs. HR data does not differentiate between banking versus non-banking while Budget data does indicate banking versus non-banking in ROs but does not give information for HQ.

The information available is suggestive of a 50:50 split between bankers in HQ and ROs.

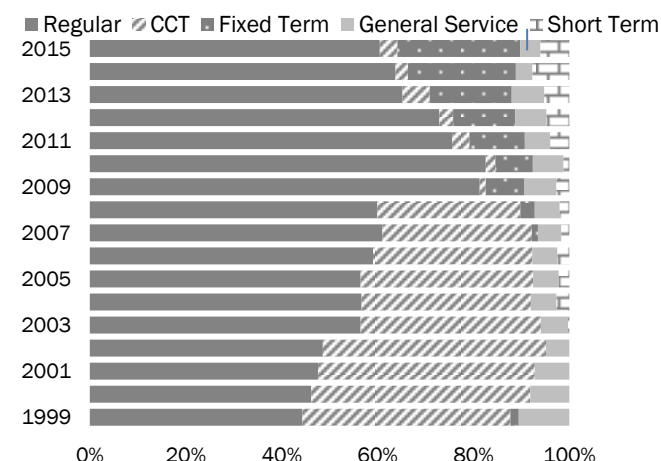
Staff by contract type

Regular - The proportion of staff on regular contracts in ROs ranged between 45 per cent and 61 per cent in the period 1999 to 2008. There was a considerable spike in 2009 of regular staff, to 81 per cent which reflects a combination of the regularisation of many contract staff and a surge in recruitment overall. There has since been a substantial decline in the share of regular staff in ROs back down to 60 per cent on 2015. This may imply that once again, ROs are relying heavily on other than regular staff to fulfil their functions.

Contract (CCT) - Relatedly, the share of staff on contract positions (known within the EBRD as CCT positions, which stands for Contractor, Consultant, Temp) in ROs has undergone substantial changes. In 1999, almost half (44 per cent) of all staff in ROs were in this category. This underwent a sharp decline in 2009, where in one year it fell from 30 per cent of staff to 1 per cent of staff in ROs. This would appear to reflect the dramatic decline in so-called external staff shown in the chart to the left. Converse to the trend in regular staff, Contractor, Consultant, Temp RO staff has gradually started to increase again, to about 4 per cent in 2015.

Short term - ROs have increasingly made use of short term contracts, which allow the employment of staff up to a maximum of 23 months (after which they cannot be extended further and have to leave employment with the EBRD for 9 months). These “staff” are effectively consultants – without benefits they compensate for the lack of vital headcount positions. The data shows this category of staff was largely non-existent prior to 2004, but having grown over the past 5 years from 1 per cent of RO staff in 2010 to 8 per cent by 2014 and 6 per cent in 2015.

Fixed term - Similar to the increase of short term contracts the Bank has also increasingly made use of fixed term contracts, from 8 per cent of staff in 2009 to over 25 per cent of RO staff in 2015. This may be reflective of a growth in RO staff numbers, particularly with the opening of new offices, as new employees start on fixed-term contracts before being regularised.

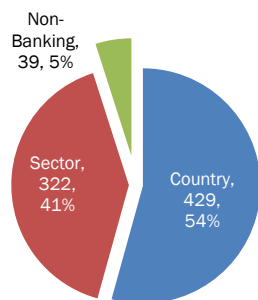


Staff budget data by country, sector and non-banking

Data on ROs from the Bank's budget department was also analysed. The budget data covers the period December 2010 to June 2015, which included information on costs and staffing by country (budget of offices in countries), by banking sector teams (HQ budget) and by non-banking staff (including Office of the Chief Economist and Office of the General Counsel staff).

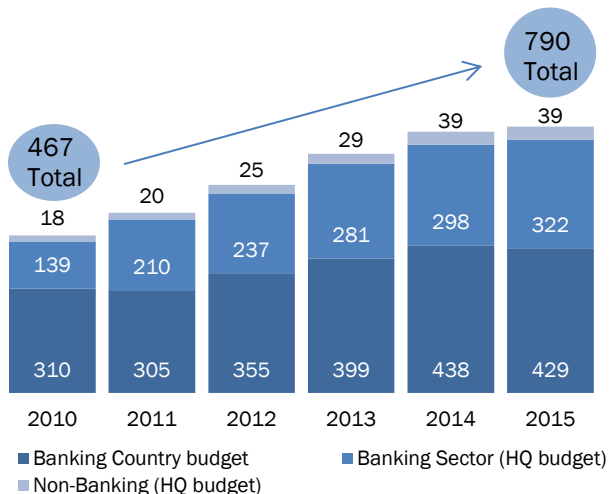
Unlike the HR data, and due to slightly differing reporting metrics this data shows that there were a total of 790 staff in ROs in 2015.

Of this 429 (54 per cent) were country headcount and 322 (41 per cent) were sector headcount. There were 39 "non-banking" staff, comprising almost 5 per cent of the total.



Staff budget data over time

Budget data shows a growth of almost 70 per cent in the total staff in ROs from 467 in 2010 to 790 in 2015.



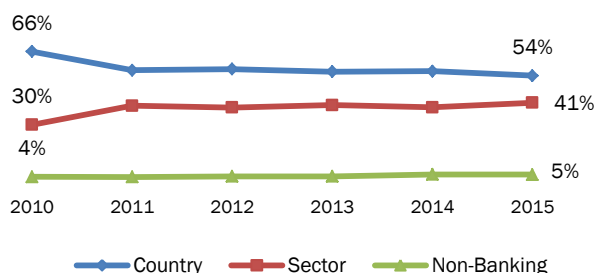
- Strong rise in staff based in ROs from Banking sector headcount (from HQ budget), to 132 per cent (from 139 in 2010 to 322 in 2015).
- Lower increase in country headcount bankers of 38 per cent (from 310 in 2010 to 429 in 2015).
- Ratio of country/sector headcount evened from 66:30 in 2010 to 54:41 in 2015. However, since only country team members report primarily to the heads of office, a reducing proportion of staff in ROs, now just over half, report primarily to the office head.

Ratio of staff types in budget data over time

Country headcount: Staff on country headcount still represent the highest share of RO staff, though that share has been declining over the period 2010-15 (see below). In 2010, country headcount represented 66 per cent of all staff in ROs, and this has declined to 54 per cent.

In 2015, there were 5 ROs with staff that were entirely country headcount: Ljubljana, Tashkent, Samara, Bratislava, Vilnius and Budapest. On the whole, the ROs with the highest proportion of country staff were generally small offices, for example there were a total of 3 staff in Ljubljana in 2015 which were all country staff. One notable exception is the Warsaw office, which with 17 total staff is among the 15 biggest EBRD ROs, but maintains fully 94 per cent (16/17) of its staff on the country headcount.

Sector headcount: Meanwhile the share of sector headcount staff rose from 30 per cent in 2010 to 41 per cent. According to Management, the chief driver of this change was the (gradual) completion of the reclassification of selected country staff to sector staff over the course of a year following the creation of the sector/country matrix in 2010.



ROs with notably high shares of sector staff include Belgrade (61 per cent), Istanbul (59 per cent), Cairo and Moscow (52 per cent), Almaty (51 per cent) and Kiev (48 per cent). These offices have in common that they are usually located in large countries that act as hubs in the regions they are located, and/or where the Bank has sought to dedicate sector resources as a result of larger (or more complex) portfolios and pipelines of projects.

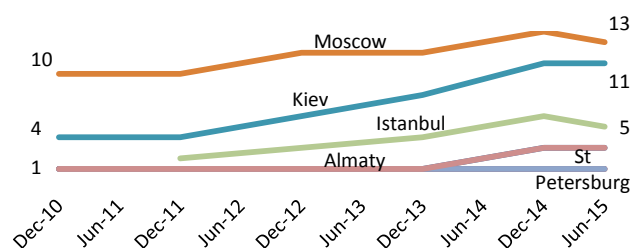
Increase in non-banking headcount

The budget data over time (opposite) confirms that the number of non-banking staff (including OCE and OGC) in the field has increased. In 2010, there were 18 non-banking staff in the field and this has grown to 39 in 2015, representing a 117 per cent increase over period 2010 to 2015. However, proportionally this has not led to an increase in the banker/non-banker ratio in the field, due in part to the 67 per cent increase in total bankers in ROs over the same period (from 449 in 2010 to 751 in 2015).

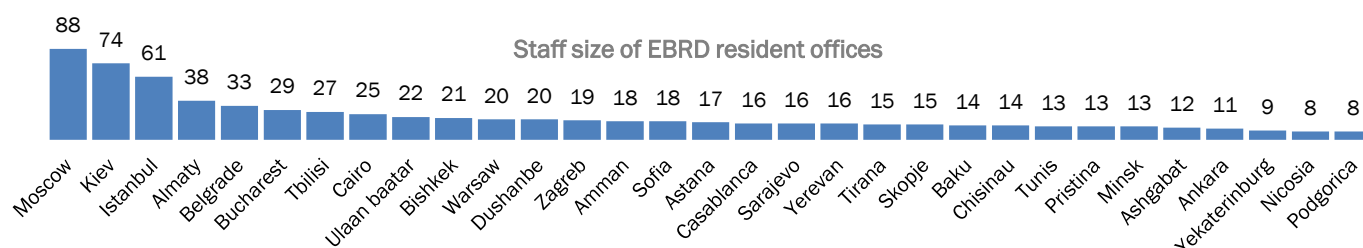
In 2010, the 18 non-bankers were spread across just 6 of the 36 ROs which were staffed at the time, whereas in 2015 the 39 non-bankers were present in 8 offices

although the Bank has opened/staffed/absorbed more offices since then (50).

Non-banking presence in EBRD resident offices



Non-banking staff are concentrated in ROs in countries where the EBRD has a large portfolio (see above). The highest numbers are located in Moscow and Kiev with 13 and 11 non-bankers respectively, and combined this represents almost two-thirds of all non-bankers in the field. Istanbul is a distant third, with just 5 as of 2015,



Expenditure on RO system

The EvD team were not able to determine the total cost of the RO system as this information does not exist in an accessible form.

Budget department data included information on RO operating costs broken down by three main categories (staff, non-staff, occupancy) by office for 2010 to 2015⁵ but is only part of the total cost since it excludes the costs of sector staff (and other non-banking staff) based in the ROs. These costs are accounted for in the cost centres of their parent department/team.

Using data presented in the previous section, this would mean that the cost data available to EvD does not cover 46 per cent of the staff in ROs in 2015.

Another issue is that, for budget reporting purposes, satellite offices are considered as a single cost centre per country, so the data could not be disaggregated by office (unlike the staffing part of the budget data which was presented per location). However, according to Management, this is because the administrative burden of separating this data would not be justified since the costs of the satellite offices are modest due to the majority of staff being donor funded and the occupancy costs representing merely 1-2 per cent of the total RO occupancy costs. There were also changes over the period including the creation/abolition of separate line items for some RO front office functions that make time

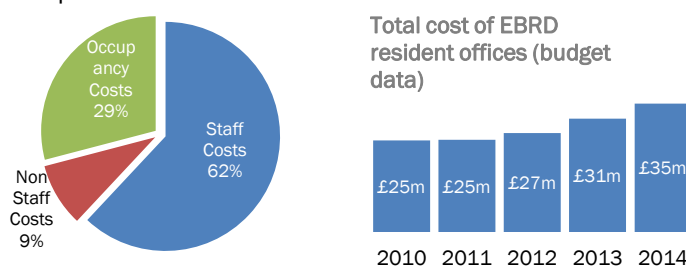
which is less than half the non-bankers of Kiev and represents 13 per cent of non-bankers in the field, despite Turkey now being the Bank's largest borrowing country. Warsaw and Almaty, which also cover other substantial borrowing countries, have 3 non-bankers each, followed by Belgrade with 2 and Sofia and St Petersburg with one non-banker a-piece. One thing that is striking from the data is the relatively low numbers of non-bankers in regional hubs. Tbilisi, which is a regional hub for the Caucuses, had no non-bankers present in 2015 according to budget data.

Staff size of ROs

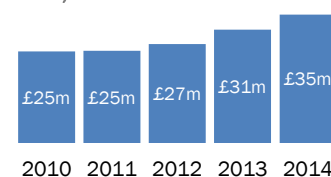
In 2015, the top 5 ROs, according to budget data, by total staff were Moscow (88), Kiev (74), Istanbul (61), Almaty (38) and Belgrade (33) – the chart below shows the varying staffing levels of the 30 largest ROs.

series comparisons difficult if not impossible. Presumably also there is no capex included as all purchasing of major items is handled centrally from London.

Although incomplete, the budget data showed that in 2014, the cost of the RO network was £35.2 million, of which just over £20 million or 58 per cent was staff cost (see chart below). Occupancy costs were 31 per cent of total costs at just over £11 million, and the remaining 11 per cent was 'non-staff' cost at £3.8 million.



Total cost of EBRD resident offices (budget data)



The cost in 2014 was up 13 per cent on the previous year's total cost of just over £31 million. However, over the 2010 to 2014 period for which full year data was provided, there was a 40 per cent increase in the cost overall. Increases were greater in 2013 (15 per cent) and 2014 (13 per cent). This appears to be driven by a substantial increase in occupancy costs (35 per cent increase in 2013 to 2014). Management informed EvD that the drivers of the rise between 2013 and 2014 were due to: (i) increased cost of Russian RO network through expansions or rent increases; (ii) opening of new offices in Turkey and Cyprus and reopening of the Slovenian office and (iii) accounting treatment of a building sale in Kiev.

⁵ However the data provided for 2015 is half year to June, consequently this chapter mainly utilises 2014 figures as the most recent data – for year on year comparisons.

3. Internal Survey

- Survey results on resident’s office system covering relevance, effectiveness and efficiency.
- Selected staff comments in response to questions

EvD surveyed all staff in ROs and selected staff in HQ.

A total of 645 staff responded to the survey, 69 per cent (444) located in ROs and 31 per cent (201) at HQ.

The overall response rate was 59 per cent (645/1,092) – 73 per cent (444/606) for RO staff and 42 per cent (201/486) for HQ-based staff.

Data Limitations

The survey was based on a non-probability sample such that the results apply only to the survey population. Since a random sample was not conducted, the evaluation does not provide statistical results which identify possible bias, and does not estimate measurable sampling errors such as confidence intervals.

The sections that follow are identified as principally addressing relevance, effectiveness and/or efficiency.

The analysis below excludes “don’t know or no opinion” responses though where these were significant in number (aside from two questions the bulk of “don’t know or no opinion” responses were to questions soliciting “any other views”).

Relevance: Prioritisation of RO functions

Perceived staff priorities

Respondents were asked to drag and drop 12 pre-defined functions of ROs from most important to least important. The table below shows results for all respondents. It also shows the weighted score as calculated by SmartSurvey for the Bank-wide “all” results.

Functions of RO's	Weighted score	Ranking of importance			Office heads
		All	HQ	RO	
Representing the EBRD	7305	1	1	2	2
Deal origination	7102	2	2	1	1
Client support and follow-up	5976	3	3	3	4
Policy dialogue	5726	4	4	4	3
Market intelligence gathering	4997	5	5	7	6
Integrity checks	4992	6	6	6	5
Project structuring	4911	7	9	5	8
project implementation support	3998	8	7	8	7
Coordination with other institutions	3380	9	11	9	9
Facilitating and supporting HQ visits	3292	10	8	12	10
Support to TC projects	3097	11	12	10	12
Outreach to civil society	3080	12	10	11	11
Other	848	13	13	13	13

The two functions perceived as the most important by all groups and with a weighted score well ahead of others were ‘representing the EBRD’ and ‘deal origination’. RO and HQ respondents were divided on the most important function (‘representing the EBRD’ for HQ and ‘deal origination’ for ROs).

RO respondents rated the top two functions almost equally (only 2 per cent difference in the weighted score) whereas for HQ respondents there was a 14 per cent gap between the weighted score for their top-rated function (representation role) and their second-rated one (deal origination).

Perhaps not surprisingly, heads of office gave a higher ranking to the importance of policy dialogue (for this group the weighted score for policy dialogue was relatively much higher than for other groups).

Many comments provided by RO respondents said that the top six or so functions were equally important though when pushed to rank the functions respondents were able to rank them.

Proportion of staff time spent

A further question asked ‘What proportion of HQ and RO banker time is spent on selected functions?’ Respondents indicated what proportion of their time they spend on 5 activities EvD chose as most likely to reveal the source of competitive advantage from having a significant field presence:

- 1) face-to-face contact with clients;
- 2) face-to-face policy dialogue with government officials;
- 3) face-to-face discussion with CSOs;
- 4) attendance at in-country events; and
- 5) coordination with other international finance institutions.

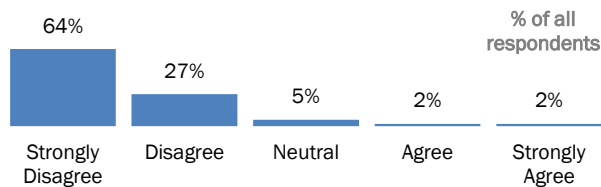
– RO-based bankers spend more time in face-to-face contact with clients than their HQ-based counterparts – peak engagement was in the 30 to 39 per cent of time spent for RO-based bankers compared to 10 to 19 per cent for HQ-based bankers

– Heads of office peak time allocation to policy dialogue was 20 - 29 per cent of their time spent on this task – for HQ-based respondents peak involvement was in the 5 - 9 per cent range

– No group spent much time on coordination with other international finance institutions.

Relevance: Could the EBRD develop and maintain the same client mix without a field presence?

Almost all respondents (91 per cent) disagree that the Bank could develop and maintain the same client mix without its RO system. The EBRD's field presence is seen by most as absolutely essential to its business model.



Not surprisingly given the results shown in above, the comments provided on this question are overwhelmingly positive, pointing to, among other things:

- the critical importance of knowledge of local markets and potential clients
- overcoming language barriers
- knowledge of business-related cultural norms and practices
- the need to “explain the EBRD”, particularly in new countries of operation
- the development and maintenance of strong client relationships based on regular face-to-face contact
- policy dialogue
- timeliness of response

RO respondents commented:

“Past experience demonstrates that the Bank’s field presence is instrumental for generating potential leads, proper monitoring (detecting early warning signals), assisting the company in the project implementation, project related policy dialogue, market and integrity intelligence. Given the Bank’s lengthy internal approval procedure and complex legal agreements most probably client numbers would significantly decrease without the resident office.”

“The EBRD has very complex organizational structure. Without local presence and RO guidance, it is really hard for clients to reach the correct people or department. For new countries of operations, the EBRD is unknown institution and local presence provides further trust to clients. Language barrier may have more negative impact on clients and deals. In my country people would like to meet face to face with people/banks who will be their business partner through knowhow, credit or equity.”

“Geographic proximity is key to developing strong client relationships, without which the EBRD cannot be a leader among development institutions in its COOs. In particular in difficult times, keeping literally one’s hand on the client’s pulse makes the difference between a (largely)

performing portfolio and an ill performing one. Having no field presence is a fair weather strategy.”

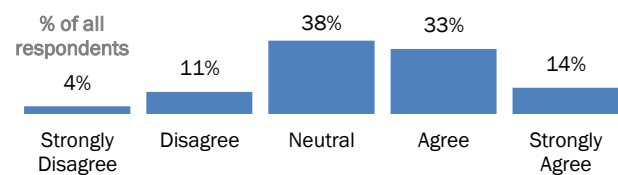
“With regards to equity investments (that I deal with) the on the ground presence is most essential as trust, personal relationships, understanding of the context, and constant involvement is essential for building equity value in challenging and dynamic market environments.”

HQ-based respondents indicated that a more generous travel budget could substitute for a field presence to some extent, but they saw that a local presence was essential for achieving transition and they noted the importance of the RO for policy dialogue.

“I agree, if there would be more budget for travelling. Travelling for HQ staff is restricted by budget, hence it’s difficult to maintain some client relationships and to do business development to a certain standard. Travel budget should be aligned between teams and with ROs.”

“While RO support is very welcome, and some ROs are very supportive, because of the varied experience of RO support, I try to maintain an ability to operate in the country autonomously.”

Effectiveness and efficiency: Is the concept of regional hubs working reasonably well?



The largest response group (38 per cent) was neutral on the issue. Almost half (47 per cent) felt that hubs worked well, while 15 per cent disagreed. This was one question with a high proportion of “don’t know” responses – 16 per cent of the total responses.

Not surprisingly perhaps, those in the Bank’s two largest hubs had the most favourable view of hub functioning, two-thirds (65 per cent) agreed that hubs are working well, with 34 per cent of them agreeing strongly. On the other hand, those outside the main hubs have a less positive view about the functioning of hubs: 45 per cent of respondents whose location is other than Russia and Turkey agreed hubs were working well, which dropped to 38 per cent of respondents from small ROs.

Some of the 100 or so comments made by the different survey respondent groups to the open-ended question on the functioning of hubs follow.

Heads of office comments

Comments from heads of office cover issues such as:

- Need for a critical mass in each required functional area,
- Accessibility/proximity to the hub,
- Importance of personal characteristics of staff, and

- Increased complexity of management and unclear accountabilities arising from the creation of hubs.

One Head of Office commented:

“Hubs of functions will only work when there is a critical mass of needs of that specific function within proximity/easy access from hub. We need to be careful not to oversell the hub concept to all functions, but rather in accordance to specific needs. Hub concept is very much dependent on individuals, this is a constraint as we may not always find the right individual for the each position.”

RO staff comments

The comments of RO respondents other than heads of office covered issues such as:

- It being better to have the required expertise in the RO than in a hub
- The possibility of improved collaboration at the field level
- Lessening of the constraint of time difference with London
- Possible faster response time
- Greater ease of attracting senior staff to major cities as opposed to ROs in less sophisticated places
- The view that location of staff in the hub does not allow for daily contact with clients and government or the development of detailed market knowledge [of other than the hub host country]
- The hub makes little difference for a small RO
- Lack of decision-making authority in the hub
- The benefit of having a regional Managing Director based in the region.

RO comments included:

“I work in a small country and I am not sure of the relevance/usefulness of a regional hub vs. HQ. A regional hub may be a good solution for a large country but in the case of a small country there may not be difference in communicating with a regional hub or HQ.”

“Regional hubs are useful to bring specialists/seniors on the ground. However there are several regional hubs now, some of which are overlapping in terms of regions and some of which are not covering all business areas/needs. A more structured approach and clear division of roles and responsibilities between hubs, ROs and HQ would also help to make the most out of it.”

HQ staff comments

HQ-based respondents commented on issues such as:

- The need to monitor the time input of hub staff in the hub host country versus the other countries it is supposed to serve
- The real business is still done at the RO rather than hub level

- There appears to be a lack of real commitment to the hub concept in terms of providing all the resources needed to make them work
- Confusion over roles and responsibilities
- The need for more decision-making authority in hubs
- Reduced travel costs.

Comments included:

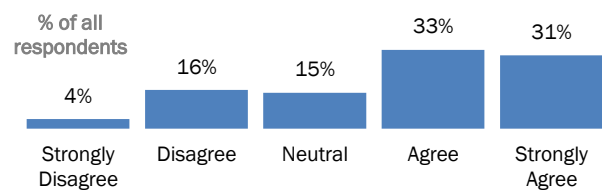
“Istanbul hub is a positive example. It is important to transfer experienced staff to these hubs and monitor their breakdown of effort and time between the host country and countries covered from the hub”

“Regional hub would seem to be more of a management structure than a concerted strategic driver of business. The real business is done at RO level not at the hub level.”

“Don't see much impact in practice. For almost all ROs London is close enough and the hub concept just confuses and dilutes.”

Efficiency: Should the Bank delegate more decision-making authority to ROs?

Delegating decision-making authority for small projects to ROs



64 per cent agreed (31 per cent strongly agreed) that approval authority for small projects should be delegated to ROs, while 20 per cent disagreed and 15 per cent were neutral. Thus, across all respondents there is considerable support for the idea of delegating approval authority for small projects, albeit with 20 per cent disagreeing.

When disaggregating these results by location of respondent (HQ versus RO), strong differences of opinion emerge – 44 per cent of HQ respondents disagree with the notion of delegated approval authority for small projects while only 9 per cent of RO respondents disagreed. More in London (21 per cent) were neutral versus 13 per cent in ROs. Conversely, there was strong support in ROs for delegated approval authority – 77 per cent of RO respondents agreed with the idea (40 per cent strongly). However, there was still significant support among HQ respondents regarding delegated approval authority as 35 per cent agreed with this authority should be delegated.

There is support in general and strong support from ROs for the idea of delegated authority for small projects. The whole area was explored in more depth in the interviews. The open-ended question also asked respondents to

identify the main limitations to delegated authority. While the charts above show strong support for a measure of delegated authority for small projects, many of the comments provide for a more nuanced or conditional support.

Views of heads of office

Heads of office comments include the need for:

- Heads of Office to have banking/credit skills
- A broader perspective such as is provided by the collective decision-making in HQ
- ROs to have a say on bigger projects also (too much power with the sector team)
- Hub involvement
- Individual responsibility rather than consensual decision-making
- More field presence of economists and lawyers to facilitate delegated approval, and
- The limitations posed by the EBRD's standardisation of terms and conditions

"Agree to delegation of authority over small projects, BUT this needs to be rolled out in the ROs where the Head has the appropriate banking/credit skills. Also, this roll out will be dependent on the size of the RO. I am a strong believer in Credit being in the ROs (not just to assist in providing approvals but also as a mechanism to improve the quality of deal structuring/negotiating which in many cases is quite poor)."

"I believe that SBIC does a good job regarding small projects. Broader perspective is needed which for instance Head or a team in small RO may not possess."

"The RO should have more influence not only on smaller projects, but also bigger projects' approval which are of strategic importance for the country as per country strategies. Currently power is completely with sector teams."

"Ability of smaller offices to handle all the approval aspects up to the desired standards (credit, integrity) limits delegated authority. Also the excessive focus on EBRD terms and conditions not applicable in given markets but required limit the ability to delegate legal and technical aspects of individual projects further."

"It depends on the background of the head of office"

"The EBRD system of approvals needs to be changed so that individuals rather than committees take more responsibility"

RO staff comments

Views included:

- The potential reputational risk to the EBRD from its complex decision-making process

- The problems caused by the limited term of heads of office such that they may have left and so not be accountable for the outcomes of their decisions
- TC approval should also be delegated
- The risk to a country portfolio of having a single approval across all sectors as opposed to various sector directors
- The need for a skilled head of office to develop the capabilities of local staff to take on greater responsibility for various stages of the project cycle thus supporting career development of local staff
- Delegation of authority should not involve further delegation to multiple others
- The risk-averse culture of the EBRD hinders delegation to individuals
- Process improvements may substitute for delegated authority
- The potential for conflict of interest in localising decision-making, and
- Large ROs could have delegated authority for larger as well as smaller projects.

"Both approval authority and for other decisions, for example it would be very useful to have supporting units in regional hubs (Credit, Office of General Counsel, CSE), as this would significantly reduce the workload (such as preparation of documents for supporting units, scheduling of calls, discussions) as they would join in meetings with clients this would also lead to better EBRD response time and efficiency gains. With regards to approval authority delegation, my view is that it should be delegated to certain people in the ROs or regional ROs, not based on their title (still only Senior Banker and above should qualify) but rather delegated to the people chosen by management as best for the decision making."

"Approval authority should stay with London as it is more objective and neutral."

"Absolutely! This would be a massive innovation for the EBRD and would allow the Bank to finally better compete with local actors. It would also empower highly ranked individuals to progress in their careers, providing additional motivation."

HQ staff comments

Selected comments by HQ-based respondents include:

- The need to be selective in terms of to whom authority is delegated
- The need to consider the nature of the country in terms of the level of corruption for example
- Rather than smaller projects one should consider the risk profile of the transaction,
- The high risk of having poor performing assets in the Bank's portfolio [because of delegated approval authority]
- The possibility of "capture", it's not possible to have the full range of sector expertise in every RO

- Delegated authority should be passed down the standard hierarchy with limits set at each level
- The need to create mechanisms to monitor the quality of approval decisions
- The limitation posed by consensual decision making and the exercise of control over decisions by so-called support departments
- The need for consistency in approvals, and
- ROs may not have all the skills for approving projects.

“It is not possible for each RO to have an understanding of each and every sector in which the Bank operates. Or to put it a different way, it would be too expensive to have a structure where each RO or even each hub could have the entire spectrum of sector expertise. The strength of the EBRD is both the deep in country presence, and the deep highly recognised sector expertise. They are both critical to the Bank and constitute its main strength.”

Other types of delegated authority

47 per cent of all respondents agreed more decision making power on other matters should be given to ROs, compared to 12 per cent opposing the idea. The “other” areas identified for delegation included; portfolio management decisions (waivers, non-material changes to terms), integrity decision-making, hiring personnel locally, budgeted expenditure, some human resource and administrative decisions, TC decision-making, policy dialogue, utilisation of grant funding, timing of exits from equity investments, marketing development activities, local procurement, and signing for small to mid-size purchase orders.

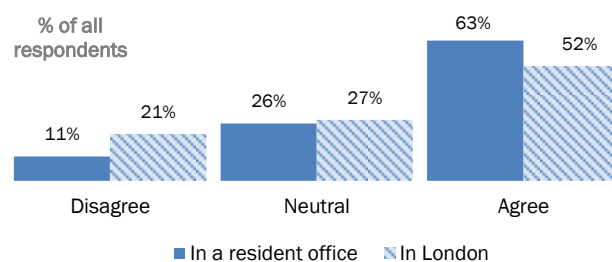
Effectiveness and efficiency: Should the EBRD relocate more non-banking staff to the field?

This question explored perceptions on the issue of deconcentration of non-banking staff from HQ to the field.

Sector economists

The chart below shows the breakdown between HQ and RO perceptions on this issue specifically referring to the relocation of sector economists. The “strongly agree” and “agree”, and “strongly disagree” and “disagree” have been merged in the figure as there were relatively few respondents holding the more extreme views, particularly for the strongly disagree option.

Should more sector economists be relocated to the field?



Fifty-nine per cent of all those surveyed agreed that the EBRD should relocate more sector economists to the field. There were some differences between HQ and RO-based respondents but maybe not as much as one might expect.

Other categories of non-banking staff

The survey provided for respondents to give their opinion on 8 categories of non-banking staff with an “other” category also provided.

Analysis of the responses pertaining to other non-banking staff categories are presented in Working Paper 2. In summary:

- there was a considerable support for a deconcentration of non-banking staff (of all categories) from London with a range of support from all respondents from 39 per cent support (for locating more human resources specialists) to 65 per cent support for locating more lawyers in the field, which is close to the proportion that supported credit/risk officers being located in ROs.
- The level of disagreement was generally low (less than a fifth of all respondents).
- The views of the specialist groups themselves were split ranging from 77 per cent support from Environmental and Social Department staff to a low of 23 per cent from Credit Department staff and 25 per cent support from Procurement Department staff.

RO staff comments

Issues raised included:

- The need to have at least 1 lawyer in each RO
- The benefit of improving the knowledge and understanding of non-banking staff of local markets and clients
- A need to have human resources specialists in the field
- A need for policy dialogue specialists
- The need to shorten response time and improve efficiency which can be achieved by having support department staff located in the ROs
- The desirability of having both lawyers and credit officers in the field to enhance the structuring and negotiation of deals, and
- The possibility of hiring non-banking staff in the field rather than relocating them from HQ.

Comments include:

“Proximity of support units involved in the execution of transactions is crucial for fast delivery and quality output, as presence in the field increases the familiarity with the local market dynamics and conditions [and] enables fast comprehension of the project realities.”

“It could dramatically improve responsiveness and efficiency. The time difference is a particular constraint for Central Asia. In addition bringing more staff to the field would improve prioritisation and understanding of local needs. Plus I imagine it would be cost effective too.”

HQ staff comments

Issues raised included:

- The difficulty of locating support department staff to the field if they are structured by sector
- Credit officers should at least spend time in ROs if not actually based there
- Larger ROs should have a part-time human resource specialist while human resource officers should spend time in the smaller ROs
- Gender specialists are needed in light of the new gender strategy
- To date the EBRD has not been prepared to bear the full cost of mobility
- Green economy and inclusion specialists should at least be based regionally
- Civil society engagement staff should be present in ROs
- Location of lawyers to non-hub ROs could be by shorter term assignment rather than long-term relocation
- The lack of support department personnel limits the ability to relocate staff to all ROs
- We promote the fact that we have local knowledge but our support units do not visit frequently to generate local knowledge
- Decisions are needed on a case-by-case basis
- ROs need to serve the whole Bank and not just banking, and
- Secondment for shorter periods is a viable alternative.

Comments included:

“Lawyers are already present in larger ROs. Credit should .. spend time if not necessarily be present all the time in the RO; Human Resources Department needs to spend time at the ROs to understand the specificity better; larger ROs could have part time resident human resources specialist.”

“This as an aim is laudable, however it comes at a cost. To date, the EBRD seems not prepared to bear that cost, trying to nickel and dime on mobility.”

“ROs need to serve the whole Bank and not just banking, and the incentive structures need to reflect that.”

“Other expertise should possibly be present at least regionally to support initiatives Green Economy, Inclusion, Gender ..(and to) support policy dialogue. As sector economists simply rate transition, I don't see why they need to be in the field but the country economist should and they should guide on the transition challenge.

Civil society engagement unit.”

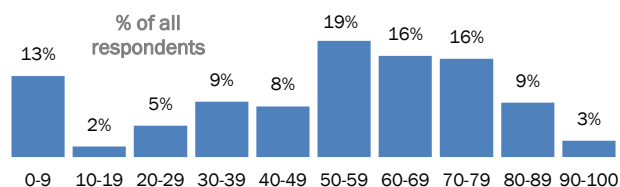
“Environment and social staff have certain specialities, such as cement or steel or hydropower. To locate them in one country means they would be inaccessible for other countries. It is better to keep them centralised and to be available to the whole region.”

“Relocate is loaded term. It is too expensive to relocate. Over time we may hire specialists in these areas to be based in ROs from the respective local market.”

Effectiveness and efficiency: What proportion of bankers should be in the field versus HQ?

The deconcentration issue was further explored by this question where respondents could move a sliding scale to their recommended proportion of bankers in the field with the balance being the proportion in HQ. The chart below shows the combined results.

Proportion of Bankers who should be in the field



- 13 per cent of respondents believe that the EBRD should be much more centralised with only 0 to 9 per cent of bankers in the field. In fact the response was even more extreme as all but three of this group actually said 0 per cent, which would make the EBRD much more like the EIB.
- Over half (51 per cent) of respondents are in favour having from 50 per cent to 79 per cent of bankers in the field.

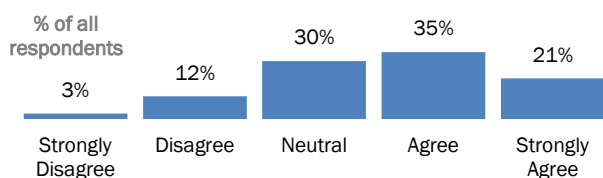
Disaggregation by location shows a much higher proportion of RO respondents (61 per cent) indicating that between 50 per cent and 79 per cent of bankers should be in the field compared to 29 per cent of HQ-based respondents. However, the ratings are the same for the two groups for the range 50 per cent to 59 per cent. Conversely, 33 per cent of HQ-based respondents suggested that between 20 per cent and 39 per cent of bankers should be in the field compared to 5 per cent of RO-based bankers who selected this proportion. The results were also disaggregated by banking country

versus sector team. This shows a fairly similar result to the disaggregation by location of respondent.

Effectiveness and efficiency: Should there be more senior and principal bankers in ROs?

This question also explored the notion of greater deconcentration of staff from London to the field but here the emphasis was on the level of staff. Having more senior and principal bankers in the field would likely allow more decision-making to take place in the field – this could be more efficient and could increase effectiveness by ensuring decisions were better informed by experience.

The chart below shows over half (56 per cent) agree with this proposition while 30 per cent are neutral. The level of disagreement is low at 15 per cent.



RO based staff felt stronger about having more senior bankers in the field (60 per cent) compared to respondents in HQ (44 per cent). A majority (65 per cent) of heads of office also agreed with the concept. Over half of senior and principal bankers (56 per cent) agreed their presence should be greater in the field, but the sentiment was stronger among bankers located in the field (71 per cent) than those based in London (39 per cent). Whether HQ-based bankers were answering with the thought in their mind that they themselves did want to relocate is not known.

RO comments

Comments by RO-based bankers on the proposition covered many issues including:

- The desirability of ROs being able to independently execute deals
- There needs to be a good balance (more mid-level and juniors than seniors) between senior and junior staff (a lack of junior staff can hinder project execution)
- An important role of senior bankers to transfer skills and knowledge to more junior staff and who can navigate the complex HQ-based approval and decision-making process
- The need for specialised senior bankers to be able to spread their knowledge more widely
- Progression may be worse from a RO
- Bank-wide there are too many seniors and not enough juniors
- The importance of having more senior sector team bankers rather than senior country team bankers in

ROs as the latter don't have the opportunity to develop real sector expertise, and

- Having more senior bankers in the ROs provides the basis for more decision-making authority at this level.

“Ideally ROs should be balanced and should be able to independently execute deals. This is difficult to do with only junior staff.”

“There has to be a good balance between senior and junior staff, as the lack of more junior resources/support can be an obstacle to project execution.”

“You need a small number of more experienced bankers in the ROs who know how to navigate the complex EBRD approval processes and can train and guide more junior bankers.”

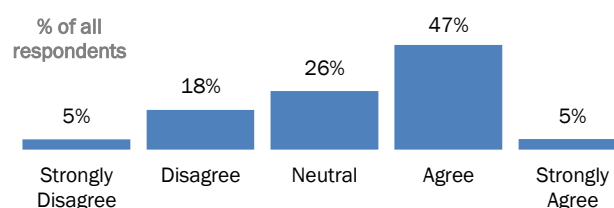
“While having seniority in ROs it is equally important to have a sufficient pool of juniors to do number crunching, gathering market and sector intelligence. The latter is not well covered in many ROs, the known lack of knowledge management.”

“We need sector team PBs and SBs sitting in regional hubs to provide origination support, structuring guidance and sector expertise to country team bankers who could be at a more junior level. It is more important to have more senior bankers from sector teams (sector teams) than in the country teams....”

Relevance and effectiveness: Do country strategies primarily determine what gets done in a country?

The country strategy contains areas where the Bank can have the greatest impact. Therefore, respondents were asked for their views on the degree of influence the country strategy has in determining what gets done in the country.

The chart below shows the perceptions of all respondents. Fifty two per cent agreed that country strategies were influential in determining the EBRD's activities in countries while 26 per cent were neutral – 23 per cent disagreed.



While generally positive, it is not a ringing endorsement of the role of the country strategy. It should be noted that changes are being made to the nature of country strategies that are expected to increase their role in focusing the EBRD's activities to those areas where the impact is expected to be greatest.

HQ comments

- Being too specific in strategy limits the Bank's ability to respond to the private sector needs
- Country strategies are broad and non-selective providing a loose framework
- What we plan to do forms the basis of the strategy, strategies are only useful in providing constraints on what cannot be done
- Everything can be done if you find the right word in the strategy, and
- Country strategies are a lobbying exercise by sector teams

"Country strategies are so general they don't determine much at all other than "we will try anything" approach.

The new approach to themes might address this, assuming we don't see a proliferation of all themes being key in a country. You can see from new initiatives such as Gender that the Bank has imposed a priority approach, however it has taken a very broad brush approach with Green Economy..)"

"Country strategies are a lobbying exercise. When reading any country strategy, one can see which teams have been better at lobbying their own agendas, normally based on existing business relationships and upcoming projects... the input process is not clear at the level of banking and the importance of strategies is not evenly understood across the bank.."

RO comments

Views include:

- The view that businesses determine the strategy
- There is a difference between desirable and possible
- The situation can change dramatically during the currency of the strategy
- A more whole-hearted buy-in to what we actually want to do in a country would benefit all and reduce the scope for other areas in the Bank to de-rail projects
- Country strategy is a corridor-setting tool not a driving force
- Country strategies don't seem to help much when it comes to project approval
- Depends whether sector team can be motivated to align their objectives with country team objectives
- Any project that is well structured with a reasonable transition impact gets done regardless of the country strategy, and
- Sector economists have a view that is frequently not aligned with country

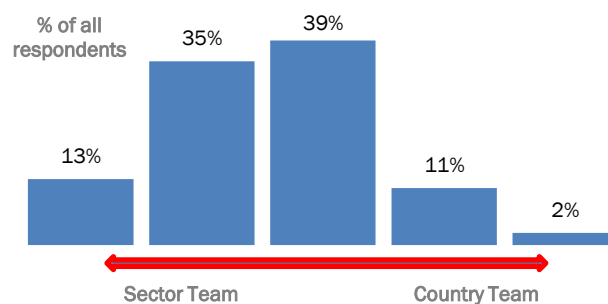
"Country strategies determine what activities have priority in a given country, it is true. But it is important that ALL units of the bank (incl. Credit and Office of the

Chief Economist) follow the strategic priorities when reviewing the projects. So far it seems that only origination follows the strategy, but the rest of the Bank does not."

"A country strategy cannot change the reality on the ground and also needs to allow sufficient freedom to react quickly to changing circumstances."

Efficiency: Where does the balance of power lie between country and sector teams in determining what gets done in a country?

39 per cent indicated that the balance of power and influence was shared between country and sector teams around the mid-point (40 to 59 per cent). Almost half (46 per cent) of the staff felt that 60 per cent to 80 per cent of this decision power was held by the sector team and 13 per cent of those surveyed felt that the majority of this power (60 to 80 per cent) lay in the country team hands. Overall, 65 per cent felt the sector team decided what got done in a country, while 35 per cent thought the country team made the decisions.



Perspectives on where the decision-power rests were shared among respondents working in banking. For 66 per cent of those belonging to country team headcount and 74 per cent of sector headcount, considered that most (55 per cent to 100 per cent) of the decision-making power resided with the sector team. Similarly, 69 per cent of heads of office felt that the sector team held 55 per cent to 100 per cent of this power.

Country team Bankers comments

In their comments, country team bankers said that:

- Sector team bankers have a much stronger say as they can operate over a range of countries
- They have the seniority and influence with non-banking departments (particularly credit)
- Sector teams have veto power
- Country teams do the hard work with clients and make the deals happen (this is illustrated by the comparison with IFC and EIB which rely on flying visits to the country)
- Generalist bankers in ROs have no authority in what deal gets introduced to Credit

- Sector bankers usually insist on leading deals even where they had no hand in origination
- Full decision-making power lies with the sector teams at the moment
- The sector team is only interested in bigger volume projects
- Very much depends on the RO and the sector team involved, and
- Sector teams have a strong say because of their sector expertise but country teams also matter because of their local knowledge.

“Clearly sector teams have currently much stronger say on which transactions they want to focus on. We should change that and re balance the power to the RO. Sectors can chafe out of many geographies to meet their targets, and they have no incentive/obligation to really look into transactions that from country perspective are important, although difficult to move forward”

“Sector teams have the resources, the seniority and the “ear” of the various non-banking teams in London.”

“Full decision making power lies with sector teams at the moment. RO can only try to convince sector teams to do a project but cannot forward them themselves (particularly in case of smaller projects). Often the exchange currency for doing a project in an RO is OLship being given to the sector team, unfortunately.”

Sector team Bankers’ comments

The comments made by sector team bankers on the question include:

- When sector and country teams have different targets or objectives it is difficult to keep both happy
- Recently country directors have got more power which [in the view of sector team respondents] has slowed down the approval process
- The efforts by sector and country venture should be an equal partnership
- Sector teams should determine the projects that are carried out taking into account the country team views though the sector team view should prevail
- The sector team leads origination, structuring and approval process
- Delegated authority puts power with the sector team
- Sector teams are more concerned with meeting targets/country teams with addressing the priority sectors in a country
- The sector team has to decide on the “doability” of the project whereas the only real influence of the country team is on integrity
- Sector teams have the structuring expertise whereas country teams (sometimes) have the relationship
- The sector team has the specialised expertise to assess risks, and mostly ROs don’t understand what you can push through the Bank.

*“To me, it is critical to bring this to 50/50, as a joint venture approach. We work together and it is our key strength, it should be more equal. A sector should not do a deal a country doesn't want; equally, a country shouldn't push a deal a sector believes is not bankable. There should be respect of both perspective, there is less and less respect of the sector perspective at present, possibly because senior management quite naturally talks more to country teams during travels, but not so much to sector teams. **More communication effort needed by sector teams.”***

*“Sector teams should determine the projects that are carried out taking into account the country team's views. However, **sector team's opinions should prevail** (a bad deal is a bad deal). For reasons of politics or other pressures, a small proportion is then carried out by the country teams.”*

“[Often] ROs don't really understand what you can push through the bank, with the exception of a handful of bankers”

Should all RO staff have a primary reporting line to the head of office?

This question explores whether sector bankers posted to ROs and former country bankers once promoted to the level of principal banker should have a primary reporting line to London-based sector directors (or Moscow-based in the case of Russia) and a secondary, rather ill-defined, reporting line to the country director.

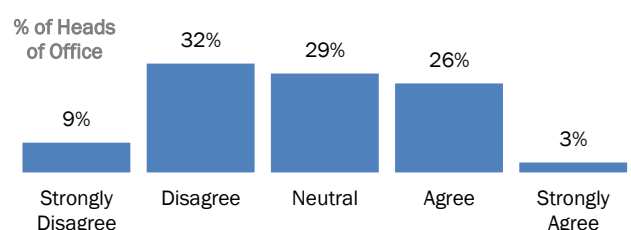
SBS staff, now integrated with banking, have a separate reporting line through region to London.

- 84 per cent of Heads of Office agreed or strongly agreed that all in ROs should have a primary line of reporting to them
- However, among RO-based sector team bankers on 27 per cent agreed with the notion and 49 per cent disagreed or strongly disagreed.

Efficiency: Does being in a RO positively affect your career prospects?

Statements have been made that spending time in the field is viewed positively when promotion decisions are made. This question probed views on whether this is seen as the case or not.

Heads of Office had mixed views though more negative than positive. Forty-one per cent of who had been based in ROs disagreed with the notion. A further 29 per cent were neutral and 29 per cent agreed.



This negative view was also held by 40 per cent of the staff based in the ROs, but 36 per cent of them agreed that being in the field has a positive effect on their career prospects. For staff currently located in London who had previously been based in an RO, the feelings were divided with 37 per cent disagreeing and 31 per cent agreeing.

Comments on career prospects

The responses to the open-ended question that allowed respondents to explain their response revealed some strongly held and divergent views. Points made included:

- Many put forward the view that RO staff lacked visibility and networking ability – as a result they were often forgotten about when it came to promotion and recognition.
- HQ-based staff who had spent time in ROs had mixed views – on the one hand they found the experience rewarding and they developed new skills but on the other they consider the Bank does not recognise, reward or seek to benefit from these new skills.
- For a banker to move to a smaller RO was a dead-end job according to some.
- The career prospects of heads of office were viewed particularly negatively in the comments with one saying “being a country director was useless for promotion.”
- Some noted that all career advancement decisions were made in London, largely by people who themselves had never spent time in a RO.

“You have much less visibility than HQ colleagues and it really plays against you once you’ve reached principal banker’s position because promotion to senior banker is decided in HQ.”

“While I find my RO experience extremely rewarding, people in HQ tend to be promoted faster and to more senior positions”

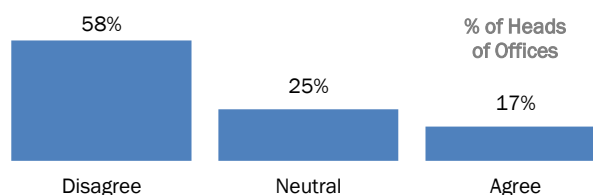
“I agree that is what the Bank says but the evidence would point to the contrary and it is the people at HQ who are able to “network” that get the career opportunities....it is very disappointing to see.”

“In my personal experience, being on the assignment in the RO has not yet translated in recognition through promotion; arguably, quite the opposite, visibility in HQ is lost and perception of HQ staff of those who go to ROs is not such that it is a career enhancing action which should be recognised and appreciated.”

Efficiency: Are there good mobility prospects from a RO?

The need for greater mobility of EBRD staff was identified as a priority by Management as part of the One Bank initiative so this question sought the perspective of respondents on the prospects for mobility from a RO. The chart below (showing responses from Heads of Offices) show that 58 per cent disagreed with the statement that

there were good mobility prospects for RO-based staff while 25 per cent were neutral and 17 per cent agreed.



The views of heads of office are in line with those of the RO staff in general – some 59 per cent disagreed. Likewise, 58 per cent of London based staff who have previously worked in a RO disagreed that there are good mobility prospects.

Comments included:

- Many pointed to lack of resources to support mobility, particularly the inability to provide cover for someone on short-term assignment, something that was highly problematic for small ROs.
- There was also a view held by some that if one’s performance was good, there were mobility prospects.
- Some questioned how much effort went into facilitating mobility. One of the respondents holding this view stated “I moved from HQ to an RO despite the departments’s mobility policies not because of them.”
- Many pointed to the complete absence of succession planning for heads of office and the fact that there was little if any help provided to heads of office to find another position.
- Others pointed to the disincentive created but no consistency on the level of salary, benefits and allowances when on short-term assignment.

“Due to the scarcity of resources, people are not particularly enthusiastic about you moving out from the RO.”

“For locally hired staff it is very difficult to be reassigned to another location. For internationally hired staff, mobility is compulsory but there is little or no visibility or planning.”

“The mobility has improved. Staff is able to go on short term assignments to HQ. More problematic is longer term mobility between ROs and to HQ; there is an issue of cost implication as well as attractiveness of assignments in the field vs. family issues.”

Additional open-ended question responses

The survey ended with the opportunity for respondents to provide any other comments on any aspect of the EBRD's field presence system. Over 100 respondents took the opportunity to add additional perspectives or reinforce previously made points. There is a richness of information and views expressed. Some of the issues raised include:

- The inefficiency caused by loss of valuable staff as a result of the use of short-term contracts
- The need for much greater investment in ICT in ROs and particularly in satellite offices
- Greater investment in health and security in ROs
- Mobility should be a two-way street – HQ to RO and RO to HQ
- Policy dialogue needs specialised expertise located in the RO
- Too much HQ-centric thinking – “transition does not happen at 1 Exchange Square”
- “One Bank” means RO employees should be treated the same as their HQ counterparts – RO staff do not view that they operate in a One Bank system.
- Country knowledge management needs to improve
- Administrative and IT decision-making must be moved to ROs
- The work environment in satellite offices needs to improve
- Country management's role in country strategy implementation needs to be enhanced
- Salary review of RO staff long overdue
- Head of office initial training needs to be much greater than the crash 2-day course and a proper handover process needs to be put in place
- Changes are needed to address the problem that “sector teams tend to prioritise 'safer' and larger deals in perceived core markets at the expense of similar and even more bankable deals in smaller (peripheral) markets.”
- The best professionals should be attracted to head ROs and they should have real career prospects – also, the issue of non-transparency in appointment and rotation must be addressed.
- RO-based female staff need to see equal career opportunities
- “The performance of the ROs is only as good as the support structures from London. You cannot make the ROs more efficient without making the departments in London more efficient.”
- Too often the operations leadership is taken by HQ bankers when RO-bankers are equally capable



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4. Internal Interviews

- Results of 148 interviews with staff and Board members on relevance, effectiveness and efficiency of the resident office system
 - Quotes from interviewees on topics including staff issues, decision making processes, deconcentration of non-banking functions and split between reporting lines to sector teams in HQ and to country teams.
-

Following the evaluation questions, interview evidence is arranged by the evaluation criteria of relevance, effectiveness and efficiency. Some issues have multiple dimensions – relevance and effectiveness for example – where this occurs reporting focuses on the aspect under consideration.

Questioning on relevance sought to understand interviewees' views on the relevance of the field presence, that is, its importance and functionality to the EBRD's business model. Relevance is covered in two parts:

- General relevance of ROs from the viewpoints of EBRD staff, EBRD board members and external stakeholders.
- Relevance of regional hubs and satellite offices

General relevance of the Bank's field system

EBRD staff views

From the 148 interviews, topics were generally aligned with the results of the survey with market knowledge and intelligence, policy dialogue, deal origination and client follow-up arising most frequently.

Market knowledge and intelligence

- ROs are essential given the EBRD's business strategy of mainly private sector transactions with local sponsors. Market fact-finding and local intelligence for HQ is a valuable function, combined with sector expertise.
- Understanding of the local culture, business practice and language are essential to investing successfully in the Bank's countries of operations. Clients and government dealing with the Bank expect to meet Bank staff locally at short notice or informally, often leading to new or repeat business.

“Working with clients one needs to speak the same language and be as close to them as possible; sometimes need to meet quickly. Good to be in the same time zone. This is most important reason. ...”

- ROs play an essential role in integrity checks and mitigating reputational risks from working with the wrong people. In countries suffering high levels of

corruption, the Bank's presence provides a degree of protection to clients.

- The EBRD's increasingly focus on smaller deals requires local knowledge to mitigate higher risks. Sector teams generally take care of larger markets.
- In newer countries of operations, ROs are symbolic of the Bank's commitment to the country. Business is developed through client relationships based on trust, local language and presence.

Policy dialogue

- ROs play an important role in policy dialogue – being locally based can lead to greater traction than “fly in, fly out” visits, although sector teams have expertise.

“Policy dialogue is where ROs have a particularly important role a) to identify topics and issues to address; b) to engage local counterparts to ensure these are topics they are [supportive] and to bring the necessary resources. In terms of expertise or grants to move the dialogue forward; c) identify with whom to engage.”

Deal origination

- Local presence facilitates efficient origination in the EBRD's growing specialised areas such as sustainable energy, support to small and medium enterprise, local currency and capital market development, infrastructure, and equity.
- The EBRD seeks to reach clients in more remote or disadvantaged regions – it may be impossible to develop these markets from London

“For the business model that the EBRD is pursuing..the [RO] presence is needed very much. If they were to work with the capital cities only it would probably be different. But they want to go to the regions..”

- Business generation is a team effort between country and sector team

Client follow-up

- Monitoring to understand issues and developing and implementing solutions in a timely and collaborative manner – in-depth client and market knowledge are required for this

“...The role of the RO is critical .. in conducting monitoring, as after signing, HQ tends to lose interest in the project.”

“... Local bankers are much better at teasing out the real reasons and in the monitoring process of why things got

delayed. *They really understand if it is an underlying problem, or if the company is not committed anymore or if there is a problem with the government, or if the government product came late.....”*

*“The RO also contributes to results by being in close contact with clients during the implementation of projects. **The greatest value of the RO can probably be seen with local corporate equity deals ...”***

- ROs support improving client procurement practices for transition (whilst acknowledging the oversight of the Procurement Policy department as set out in a Strategy and Policy Committee paper).

EBRD Board members’ views

EvD interviewed 9 members of the EBRD’s executive board of directors who made a number of observations on the relevance of resident offices. Some of the points include:

- Field offices provide the EBRD with more operational flexibility than HQ alone. Employing local people to “explain EBRD” is an essential element of success.
- The Bank’s field presence is a feature that distinguishes the EBRD from others. It is essential for a bottom-up demand-driven model.
- Country strategies could best clarify the purpose of individual field presence.
- Supporting consultants and policy dialogue are important functions of ROs. Long gestating projects require a field presence – ROs are “policy multipliers”.

External stakeholders views

External stakeholder interviewees expressed many similar views to EBRD staff including that the RO system provides a deeper understanding of local realities, allows the EBRD to reach smaller clients, do smaller or more complicated deals, conduct deeper policy dialogue, and proper integrity checks.

Relevance of small offices

Small offices are those ROs with a high proportion of country staff, for example there were a total of 3 staff in Ljubljana in 2015 which were all country staff. Do the smallest offices have critical mass to play a meaningful role? The interviews sought views on this and other issues affecting smaller offices.

To do business in countries that are not very attractive from a business volume perspective local presence is needed to advocate for opportunities and to attract sector team attention. Interviewee comments

“ROs can help EBRD staff to understand the country context...”

“ROs play an advocacy role .. particularly important for small and medium sized countries where project size is smaller and therefore less attractive to sector teams.”

“[Small offices are] particularly important for smaller countries, Early Transition Countries and Western Balkans if we didn’t have a local presence it would be extremely difficult to conduct business from London because frankly the **sector teams don’t always get excited over the small numbers involved and the large .. effort needed for a small result. The local presence ensures that pressure is put on London colleagues to visit and to come more often”**

Relevance of satellite offices

The EBRD is unique among IFIs to have subnational offices, termed satellite offices for the purposes of this evaluation so as not to confuse them with regional hubs. This distinguishing feature calls for special attention in terms of relevance.

There are three types of satellite office based on their main function(s).

- In countries such as Turkey and Kazakhstan where EBRD has a principal RO in the commercial capital it has opened a satellite office in the political capital, principally as a means of engaging with the government either for policy dialogue or administrative matters concerning the EBRD’s presence in the country.
- Those that are exclusively Small Business Support offices. Over time, and with the creation of Small Business Initiative, these offices may add some banking capacity to originate transactions.
- Those found in Russia (before the status quo at least) – given the vastness of the country coupled with the EBRD’s need to find additionality the banking business was pushing in to the regions.

Views on the relevance of satellite offices from those actually working in them include:

- Satellite offices are regarded a more concentrated version of the relevance of the Bank’s presence in the country – the importance of visibility, language and of building relations through regular face-to-face contact are even more concentrated, particularly in regions where there is a distrust of foreigners (which may include anyone not from the region).
- Satellite offices play an important role in deal origination - information on smaller, less well-known regional companies does not exist centrally.
- Satellite offices in capital cities when this is not the location of the principal RO facilitate meaningful and constant engagement with governments rather than a “fly in, fly out” presence.
- Small Business Support business cannot be done remotely – the Bank has to be local.
- Satellite offices provide the EBRD with a unique form of “intelligence” about the business climate in the regions of larger countries that it can use in policy dialogue work.

- There are some efficiency gains in terms of reduced travel costs from being based in satellite offices
- There are federal administrations in the Russian regions and in many regions where the EBRD has satellite offices there are local business associations so there is the possibility for policy dialogue at the regional level also.

Non-EBRD interviewees were also positive about the relevance of satellite offices. Satellite offices are seen as adding value to the EBRD's support to a country's transition, both functionally and as a signal of commitment. This was especially where there are regional differences in a country's development profile.

Effectiveness of the Bank's field system

Questioning in this area identifies result areas to which ROs make a particular contribution due to their proximity to the action; and the knowledge, skills and expertise of the staff present in the field. What follows is a report on what people interviewed said about the contributions made by field offices to the results emanating from the Bank's engagement in its countries of operations.

An overriding impression on the contribution of ROs to results from the interviews conducted is twofold:

- How little discussion there was on impacts of the EBRD's work in relation to the Bank's field office presence – for example, in the 150 interviews analysed there were only 31 parts about impact out of 6,995 total parts.
- Many interviewees in the field considered the relevance and importance of the EBRD's transition impact concept was low; seeing it as something internal to the Bank, (and a sort of necessary evil to deal with) rather than something relevant to clients and the countries of operation – this view was particularly strong in newer countries of operations..

Results contribution by the field office system

Immediate outputs: RO interviewees (who were mostly bankers since this is the make-up of ROs) focussed on the immediate outputs of their work activities –such as projects originated and deals signed; problems during implementation identified and rectified sooner as a result of close monitoring and regular (as frequently as daily) client follow-up; policy dialogue outputs in terms of legislation or regulation; the EBRD being equipped with better knowledge, and; the markets players gaining better knowledge of the EBRD.

Outcomes: This included discussion on more projects with local sponsors and the growth of their businesses; project operational objectives being met; policy outcomes being achieved; efficiency gains realised; more informed country strategies and a more strategically-relevant programme of EBRD operations in place; and the EBRD's voice being heard in the market.

Realised transition: There was relatively little discussion on how field offices contributed to realised transition; the

narrowing of transition gaps; improved investment climate; and environment and social sustainability.

View from ROs

Some points made by RO interviewees on the RO contribution to results include the following:

Transition concept to meet requirements on the ground

- There is frequently a disconnect between RO staff and sector economists on the realism and relevance of transition impact in relation to the country context –*many RO interviewees thought statements of the expected transition impact proposed by sector economists are unrealistic or not relevant or appropriate to the country context* so there is little chance for RO staff to contribute their achievement. Many RO interviewees thought the sector economist position was often “theoretical” and not informed by the realities on the ground (the perceived inability of economists to travel often was frequently cited as contributing to this lack of country knowledge). Some interviewees pointed out that ensuring that the transition impact story is relevant to the country context (for example contributing to a reduction in youth unemployment) would attract client buy-in.
- RO staff can better explain the meaning of transition impact and types of results it is targeting beyond the operational objectives. In SEMED the concept of transition impact needs to be adapted to the regional realities. Similarly, interviewees in Central Europe also see the need for the EBRD to revisit what it means by transition.

“..adapt the concept of transition impact to take account of the realities of the region. ..[where] youth unemployment rather than competitiveness [is the issue]. it can be difficult to sell our mandate to clients but a greater difficulty is selling projects to the CSE economists.”

- A number of RO interviewees said they considered transition impact to be an internal requirement of the Bank rather than something that clients understand or automatically care about.

Uncaptured elements of transition

- Interviewees pointed to the standards to which the EBRD adheres, such as integrity, as a form of uncaptured transition impact, particularly in countries with a high level of corruption.
- Policy dialogue carried out by RO staff is seen by many as a very important component of the contribution of ROs to transition results but the work done often lacks visibility, recognition and reward. The ability of the RO to be more agile and responsive to requests made by governments at short notice is an example of ROs being better placed to contribute

“By the time a transaction goes to OpsCom, usually there has already been a certain amount of transition to get a client to that point. This is something that is not usually captured in the internal system.”

- Procurement reforms can be an important contributor to transition impact in a country but may not be captured in the Bank’s monitoring systems.

Challenges and successes in delivering transition impact

- RO staff indicated proposed projects that score well on transition often get vetoed by Credit as being too risky.

“Scorecards are more focussed on volume. ... People try to make more volume rather than more transition.”

- ROs are better placed to carry out effective project and portfolio management, information gathered should be used to make management decisions to deliver results

“Portfolio management.. is [sometimes] almost a daily interaction with the client. This is what transition impact is about. Making sure the transaction is managed and produces the results that were desired when it was signed. Proximity is needed for this, as is a relationship with the client and this cannot be done only on the phone or on a monthly basis by flying out.”

- A number of interviewees indicated that achieving results at the country level required a good partnership between RO and HQ.
- Interviewees in smaller countries of operations suggested more transition impact may be possible in smaller countries where the EBRD can be an influential major player.
- Small Business Support interviewees gave examples of how this business line of the Bank contributes significantly to transition impact through introducing smaller companies to better practice.

Views from HQ

There was a strong overlap in the views of HQ interviewees with those in ROs about the ways in which ROs contribute to results. However, there were some distinct perspectives from HQ including the view that:

Approach to transition impact

- Reducing the weight of expected transition impact and increasing the weight for portfolio transition impact would allow bankers to focus more on engaging with clients to achieve results, versus being just satisfied with that “promised” at approval. Such a move would also have the benefit of removing the need for a protracted debate on semantics and theoretical outcomes at the outset. This move would play to the strengths of RO staff.
- Transition impact often takes time to achieve so measuring “success” annually in terms of expected and portfolio transition impact does not make sense where the transition story develops around a longer-term relationship. This story is better described, monitored and reported on at the country level than annually project-by-project. This type of reporting would place more responsibility on the country team.
- The Bank’s results monitoring systems fail to capture much of the corporate/public sector client

capacity building work carried out by RO staff. More generally, the limited scope of the transition concept limits the range of results reported on by the Bank.

- There are no structural impediments to ROs contributing more to the achievement of TI – rather it is about leadership establishing what is important.
- One interviewee did not see a direct link between RO function and enhanced TI because of a lack of technical knowledge in most ROs.

New country strategy approach

- The new approach to country strategy preparation puts more say in the hands of the country team – while it is too early to see results from the changes made, there is a sense that this may bolster the achievement of outcomes and impacts rather than, as currently, a focus on outputs in terms of number or volume of investment.

Policy dialogue

- Reactive policy dialogue is an important function of ROs and is one that can produce relatively quick results if responding to a request for help
- Private sector projects generally do not require policy dialogue for the achievement of TI so for these types of deals the ROs have no comparative advantage. On the contrary, where TI depends on policy dialogue, ROs have an advantage as establishing close relationships can help in achieving results.

Many interviewees gave very specific examples of results that in their view could only have been achieved through local presence.

Results contribution by the field office system – policy dialogue

Although the views of interviewees on RO contribution to results, including policy dialogue, are noted above, given the growing importance of this activity in the Bank this section looks at the topic in more depth.

RO views on policy dialogue

- Many noted the critical role played by ROs in policy dialogue but many also acknowledged that it was a joint effort with HQ
- Many also noted the essential role of the head of office and the importance of personal characteristics in determining the ability to develop rapport with local stakeholders – the selection of heads of office needs to take this into account
- The desirability of having policy dialogue experts in ROs was mentioned by a number of interviewees, some noting that the required expertise could and should be sourced locally
- The role of ROs in what some called reactive policy dialogue was a point made by a number of those interviewed – others noted the importance of so-called informal and impromptu policy dialogue that takes place often in social or non-formal interactions

- The link between investments and policy dialogue was noted by quite a few interviewees in ROs
- One RO-based interviewee characterised effective policy dialogue as being multi-layered, involving from the EBRD President to bankers and high level country decision-makers to mid-level officials.

“...for policy dialogue it is even more important...You get a much better traction when government counterparts realise you are locally based. This is very much valued and it has allowed us to create a rapport with our counterparts that is unbeatable.”

“Policy dialogue – it is clear that one of the key aspects of RO activity – we are very active in the energy sector. We can’t say that [it was only] our role [that resulted in] energy liberalisation – energy is now 20 per cent less expensive – [but we certainly were influential].”

*“For policy dialogue, the RO is the key player. It is **the RO that establishes the relationship with the different government entities initiated dialogue to identify areas where EBRD support can help...but took a lot of time to build traction. ...**”*

“Policy dialogue, .. is mainly done on a regular basis on the ground. Specialist missions and high level visits alone would not enable the Bank to conduct policy dialogue. It is a two-way process, it is information gathering and dialogue, having constructive working relationships with counterparts, be it banking or energy regulators, governments, NGOs, business associations....”

“..to be effective policy dialogue must be multi-level. A key is also to know who the champions for reform are and to support them.”

“Policy dialogue cannot really be done on the phone, or through occasional meetings, you have to have people available to talk to the ministers to help them understand the advice better and provide very prompt responses to any questions they may have. The ministers have their own agendas and their schedules can be very busy, so you have to be able to be very flexible...”

*“Regarding the effectiveness of policy dialogue, and having both ROs and HQ team working together, **the RO staff read the local news, they are the first to know when something is happening.** If, for example, there is a plan to put in place some legislation that would be detrimental to the transition in the country, they often take steps to engage with authorities very early on in the process.”*

Views from HQ

A number of HQ-based interviewees have spent time in one or more ROs which may influence their point of view, and HQ-based respondents cover banking and a number of departments with quite distinct functions. Some points include:

- A common perspective was that ROs play a significant facilitating role in policy dialogue activities but the messages come from HQ where the sector expertise lies
- Some indicated advocacy-type policy dialogue unrelated to projects should not be undertaken – the view expressed was that this undermines the EBRD’s credibility

- Some stressed that policy dialogue can be a medium to long-term activity that requires frequent and repeated contact, which the ROs are best placed to carry out
- Regarding the importance of heads of offices in policy dialogue one questioned whether they were selected on the basis of having necessary skills– the interviewee was strongly of the view that this was not the case and he/she attributed this to the fact that the position was still seen as having mainly a banking function.

*“... **Some may claim that RO lead on policy dialogue but this is an illusion...**[however the] RO is the facilitator, as the members of the team cannot be specialists on each and every subject of the policy dialogue studies or assignments.”*

ROs are very important in terms of policy dialogue and results- they understand better than people in HQ the economic challenges on the ground, and thus can better formulate what needs to be done. Second, in policy dialogue RO expertise in local knowledge is absolutely critical.

“... [where the sector team conducts policy dialogue] this is a jointly conducted function; the sector team takes the lead and then involve the people in the RO....”

*“**There is a need to have the capacity at the RO level to make sustained efforts over the medium to long-term – it can’t be HQ driven.**”*

Results contribution by the field office system – portfolio management

A second area identified as being an important channel through which ROs contribute to results/effectiveness of the Bank is via their role in portfolio management – this including project monitoring and reporting, problem identification and resolution, and support to clients during implementation. This aspect is explored in more depth in this section.

Views from ROs

Interviewees in ROs had a lot to say about this topic. Some views include:

- **Project monitoring/ management is viewed as being disproportionately the responsibility of ROs** rather than HQ, not always for the “right” reasons.
- RO-based staff are better able to do the job (such as much more frequent contact with clients, greater knowledge of the local market and market actors, which leads to earlier identification of problems and more effective action)
- However the task is not recognised or rewarded equally – the latter was often cited as the reason for the lack of HQ interest in the task such that responsibility was passed to the RO after signing.
- Portfolio management goes beyond the collection of data and its presentation in reports – management is recognising problems and taking actions (here there is an efficiency dimension as the task of portfolio management rests largely with ROs but

decisions on portfolio management actions lie exclusively in London).

- One interviewee said portfolio financial statements “belong” to the sector rather than the country team – meaning the RO-based team does not manage the country’s portfolio in terms of the Bank’s financial performance although they generally manage it other respects (aside from decision-making).
- some raised cultural issues around problem recognition and taking action (particularly proactively or pre-emptively) due to self-censorship.

“The amount of time everyone spends on business development is still far greater than the amount spent on monitoring.”

“In terms of monitoring, RO bankers can meet with clients frequently. This gives you much more ability to see what’s going on and spot signs of things going wrong much earlier. This is only possible with staff on the ground.”

HQ-based interviewees made very few comments on the role of ROs in portfolio management. Two important ones illustrate the view that portfolio management goes beyond monitoring – that the value-added comes from taking proactive, pre-emptive or timely decisions.

Efficiency of the Bank’s field presence system

Of the interview segments about relevance, effectiveness or efficiency, over 40 per cent were about efficiency, partly because they cover a diverse range of topics. Four categories occurred most frequently with breadth, depth of feeling and likely impact:

- 1) **Staff- issues** on head of office matters; mobility and career progression; layers of management; contract issues
- 2) **Location, nature and style of decision-making** including degree of delegation or centralisation of decision making; decisions adhere to a common set of standards (a one size fits all approach) versus a customised to context approach; style of decision making being consensual decision making with collective accountability versus individual decision making with individual accountability;
- 3) **Deconcentration of non-banking functions**
- 4) **Functioning of the matrix**

There is a degree of inter-relationship between the four groups. For example, it may not be possible to make efficiency gains through changing the location of decision making through delegating approval authority without simultaneously deconcentrating non-banking functions.

Staff issues

With around 800 staff in the field it is not surprising that staff-related issues loomed large in the interviews. There were a wide variety issues raised, which have been grouped into four categories of issues:

- 1) Head of office
- 2) Mobility and career progression for local hire staff and mobility of HQ staff to ROs
- 3) Layers of management
- 4) Contracts

Heads of office issues

Heads of office (comprising Heads of Office/Senior Bankers and Country Directors) are widely recognised as a principal determinant of a successful RO so it is right that they are the focus of special attention. As shown in the comments which follow, there was a huge amount of discussion during interviews on issues facing heads of office. These issues attracted some of the strongest comments made to EvD. Issues that reoccurred in almost every meeting with a head of office include:

Succession planning and training

- A complete absence of succession planning for heads of office (and lack of handover process)
- Training for Heads of Offices is very limited.

Lack of clear career path

- The total absence of any visible career path for heads of office
- An almost total lack of help from the Human Resources department on issues of succession planning, career planning and moving from one position to another – many interviewees said bluntly they got no help at all from the Human Resources department

“.. while from a personal and professional development perspective the experience is extremely enriching, from a pure career viewpoint it is better off being in HQ as it gives you visibility and allows for back stage networking for positions. Senior positions are typically filled from HQ or externally.”

- The perception that experience gained by Heads of Offices is not fully valued or used by the Bank

Level not commensurate with job responsibilities

- The acute problems for Head of Office/Senior Banker include:
 - o being mapped to the same level as some of the people they manage
 - o effectively being demoted when returning to HQ (no longer a member of the Core Leadership Group and no management role for example) though a few indicated they were accepting of the demotion, and
 - o essentially having the same job description as Country Director but having different remuneration and different treatment on returning to London.

“I was a senior banker who then became a head of RO which I viewed as a promotion but then I became a

senior banker again. So if becoming [Head of RO] was a promotion then it would mean a demotion. ...”

“Career planning/management at the end of your 3 years is a constant complaint of all Heads of ROs. It’s worse if you are a head of an RO rather than a Director because if you’re a Director they have got to find you a job, if you’re a Head of an RO, you were promoted and you can be demoted. I know people who were offered a job back in London as a senior banker which is (essentially) the same job they were doing before they came to the RO and they refused it and they left the bank, and that’s loss of talent, loss of experience. There’s no system.”

“The Bank says that an assignment to an RO is good for your career but most Heads of ROs / country directors who have returned, have not had an easy transition back. Most return to a desk job with no real managerial responsibility.”

Reapplication and selection process issues

“Heads of Office and Country Directors are selected based on a panel interview and are the only group within the EBRD who have to apply for a new position every 3-4 years. Managers in HQ on the other hand are nominated for life.”

“In the Job Group Investment Services, Heads of ROs are put in Band 7 together with senior bankers, even though they are the only category of employees in Band 7 who have to go through a panel selection process and have actual management responsibilities (team, budget, targets, etc.). It would have been more logical and fairer to put Heads of Office in the same band as Country Directors (Band 8).”

- The full range of skills required to be an effective head of office do not appear to be always taken into account in the selection process
- Lack of consistency in the selection process for Heads of Offices (some via competitive panel process and others directly appointed) with lack of transparency on the reasons for direct recruitment when used, erodes trust

“We have intelligent people but the Bank’s selection process seems slightly random. Policy skills are not taken much into account in head of office selection, a consequence of the position being seen ultimately as a banking-driven function. There is a need to consider whether the EBRD has the balance right here.”

Attracting talent to the position

“..good leadership in ROs is a managerial and human resources issue – how to create the perception and reality that moving to countries is a safe move and one that is valued as a career move.

“Enhanced mobility is key to getting good people in ROs...”

Mobility and career progression for local hire RO staff and mobility of HQ staff to ROs

Much was said about the problems of career progression for heads of office but what is the situation for local hire staff in ROs? This section looks at these issues. Mobility

for local hire staff is their movement from their home country to other ROs or to HQ on short or long-term assignment while career progression is about promotion; looking at the Bank’s Mobility guidance, mobility discussed here refers to internal geographic mobility of more than 3 months. Of course, mobility might be part of career advancement but it can also be about developing skills. Mobility also applies to the movement of staff from HQ to ROs – this is a well-trodden path for many sector bankers but still relatively rare for non-banking staff.

Representative views of those interviewed are shown below:

- Rotation of staff should be a three-way street – from ROs to HQ, HQ to ROs and RO to RO. For the former (RO to HQ) it is very important for new staff to spend time in London to learn about the EBRD’s highly centralised decision-making process (which is very different to that of commercial banks where new EBRD staff likely came from) and the people involved. Rotation the other way (HQ to RO) should be of senior staff with a view to them contributing to RO staff skill enhancement. Rotation should also be RO to RO to broaden experience and skills.
- Mobility of RO staff whether to HQ or another RO helps build knowledge about the EBRD and the way it works, development new skills, increase motivation, and help position a staff member for promotion.
- Attachments to HQ are seen as particularly important for the development of relationships with credit officers and sector economists, but also other support departments as well the HQ-based sector team.
- One interviewee cautioned that a failure to inculcate new joiners in ROs into the bigger structure of the EBRD runs the risk of RO staff viewing themselves as a quasi-independent local branch with a view that HQ is a hindrance and purely administrative burden.
- Many interviewees consider that RO staff are at a disadvantage to their London-based colleagues in that they lack visibility in HQ where decisions are made on promotions – travelling to London for OpsCom presentations of projects and the like is seen as very important for increasing the visibility of RO bankers.
- Rotations of RO staff to HQ (or indeed another RO) was seen as particularly problematic, particularly for smaller ROs, because there is no possibility of filling the position on a temporary basis.
- One interviewee observed that enhanced mobility is the key to getting good people into ROs.
- Mobility on a longer term basis is hindered by the fact that in the short to medium-term a RO banker is most useful to the Bank in their home country.
- Differences in salary and benefits can also hinder mobility. Personal circumstances also can have a significant influence.

Rotations to ROs

A number of interviewees noted the importance of HQ support staff getting the opportunity to spend time in a RO.

“Rotation was in part compensation for not being promoted! I hoped to be promoted without the rotation but certainly it did help with visibility.”

“All staff in ROs have some concerns about human resource and mobility issues. But low staff turnover suggests that overall terms and conditions are good. But mobility is good to maintain motivation and also to gain wider experience.. rotation both from RO to HQ and RO to RO is good...Having colleagues on rotation from Russia has been very good, especially in sharing experiences. Particularly good if such rotations involve more senior staff who have more experience.”

“..relationships between bankers in RO with credit and sector and sector economists counterparts in HQ were built. By encouraging local staff to go to London for trainings, spend time in London, go to cafeteria and drinks with colleagues and put a face to the email name and increase mutual understanding and appreciation for skills and commitment, profiling everybody, and agreeing on commitment targets and then following up on these, is what ensured the relationship.”

“Rotations are very good for the professional development of RO staff but also good to have staff from HQ and other ROs..”

Career progression for RO staff

Interviewees were also asked about career progression for local hire/RO-based staff, and said:

- Promotional prospects were better for HQ-based colleagues or, if in a RO, by being a member of a sector team.
- Some interviewees emphasised that a lot was left up to individuals to take charge of their careers by creating opportunities to be visible and pushing oneself forward. Conversely, it was frequently observed that the Human Resources Department provided little in the way of career planning advice for RO staff. Supervisors were an important influence on career advancement.
- If career prospects were limited for RO bankers the situation for office managers and OTE was seen as dire. Small Business Support staff also saw limited career prospects for themselves and not much in the way of advice.
- One interviewee pointed to the dilemma that only the best RO bankers get promoted to HQ positions thereby strengthening HQ and weakening the RO – this also has the unfortunate consequence that those left behind are in some sense not good enough.
- Another interviewee expressed the view that lack of mobility created silos that hinder knowledge sharing across the Bank.

Layers of management

The issue of layers of management in terms of RO reporting and regional groups came up as an issue in most interviews with heads of office. Major points arising include:

- Views varied as to their degree of strength but there was a consistent view that the lines of reporting are getting longer and the number of reporting lines has also increased.

“There needs to be a very careful review of managerial build up and reporting lines. It has to change, there is no need for three layers of hierarchy, particularly in the situation where it is not understood what their roles are and to which extent they contribute to supporting or directing the RO business.”

“One of the [previous] strengths of the EBRD has been the relatively short lines of communication such that you can get up to the first vice president quite quickly but now you have more MDs the lines are getting longer.”

- There is some confusion regarding the roles of regional MDs versus those of country directors, particularly where the regional MD is based in-country.
- A number of interviewees remarked on the fact that country directors and heads of office have been pushed down the reporting hierarchy as a result of the creation of in-country regional MDs. This is accompanied by a loss in status of the country director/head of office.

“why the extra layer of management between country directors and MDs? However, when it is sectors this additional layer of management is not deemed necessary. Why is this? Are country directors considered somehow second class?”

- Some interviewees saw the issue of directors reporting to directors as particularly problematic.
- One interviewee identified a problem of no coherent oversight of ROs by HQ – there has been a reluctance of any one department to take ownership of problems with ROs such that everyone is attempting to pass responsibility to others and so no one part of the Bank having overall insight.

“There is no coherent oversight of ROs by Head Office... There is a lack of incentive to consider or think of ROs as a whole, and RO wide decisions are usually left to someone else – there has been a reluctance of any one department to take ownership of the problems with a lack of HQ oversight of ROs. Everyone is passing responsibility.”

- Another issue was that sectors may have regional groupings that bear no relation to country-team groupings.

Contract issues

‘Contract issues’ is used in a broad sense of meaning ‘the terms of employment’. Again a variety of related issues are included under this grouping – issues that often raised a lot of passion among many of those

interviewed. A number of RO staff had contract issues related to the individual circumstance rather than being systemic issues – these are not covered here. The sole focus of this section is to explore systemic issues affecting RO efficiency. Points commonly raised include:

- The payment of salaries in volatile local currencies and the different treatment of various offices in terms of whether salary was determined in hard currency terms or there was an exchange rate floor in place was a major issue for many
- The issue of equal pay for equal work, or rather that RO interviewees view reality as being not equal pay for equal work, was also a frequently highlighted issue – some contrasted the “One Bank” slogan with the reality as they perceive it
- The uncertainty created by fixed-term renewable contracts (principally affecting SBS staff who are donor funded) and maximum of 23 months non-renewable contracts were raised as a strong negative by all affected persons and many heads of office
- The wasted investment through lost capacity of those leaving as a result of being on maximum term 23 month contracts was noted by many although of course not everyone works out as expected
- Some interviewees noted that short-term contracts were disproportionately a feature of RO staffing thus illustrating that ROs are disadvantaged in terms of headcount staff allocation
- Many questioned whether the EBRD’s salaries and benefits are market based and they commented negatively on the non-transparent process by which these were determined
- One aspect that was noted by a number of interviewees was that salaries for local hires may be competitive if the Bank is not looking for these people to have had some experience outside their home countries, which the Bank is in some newer countries of operations that retain strong links to France for example. In such cases where the Bank wants international experience and the Bank has to compete in that market its offering is not competitive and/or it may lose well-qualified staff
- Many noted that even in relatively small ROs there are many different types of contract and benefit levels, which can give rise to tensions over apparently different treatment of staff
- Several interviews suggested the fastest way to get promoted when in a RO is to leave for a better job and then return to the Bank at higher level
- There was a frequent noting of differences of treatment of staff coming to a RO on assignment versus those going from a RO on assignment to HQ or from a RO with a higher pay basis to one with a lower pay level
- For support staff such as office managers, secretaries, admin assistants in small Resident Offices, the level at which they enter is the level at

which they will leave – there are few if any promotional prospects.

Location, nature and style of decision-making

The location and nature of decision-making are inherently important considerations in determining the efficiency of the EBRD’s field presence system. Interviewee views on three elements of decision-making are presented in this section.

The three features of decision making that impact the efficiency of ROs

The first feature that very obviously impacts on RO efficiency concerns the centralisation or decentralisation of decision-making. Centralisation means decisions are made in the Bank’s London HQ. Decentralisation (or delegation) would mean decisions are made outside HQ by, generally, heads of office acting with delegated authority. The interviews, like the survey, explored views on the delegation of approval authority for specific types of deals (such as small deals) and/or other actions such as budget decisions and portfolio management actions.

Part of the debate about whether authority for the approval of certain types of deal should be delegated revolves around whether decisions should adhere to a common set of standards (a “one size fits all approach”) to protect the Bank’s risk profile and credibility; or whether some degree of customisation to better fit the local context should be permitted. There is a clear tension surrounding these two strands of thought since one of the arguments for having a strong local presence is to develop in-depth knowledge of the local market, its norms and practices and the important market actors, which could provide the basis for a tailored approach to the market and lessening of risk.

The third element of decision-making that was explored with interviewees was the consequences of collective and consensual decision-making (as generally practiced in the EBRD) versus individual decision-making; and the related issue of individual accountability versus collective accountability where some interviewees say, no one is accountable.

Location of decision making

Some significant points made by RO-based interviewees on delegated decision-making authority are:

Centralisation

- There was support for the current system of centralised decision-making among some based in ROs based on a number of reasons – including, not all heads of office are bankers; central decision-making is needed to ensure a continued low level of non-performing loans; the benefits of a cross-country perspective; the making of hard decisions can be “blamed” on HQ decision-makers; avoidance of the potential for conflict of interest by having decisions made locally;
- One interviewee noted that while the field presence has grown, HQ has also grown reflecting the fact that the EBRD was from the start and remains a very

HQ-centric institution such that ROs play a secondary role.

Decentralisation

- Many pointed to the difficulty of delegating approval authority because decision making is collective and consensual in the EBRD and “support departments” who influence Management’s decisions are often not present in the ROs
- The current system encouraged inflation in deal size because the costs of processing a larger loan are not directly proportional to size of loan.
- RO staff skills need upgrading to allow delegated authority to work well and clear parameters established; the skillset of the decision-maker should be the determining factor.
- Support for delegated authority due to greater efficiency of local decision making, more small deals are being done.
- Locating more decision-making authority in hubs could be an option
- General support for delegation of budget and administrative decisions and for approval of certain portfolio management actions
- A number of interviewees pointed to the situation where delegation of authority (the pilot delegation to managing directors for example) without a move away from consensual/collective decision-making has not produced any observed efficiency gains.

“...the current model [of centralised decision-making] works ok. ... Having centralised decision-making is one of the reasons for having low levels of NPLs...”

“There should be more delegation to people who are equipped and knowledgeable enough to be responsible..”

“.. For offices that sign a large amount of smaller projects, the approval process should be drastically simplified. More responsibility should be given to the RO.. heads of offices are a bit disempowered in the project decisions.”

“It would be very efficient to delegate in a selective manner and with clear limits to the ROs – small deals and portfolio management, including restructuring. Why do we have PMs in London when all the work is done in the field?...The average deal size is coming down so this supports more delegation of approval to heads of office.”

“May be the Bank’s future is to have a number of hubs with some real decision making in the hubs. Currently we seem to be stuck halfway. The hub is just there for a signing off by the Head of the Hub... Hubs not really hubs and basically slows down the approval process.”

In some cases HQ-based interviewees expressed similar views to those based in ROs and overall there was a measure of guarded support for the idea. The main points emerging were:

- Capacity and skills in ROs to support delegated approval authority varies – in their view only Moscow

(formerly) and Turkey were as strong as HQ in this regard. Hubs could provide the answer.

- Some pointed to the inherent conflict of interest if ROs had annual business volume targets and delegated approval authority.
- A case-by-case approach could be adopted within certain limits. Size of deal should not be the only consideration as some small deals are very complex and/or risky. Central control is needed to ensure quality and, because a lot of judgment calls are needed, a more standardised approach.
- Getting agreement on locating economists in ROs was a painful process – this coupled with an unwillingness to move in some cases. Once achieved though, it was a resounding success.
- Delegated decision-making is certainly warranted for budget matters was the view of some. However, other interviewees noted the pressure that local hires come under so care needs to be taken in delegating financial control.
- Some consider a valid counter-argument to delegated authority the reality that 2 or 3 staff with specific sector policy expertise cannot cover 35 countries.
- The pilot delegated authority to managing directors has not been a success – processing takes longer whereas with OpsCom everyone could give their opinion in one place and one time and there was a strict deadline for doing so.
- The view was expressed that delegated authority needs to be accompanied by strong checks and balances – good country strategies can and should be part of the system of checks and balances
- Some interviewees observed that locally-made decisions are better informed and so less risky decisions.
- One HQ-based interviewee considers that delegated authority is unlikely to happen because people in HQ do not want to give up power and control.

Standardised versus customised decisions

The second aspect of decision-making concerns the arguments for and against a standardised rather than a customised approach. The main points were:

- The maintenance of standards was all important in areas, including legal issues.

“From an Office of General Counsel perspective the most important thing is to ensure standards. Cost is important but needs to be counterbalanced with maintaining standards.”

“Another issue for SMEs is the use of very complicated legal agreements in English. We need to work more with templates for small deals. Also, EBRD lawyers are not drafting the agreements – they are working with other lawyers. We have a huge number of lawyers but we are contracting lawyers to do the work. For small deals it makes no sense to have the cost of contracting a lawyer being 10 per cent of the financing provided. ...”

- Some interviewees pointed to the importance of maintaining the brand and reputation of the EBRD [which is more likely through adopting a standardised approach]; and, also, the importance of keeping the Bank’s AAA credit rating
- Would the aim of decentralising be to adopt different standards such that this type of locally-approved small deals becomes part of a SME bank established specifically for this purpose was a question raised by one interviewee
- The importance of OpsCom ensuring consistency was seen as a positive of the current system by another interviewee

Consensual and collective decision making with collective accountability versus individual decision making and accountability

The third aspect of decision-making raised with interviewees was that of consensual and collective decision-making and collective accountability versus individual responsibility and accountability. As noted above, a decision on delegating authority can be made separately but efficiency gains would not be realised without the move individual responsibility and accountability. The main points include:

- Joint decisions “make for an easier life” as there is no individual responsibility was a view expressed by one interviewee. The same interviewee noted that individual responsibility could result in a more cautious approach
- In the EBRD people “hide from responsibility” behind committees that ensures that ultimately no one is responsible
- Anchoring of sector teams centrally and their role in decision-making results in a lack of local-level accountability and an excess of bureaucracy
- There were conflicting views about the efficiency of consensual decision-making style adopted by the EBRD.

“80 per cent of transaction time is taken up by the EBRD’s own internal process, and this is not right. In 90 per cent of cases, not a single person will have met the client. [The Operation Leader translates] knowledge of the deal and the client, obtained through on the ground interaction in to create a convincing case to go ahead. And many people .. don’t think you are capable of making the correct decision.”

- HQ-based decision-makers also questioned the ability of local bankers to make the right decision.
- One felt there is a need to empower operations leaders such that they call the shots who to involve [in decision making] and who not
- The loss of efficiency through consensual and collective decision making was noted by many interviewees, which was viewed to have certainly resulted in missed opportunities but, on the other hand, avoidance of mistakes
- Moving to individual responsibility would be welcomed by some (including a number who had

operated under such arrangements in the commercial world prior to joining the EBRD) along with the ex-post accountability that would come with this responsibility. The fact that this would require a radical cultural change in the EBRD was noted.

Deconcentration of non-banking functions

This is the third of the four main groups of issues under the area of efficiency of the field office system. Some general points are noted followed by views on interviewees on the three most frequently-mentioned non-banking functions – sector economists, lawyers and credit officers. Whether field presence of non-banking expertise to hubs is a more realistic prospect is separately explored.

Some of the most prominent general points made by interviewees are:

- High level of satisfaction of banking RO-based staff from having non-banking colleagues in their office
- Interviewees cited the following advantages: the elimination of time difference constraint (particularly important for lawyers during negotiations); the ability to “drop by” to ask questions and get advice; benefits for the clients from the direct contact with EBRD lawyers; and, smoother interaction with HQ when this was necessary.
- Aside from the oft-mentioned experienced/perceived benefits of having economists (sector rather than macro), lawyers and credit officers in the field, interviewees also noted it would be advantageous to have environment and social specialists, procurement, and communications specialists among others
- As noted previously under policy dialogue, many saw the need to have policy experts based in ROs
- There were divergent views on whether hubs were a solution to getting more non-banking staff into the field
- RO interviewees were much more positive about the experienced/perceived benefits than those in HQ although there was equal support for the enhanced field presence of lawyers.
- A greater ability to travel was seen by some as a substitute for permanent field presence of non-banking staff.

Views on field presence of economists, lawyers and credit officers respectively include:

- The location of macro-economists in ROs is seen as a success but not nearly as relevant in terms of delivering efficiency gains as having sector economists in the field both in terms of improved transition impact specification and as contributors to policy dialogue
- The location of lawyers in ROs is universally judged to be a great success
- The idea of locating credit officers in the field is a more controversial issue with some interviewees in

favour of it and some against the idea – views tend to be strongly held

- Those in favour of putting credit officers in the field consider that decisions should not be made by people who have never met the client – numerous stories were told about credit officers revising their views once they had visited the client (and met the local banker face-to-face also)
- Some considered that the fear that having credit officers in the field would become “captured” to local interests reveals a lack of confidence in the professionalism of the staff concerned.

Regional hubs

When talking about regional hubs and efficiency, the interviewees often discussed that there was a lack of clarity on the following areas, which would be important to answer in order to calibrate the hub model to best support the system:

- Are they a regional replacement for small RO without critical mass, or a support hub with varying degrees of increased functionality?
- Does the hub replace HQ or is it an additional layer with separate function in the system?
- How do you navigate the political sensitivities of hub placement?
- Should hub-based colleagues work on the country in which the hub is located?

Views include:

“Hubs only work if you have a really substantial presence there; you would need credit officers, lawyers, economists, in addition to senior management. But especially for small countries, it is important to have senior line manager in HQ as they are most effective at solving problems...”

“Maybe the Bank’s future is to have a number of hubs with some real decision making in the hubs. Currently we seem to be stuck halfway. The hub is just there for a signing off by the Head of the Hub who is in charge of the operating budget in the specific group of countries and is the line manager for the Heads of the ROs. But operationally do not interact with the hub, [rather] with London. “

“In terms of regional hubs, ...[sector teams] do not use them.”

“The key to success of the hub is the ability to attract senior enough people who can make decisions, and for them to come from London to the hub. The assumption with creating the hub in XYZ country was that sufficient senior bankers from London would relocate there but this didn’t happen. In fact they had to recruit local bankers who became hub bankers but they weren’t senior enough.”

“The RO operates on a bilateral relationship with the relevant teams in HQ. What is available in the hubs is not applicable to the country. The relevance of a RO is being there for the country specifics, speaking the language, knowing the people. All of this cannot be done from the

hub. Head of office thinks it would be better to distribute this capacity (execution bankers) among the offices by need of country.

For the small offices ... hubs have never been relevant. This view is also shared by the office bankers. This is a source of frustration for the RO, as they are much more productive than the hub, and would need more resources. The needs of an RO should not be defined by the business volume but by the number of projects. The complexity of the projects should also be considered.”

Functioning of the matrix, sector and country

Sample of views on the matrix are presented below. The prominent takeaway from those interviewed is that the success of the matrix is down to personalities and the ability of the country director/head of office and sector director to cooperate given that interests do not always align and the primary and secondary reporting lines do not easily allow transparency of information to all concerned parties. Points include:

- **Power in the matrix is weighted towards sector** – those in HQ see this as logical because they consider this to be where the expertise lies whereas country bankers see they have the local knowledge, which should be more influential
- The norm that upon promotion to principal banker one should move to the sector team has the undesirable consequence of producing a more senior sector team and a more junior country team thus ensuring the unequal balance of power and influence
- Country bankers in smaller countries of operations often cover more than one sector so their transfer to a sector team upon promotion to principal banker results in a loss of flexibility to the country manager and maybe a loss of a resource if the promoted staff is also required by the sector director to dedicate part of their time to other countries
- Heads of office do not have primary management responsibility for many, sometimes most, of the staff in the RO – this can be overcome to some extent through personal attributes, leadership and good communication but these attributes still doesn’t compensate for the fact that those responsible for management at the country level do not have control of all the resources assigned to the country
- The matrix system is complex and in many ways not ideal but it can and does work if those involved have a will to make it work – however, this creates considerable variability among teams as to whether it works well or not
- Because decisions are made by the sector teams there is a tendency for operations leadership to be assigned to less experienced HQ-based bankers than more senior or experienced local-hire bankers – heads of office often need to fight for local operations leadership or co-operations leadership

There can be a lack of coordination/information sharing between sector team bankers and country team – clients need to see a unified the EBRD:

“The decision on seniority: that everyone at principal or senior level should be in sector teams, did not help the matrix develop to a more balanced way. ..Though [it] seemed logical in the first instance, it contributed to disharmony .. Effective ROs require dotted line dual reporting system to be taken seriously – it should not be driven by seniority.”

“Two issues have emerged – the loss of flexibility by having a banker move from country to sector headcount and the loss of control by the Head of RO with sector bankers often being required to work in other countries.....everything depends on the leadership, on the person – whether you are a good leader or not. It depends on the sector director and the head how good the cooperation is, through team meetings and so on all the information needed can be shared.”

“There is a communication gap between sector and country management. They feel it sharply in the regional offices - they sometimes don’t know what the sector teams are doing in the region. ...”

“Does the matrix work? The relationship between sector and country works in differently with different teams there’s no one way it works because some sector teams are highly centralised... There are sector teams who think the role of the RO is to arrange meetings and itineraries and having a pick up from the airport ..and there are sector teams that delegate the responsibility or operations leadership for running the project to the RO and they provide the specialist back up when you come to discussions on procurement and environment and the technical issues related to the project - there isn’t a single model.”

“Basically sometimes the matrix reporting system works and sometimes it doesn’t, and ultimately this comes down to different personalities. “

Selected cross-cutting issues

The information gathered by interviews and survey can be “sliced and diced” many ways. In this chapter two different ways of looking at the evidence are taken – from a gender and from a regional perspective.

Gender perspective

In the Bank’s 35 countries of operations, there are 11 countries where the head of office is a woman. Similarly for satellite offices, one third are headed by female staff. At a higher level, three of the four regional Managing Directors are women.

Based on information provided for this study, the gender ratio is fairly even both in the RO and HQ. Looking at seniority and gender, approx. 40 per cent senior interviewees in the field were female as were 30 per cent of those with senior roles who were interviewed in HQ. Of the administrative staff interviewed in the field, over 90 per cent are female.

Looking at the volume of qualitative data, it is interesting to observe that female respondents to the survey and interviews tended to have less to say than their male peers across the themes of relevance, effectiveness and efficiency; on average over a fifth less voluminous for women. Women and men tended to answer similarly to the study themes, though women focus more on the individual than the system when giving examples.

Comparison of treatment between HQ and RO staff

Female respondents talked about fairness in treatment between HQ and the RO much more than their male counterparts. Female interviewees discussed the lack of career planning, lack of transparency in appointments, lack of recognition of RO work at HQ and layers of management as issues. For the male respondents, there were more views strongly expressed, and more male respondents commented on low visibility of RO work at HQ.

Mobility

Views on mobility also differed slightly in emphasis between males and females: whereas women expressed views that the approach to mobility was less systemic and more oriented to short term assignments than they think is optimal – women concentrated on discussing underlying issues such as funding constraints. Males on the other hand, again having more to say, tended to talk about the need for more HQ-based staff to spend time in the field. They also spoke about the short term nature of the mobility assignments, though less than female interviewees, and the absence of sufficient mobility between ROs.

Career progression and planning

Regarding career progression women tended to talk about head of office selection and also the seemingly longer and more arduous path for RO staff to promotion. One respondent expressed the view that “once RO staff, always RO staff”, and “out of sight, out of mind” reflects several other respondents’ concerns. Some respondents referred to a lack of support and guidance for managing career development, and that the Bank sends a signal that the RO is not as important as HQ by its tendency to shift new senior colleagues to HQ.

Similar views on the lack of succession planning were held by men. Equally there were similar views on the lack of career management guidance held by men, though their words focused on the related need to be pushy and manage your career oneself. One respondent’s words reflect several of his peers when he said “in the EBRD your career is basically your own problem”. Some male respondents spoke about feeling they lost out in their careers because of being in an RO, something few women discussed.

Gender aspects

Looking at what interviewees said related to gender considerations in the Bank, topics included operational issues (some desire for support on the ground on gender, examples of work undertaken by the RO in relation to gender as additional value unrecognised at the time), and institutional issues such as in staff profiles, perceived asymmetry in access and career prospects. One male

survey respondent said in relation to the question of whether being in an RO positively affects your career prospects, “It is one factor, but not decisive. gender trumps RO experience”. Separately, one female interviewee said “Being in HQ provides you with more opportunities to engage in various networks.” The respondent is a member of Connect for Women, however she noted that she cannot take part in its events and followed that “This is a sort of things that help your personal development, which is very important – I would like have those opportunities available to people based in ROs, for example through regional events.” Finally, one head of office noted that “in hiring at the junior level, there were many better female candidates, as a lot of the men go to [other countries] to make money.”

Regional perspectives

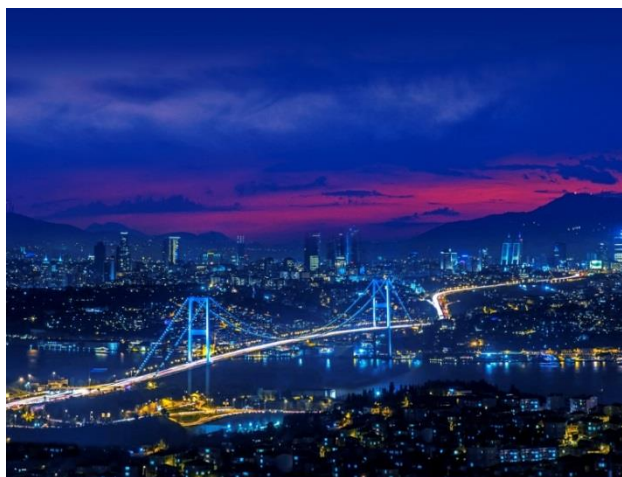
Views from central Europe, the Baltics and south-eastern Europe

Perspectives from ROs in the EBRD’s oldest regions in Central Europe, the Baltics and South Eastern Europe were insightful because respondents gave more specificity on the relevance of the RO system to different types of programmes and operations. They also talked about the importance of the RO in maintaining relations with donors and the EU, and in coordinating with other international finance institutions.

“ROs are absolutely essential because the EBRD model entails both an engagement in the public and private sectors. And an engagement in executing and managing financing projects and an engagement conducting policy dialogue activities on the other side.”

Views from the Southern and Eastern Mediterranean

Given the Bank’s most recent expansion into the Southern and Eastern Mediterranean, it is also interesting to explore the views of those in the region on the relevance of the RO system. Many located in this region spoke about the fact that establishing a RO with a significant presence signals a commitment by the EBRD to the country, the value of local intelligence in such a region and the accessibility aspect from a business culture perspective.



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“..... Three years ago the Bank was just starting operations in the country, we were literally nothing. Could we have achieved the same without a local presence? In honesty, no..”

“On the implementation side, working with the EBRD can be quite challenging for first-time clients...to have ..people on the ground .., to explain every step of the way the project preparation to the local people [is crucial]. For the monitoring, .. local people [are best placed] to assess benchmarks and whether .. the client [can] meet them. On policy dialogue, just now they have started to try to invest in solar, wind, and renewable sources. These are very new areas for some countries]. Not only do they need investors, or money from the EBRD, but also governments that feel comfortable with the corresponding agreements and legislation.They have to see you as a partner, not as someone that comes and goes. At the beginning it took a lot of time, where the team just met government officials for policy dialogue, and only a few months down the line, they started calling and trusting the team, and engaging in a more in-depth way..... They always call, they rarely send an email, they want to see the team. For the project cycle and policy dialogue, this really gave the EBRD an edge.”

“The RO is important for local client meetings and client relationship development, as you build greater trust and closer relationships if you can speak French and a bit of Arabic as well. If you have a close relationship you get more information, you develop more trust and it’s easier to work together. This is important for origination, deal structuring and portfolio monitoring. Particularly with portfolio monitoring it is difficult to get a lot of information in English (for example the financials are always in French).”

“..most countries do not like to be managed from neighbouring countries; they prefer to either have an RO or be dealt with from HQ. In some countries the portfolio may not necessarily justify the opening of an office, but sometimes they are opened for a variety of other reasons, and then they are very difficult to close. The Bank has retained a relatively pragmatic and flexible approach and therefore does not have standard criteria for whether to have an office or not, or what the status of the office should be.”

5. Comparisons with EIB and IFC

- Compares the EBRD's resident office system with those at EIB and IFC
 - Explores challenges including competition and cooperation
-

Background to comparator analysis

To test the hypothesis that the EBRD's field presence allows it to do things it could not otherwise do, the evaluation carried out a comparator analysis with two other international finance institutions that target the same or similar clients to the EBRD in the Bank's countries of operations – namely, the EIB (a shareholder of the EBRD) and the IFC of the World Bank Group.

A comparative portfolio analysis between the EBRD and the EIB and between the EBRD and the IFC is presented at the end of the chapter to show how the field presence system meshes with the business model. The portfolio comparison also examines five countries in more detail, FYR Macedonia, Egypt, Poland, Turkey, Tajikistan. A summary set of key data from Appendix 5 of the working paper is presented at the end of this chapter.

European Investment Bank

The EIB's business model

The EIB was established in 1958 under the Treaty of Rome and has its headquarters in Luxemburg. Owned by the governments of all EU member states around 90 per cent of its lending goes to EU countries. However, as the world's largest multilateral bank, with annual loan approvals in the range of €70 to €80 billion, its presence in non-EU countries, at around €7 to €8 billion is significant, especially as its activities are concentrated in a number of countries (for example Turkey, its largest client outside the EU) and regions (including Neighbourheads of officed Countries).

Centralization

The EIB is a highly centralized institution. Decision making power is concentrated in HQ. Resident or Representative Offices have never been a key part of its business model although the number of its field offices has been expanding somewhat in recent years and this is likely to continue.

In its early years, the EIB functioned with just 4 field offices, all in EU member countries.

Under the Investment Plan for Europe offices are to be opened in all 28 EU member countries, with the exception of Malta and Cyprus which will be served by other offices. The EIB has 19 offices in EU member countries. The EBRD has a RO in 6 of these (Bulgaria, Croatia, Greece, Poland, Romania and Slovakia).

EIB opened its first office outside the EU in 2003 in Cairo. It now has a total of 16 offices outside the EU. The EBRD has offices in 8 of the non-EU countries where EIB does (Egypt, Georgia, Morocco, Russian Federation, Serbia, Tunisia, Turkey and Ukraine).

Many of the offices outside of the EU are staffed by one person and even in the case of larger regional offices, there may be just 2 expatriate professional staff assigned from HQ, with the remainder of the staff being locally recruited (who perform both support and operational/professional functions). One exception seems to be the EIB Office in Tunisia which has a number of junior local bankers and is almost the same size as that of the EBRD.

Reasons for the EIB's smaller presence

- Almost all project preparation work is done by teams from HQ.
- The EIB can get a lot of data and information and country intelligence from the EU Delegation offices. It was also noted that the presence of an EU Delegation office helps to raise the profile of the EIB.

New trends towards expansion and larger offices

However, the trend is towards somewhat larger offices and an expansion in the number of offices in non-EU countries. In 2015, EIB opened a Regional Office for the Southern Caucasus (Georgia, Armenia and Azerbaijan) in Tbilisi. One reason for EIB strengthening its field presence is the problem of low disbursement in a number of countries. While an expansion in the number of offices can be expected, there are no indications that EIB plans to undertake a major deconcentration of staff from HQ, nor to decentralize or delegate more authority to the its field offices.

The EIB's reorganisation and implications for its field offices

In 2015, EIB underwent a reorganisation which had significant implications for its field offices.

- Prior to the reorganisation, the field offices came under the Directorate of Operations, which in turn was organised into divisions along geographical lines. Staff assigned to the field offices from EIB HQ were most often operational loan officers (deal origination and portfolio monitoring) and they represented and reported to their regional division head.
- Under the reorganisation, all field offices now report to the Division of EIB's External Representation under the Directorate of Institutional Strategy, which in turn comes under the General Secretariat of EIB. The Directorate of Operations itself was restructured from

its earlier geographical focus to a sector and product focus.

Rational for reorganisation

- The current EIB President’s call for a more consistent, institution-wide strategic approach to its operations. This in turn reflected a concern that geographical divisions had become ‘silos’ which limited cross region and cross sector learning.
- Strengthening sector expertise and enabling the bank to assign more staff to projects across countries. Rather than relatively small country teams, EIB can now allocate larger sector or product teams to projects enabling more timely processing.
- With the number of field offices expanding, it was felt that it would be better to have a clearer line of reporting for the field offices rather than have them report to a number of different regional directors.

Representative role of field offices now the primary focus

While previously the main focus of the field offices was on operations, specifically deal origination and portfolio monitoring, with representation being of secondary importance, representation of the EIB and its policies as a whole is now the primary function of the field offices. Deal origination and portfolio monitoring, along with country intelligence, remain important secondary functions but the office now represents the institution as a whole rather than just banking operations. Where an office has more than one expatriate staff, the Head will be the Representative and the second will normally be an operational person. Even in one-person offices where the primary function will be representation, staff may also engage in operational activities, although almost all project preparation work apart is done by teams from HQ.

This change in the role of its field offices, also has implications for the kinds of staff sent to field offices, especially at head of office level. Whereas in the smaller, one-person offices, relatively junior technical staff had previously been heads of office, the policy now is to assign more senior staff to these positions, since they need to be staff who know the EIB well. Since their primary role is representation, they also need good diplomatic and communication skills. Apart from the need to interact effectively with both government and IFI counterparts, the EIB offices are also expected to interact regularly with EU ambassadors. While generally welcomed at the field level, it was noted that the need to now respond to many different masters across the bank was also challenging.

Comparison of EIB and EBRD operations in EBRD countries of operations

While the EIB only has offices in 14 of the EBRD’s countries of operations, it operates in all of them. Even with the on-going expansion in the number of field offices and some expansion in staff in the field, the EIB has a very limited and lean field presence when compared to that of the EBRD. Despite this, the EIB has delivered €99.6bn in the EBRD countries of operations over the last 5 years, while the EBRD has delivered €53.7bn over the same period (see below).

EIB, EBRD and IFC approvals 2010 to 2015 in EBRD countries of operations (€ millions)

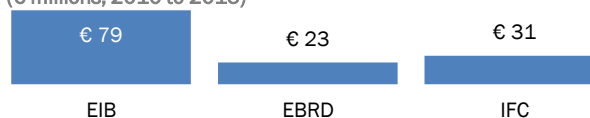


Sources: EIB; EBRD: Annual Business Investment (reported rate), Business Performance Navigator; IFC: Figures provided by IFC

The following analysis compares the portfolio for the EIB and the EBRD for the period 2010 to 2015 in those countries where both institutions are operating.⁶

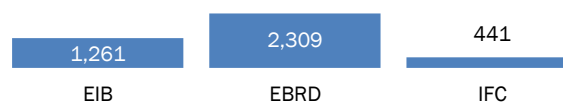
There are a number of factors that enable EIB to deliver such high volumes in the absence of a strong RO presence and with a total staff that is not so different from that of the EBRD (the EIB= 2,200; the EBRD= 2,800). The main reasons, noted both by EIB staff interviewed and EBRD staff, are the fact that EIB does fewer and larger loans. The average loan size is 3.4 times as large as that of the EBRD (see chart below) while the EBRD has processed 83 per cent more operations than the EIB over the period (see second chart below).

Average size of approved transaction EIB, EBRD and IFC (€ millions, 2010 to 2015)



Source: EIB; EBRD: ABI (reported rate), Business Performance Navigator; IFC: Figures provided by IFC

Number of transactions approved by EIB, EBRD and IFC in EBRD countries of operations



Sources: EIB; EBRD: Annual Business Investment (reported rate), Business Performance Navigator; IFC: Figures provided by IFC

Trend data for the value, number and average size of transactions show that for the EBRD, the figures have shown little year-on-year variation while those for the EIB have shown quite a lot more variation. The main factor is likely to be the large size, and thus lumpiness, of the EIB’s operations, such that approval or otherwise of a single project, can result in large variations at country level.

Sectors are defined differently in the two institutions which makes comparison difficult. Overall, for the EIB the sector with the largest share of investment was Credit

⁶ For investment amounts, the “signed amounts” were used for EIB, and the years used were those of the date of signature. EBRD data comes from the Business Performance Data and the Annual Bank Investment (ABI) (reported rate) is used.

Lines (29 per cent), followed by Transport (26 per cent) and Energy (14 per cent). These were also the most important subsectors in EBRD. In terms of EBRD's Annual Business Investment, 26 per cent was invested in Depository Credit (banks), 13 per cent in Transport and 13 per cent in Power and Energy (working paper 4). Within the main EBRD sectors, the largest proportion of business investment went to Financial Institutions (32 per cent), followed by Industry, Commerce and Agriculture (27 per cent), Energy (21 per cent) and Infrastructure (20 per cent).

Regional focus of volume

	Region	% volume
EIB	EU (eg Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia)	71%
	EU enlargement countries (eg Albania, Bosnia and Herzegovina, FYR Macedonia, Kosovo, Montenegro, Serbia and Turkey)	16%
EBRD	Eastern Europe	19%
	Russia	19%
	South-eastern Europe	19%

By contrast, the EBRD has a more balanced distribution of investment with 19 per cent in each of the Eastern Europe, Russia, and south-eastern. Europe regions.

Portfolio case study comparison - Investment in FYR Macedonia, Egypt, Poland, Turkey and Tajikistan

	€ amount bn	No. of operations
EIB	€45.3 bn	424
EBRD	€13.6 bn	496

The number of operations undertaken by EIB in the case study countries is surprisingly high, due to the large number undertaken in both Poland and Turkey. EIB's considerable use of credit lines is also shown by the country data, along with support to infrastructure and energy.

Reasons for the large size of EIB loans

- A significant proportion of its lending is sovereign lending to public sector clients, often for large infrastructure projects.
- Lending to private sector clients often to larger foreign investors or larger companies.
- For smaller private sector deals the EIB works through partner banks and credit lines
- For equity investments, which at around 4 per cent are anyway a comparatively small part of its lending activities, it operates through equity funds rather than directly with private sector clients.
- Another significant factor in explaining the EIB's high lending volume relatively to its staff size and limited field presence is that a substantial number of the EIB loans are cofinanced with other international finance institutions, including the EBRD. Cofinancing is a common feature of EIB projects as the EIB can

only fund up to 50 per cent of project cost. When the EIB does cofinance with other international finance institutions, including the EBRD, the cofinancing institution is usually the one that takes the lead in project preparation, due diligence, loan negotiations and monitoring. So the EIB draws heavily on inputs from its cofinancing partners, including their field presence to help offset its own tighter staff constraint.

Policy dialogue role

Although EIB does engage in policy dialogue linked directly to its projects, it generally does not engage in broader policy dialogue, or if it does so, this is generally in cooperation with other international finance institutions. Wider policy issues are seen as the responsibility of the EU Delegations.

The EIB and EBRD: competition and cooperation

Substantial levels of cofinancing between the EIB and EBRD points to a collaborative and cooperative relationship between the two, strengthened by the EIB being a shareholder in the EBRD. This was highlighted by staff interviewed in both institutions. It was noted that EIB and the EBRD have different mandates. Outside the EU, EIB tends to focus even more on public sector, sovereign guaranteed loans for large scale infrastructure. By contrast, the EBRD has a primary focus on private sector lending and is also able to work on smaller sized deals, well below the EIB's minimum size. Hence there is something of a division of labour between the two institutions.

Despite the strong cooperation, there is an element of competition. EIB funds are generally cheaper than EBRD funds and the EIB can also lend longer-term. The EIB is also increasing its lending to municipalities and considering expanding its non-sovereign lending. It would also like to increase its lending to SMEs although this would be done through credit lines. In these areas, the potential for increased competition with the EBRD exists.

The EBRD's strong RO network a comparative advantage in deal origination

EIB staff noted the EBRD's strong RO network gave it a comparative advantage in deal origination. A number of the EIB staff interviewed stated that they were envious of the EBRD's strong field presence with so many bankers on the ground and that it would be difficult for EIB to expand operations, particularly into new areas and particularly in non-EU countries, in the absence of a stronger field presence.

The EIB's challenges in staffing its field offices

Given that EIB has relatively few field offices, with very few expatriate staff assigned to them, serving in a field office has never been a common feature of employment in EIB nor a requirement for career development. On the contrary, until recently, there was a perception that a move to a field office was bad for one's career progression, even 'career suicide'. Coupled with

the comfort and attractions of Luxemburg and being close to the action in HQ, it has been difficult to attract staff to the field offices. Another disincentive identified, as in other international finance institutions including the EBRD, is the difficulty of re-entry for those assigned to field offices. Staff assigned as head of office, currently normally at the Senior Executive Officer Level, will normally return at the same level they were when they left for the field, and often to their same or similar job, with no account taken of the additional skills, knowledge and experience gained in the field.

Most EIB staff interviewed indicated that they felt the negative perception regarding a field posting was gradually changing. The recent reorganisation was helping in this respect as now staff in the field offices and especially the heads of offices had greater visibility across the bank and a dual reporting structure to both the General Secretariat (on representation) and to DoO (on operations). Intangible aspects of the job of head of office, as well as the contribution of the field offices to project monitoring, are also beginning to be recognised. Also on the positive side, communication between HQ and the field is good and heads of office are able to travel to HQ regularly. For locally hired staff, the local contact is a disincentive and their career prospects are limited. A few do make it to junior banker level but there is not an active career development policy for local staff. This can make managing local staff a challenge.

International Finance Corporation

A focus on decentralisation

IFC is probably the most decentralised of the international finance institutions. The process of decentralisation began in 2003-4 but received renewed emphasis after the financial crisis of 2008-9. In 2010 IFC launched *IFC 2013* which was designed to invert the staff count from 80 per cent in HQ in Washington DC and 20 per cent in the field, to 20 per cent in HQ and 80 per cent in the field. While not fully achieved, today some 65 per cent of IFC staff are in the field. In addition to this deconcentration, *IFC 2013* also saw the relocation of managers to the field along with the delegation of substantial decision making authority.

Major hubs and regional centres

The approach to decentralisation adopted by IFC has been to develop a small number of major hubs and regional centres. In the case of IFC's Europe, Middle East and North Africa Region, a grouping of 50 countries which also includes all of the EBRD's countries of operations with the exception on Mongolia and Greece, the Istanbul Operations Centre, the first such centre established by IFC in 2010, is the principal hub office. The Europe, Middle East and North Africa Region includes the sub-regions of Europe and Central Asia, and the Middle East and North Africa. The former is served by smaller regional hub in Moscow and the latter by a regional hub in Dubai. Both of these offices are headed by Regional Directors.

Under the Regional Directors, there are Regional Managers. Thus, in the case of Europe and Central Asia, where all of the countries are also the EBRD countries of operations, there are four regional centres headed by Regional Managers, namely in Serbia, Romania, Tbilisi and Almaty. In the Middle East and North Africa Region, the Egypt office also covers Libya and Yemen. Country offices come under the Regional Managers.

Main hubs lead on loan and project processing

In terms of their primary function, the main hubs, such as Istanbul, Moscow and Dubai, take the lead on loan and project processing,

Regional centres undertake advisory and business development work

Regional centres and country offices primarily undertake advisory work and business development/deal origination. The country offices also undertake the representation, client relationship and donor coordination role.

These differing roles are reflected in staffing. The Istanbul Operations Centre has around 225 staff (up from around 80 in 2010) and is the largest IFC office outside of the Washington HQ. Staff at the Istanbul Operations Centre include the Regional VP, all industry sector directors and investment officers, along with back office support staff (credit, lawyers, Environmental and Sustainability Department and Human Resources department) and all other necessary support functions. The smaller hubs in Moscow and Dubai, which have between 60-80 staff, are both also staffed primarily by investment officers, although they also have some back office support staff. In both the regional centres and country offices, most of the staff are advisory, with just a few investment officers. Even so, some of these offices are quite large. The regional office in Almaty has a staff of 90 while the Cairo office has a staff of 120, of which 90 are operational. The size of country offices that are not also the location of other regional activities, varies from around 10-20 staff.

Rationale for decentralisation

A major factor was growing concern over the remoteness of its Washington HQ from its main markets. Although it has a global reach, almost all loan and project processing was being done out of Washington, where decision making was also concentrated.

Decentralisation was seen as a means of getting closer to the client, over-coming the problem of the time difference, improving market intelligence and the ability to respond to opportunities and challenges and of improving efficiency, both in terms of cost and processing times.

The hub approach, complemented by regional centres, was adopted as it would not be cost effective to locate investment officers in each country, while advisory staff would be located primarily at the country level.

Assessment of impact of decentralisation

In 2013, a study was done to assess the impact of the decentralisation. While difficult to isolate the impact of

decentralisation from wider macro developments and ongoing changes within IFC, the review found:

- Significant increase in new commitments within the Europe, Middle East and North Africa region
- Increase in the level of commitment per investment officer, although this was less than expected.
- Client satisfaction improved and this was put down to the quicker response time in dealing with queries and problems, given the advantage of key decision makers being in the same or similar time zone.
- No decline in the quality of the portfolio.

Interestingly, IFC staff interviewed by the EvD study indicated little change in overall processing time, although they still felt that having investment officers, support staff and decision makers relatively close by made processing much easier. One reason given for the lack of efficiency gains with decentralisation was the fact that other objectives and mandates have been added over the years which complicate project design.

Partial retreat from decentralisation and ongoing changes in field presence

Despite the generally positive impacts of decentralisation, over the last couple of years there has been a partial recentralisation of authority in IFC. This has been a response to a concern over the development of 'silos' and deterioration in global knowledge and the sharing of global experience. This led to the creation of Global Industry Directors, based in Washington, who oversee larger deals with a view to bringing a global perspective into IFC's regional groupings. At the same time, many of the staff who used to be assigned to the regional departments are now part of global industry departments. This has resulted in some decision making authority, particularly for larger projects, being 'repatriated' to HQ.

However, this has not fundamentally altered IFC's decentralised business model. Thus, while Board approval remains in Washington, staff at the Istanbul Operations Centre are able to make around 90 per cent of decisions, including on project processing, with concept review meetings generally held in the field. The inherent tension between the HQ and the field and between the industry departments (sectors) and the regions, remains an issue but the overall impression given by the staff interviewed in the field was that the current system was working well and this was particularly true of the major hubs.

There is on-going discussion over the organisation of country offices and whether they should all be retained. While in part this reflects the changes outlined above, it also reflects a major reorganisation of the IFC's advisory services. While advisory staff who are 'client facing' (that is primarily involved in advising clients), have been retained by IFC, those involved in broader policy advice (advice that has substantial externalities) have joined World Bank staff in two Global Practices, namely Trade and Competitiveness, which focuses on investment climate, and Finance and Markets. These Global Practices are jointly managed by IFC and the World Bank.

The advisory work of these Global Practices is seen as particularly important in the smaller and poorer countries where traditional IFC investment opportunities are limited but where policy reforms and improvements in the business environment can add substantial value. However, such advisory services could be managed regionally or with the World Bank taking the lead. Hence, there is some uncertainty over the future structure, organisation and number of country offices. It is likely that some may be reduced in size and focus solely on representation while others, where there is a sufficient volume of business, will be expanded as full offices. As of now, there is, according to a number of IFC interviewees, no standard model for a country office.

Comparison of IFC and EBRD operations in the EBRD's countries of operations

IFC data points to transactions in 31 of the 37 EBRD countries of operations for the 2010 to 2015 period. Again, the following comparison is limited to those countries where both institutions operate. Note that the analysis is based on the commitment year of transactions (not the year of Board approval), but the total investment amounts are those as approved by the Board. Also, IFC functions on a fiscal year that ends on June 30. The analyses are based on the operations that were committed in each calendar year for comparative purposes.

IFC's new commitments in the EBRD's countries of operations amounted to €13.5bn during 2010-2015, which is approximately 25 per cent of the EBRD's Annual Business Investment (€53.7bn) for the same years (see chart, page 45). All IFC transactions are private sector operations. In terms of the size of operations, IFC's loans are 35 per cent larger than the EBRD's, with the average approval amounting to €31m at IFC compared with €23m at the EBRD (see chart, page 45). However, the EBRD approved over 5 times the number of operations (2309) in this period compared with by IFC's 441 (see chart, page 45).

In terms of the 5-year trend, both the EBRD and IFC figures for amount of approvals and number of operations have remained relatively stable. In terms of average size of loans, IFC's increased significantly from €25.01m in 2014 to €45.23 the following year.

A comparison between the proportion of investment in the different sectors is challenging as IFC's data presents 103 sectors, but these are grouped in 4 departments. The latter are used to simplify the comparison. IFC directed its largest shares to Financial Markets (35 per cent) and Manufacturing, Agribusiness and Services (35 per cent), followed by Infrastructure and Natural Resources (25 per cent) and Telecom, Media, Tech & Venture Capital (6 per cent). As noted earlier, for EBRD, the largest proportion of business investment went to Financial Institutions (32 per cent), followed by Industry, Commerce and Agriculture (27 per cent), Energy (21 per cent) and Infrastructure (20 per cent).

Regarding regional efforts, 80 per cent of IFC's commitments were directed to its region of Europe & Central Asia (which includes 26 EBRD's countries of operations), 16 per cent to its Middle East & North Africa

region (which includes 4 of EBRD's countries of operations – Egypt, Jordan, Morocco and Tunisia) and 4 per cent to East Asia & the Pacific (in which Mongolia is the only EBRD countries of operations). EBRD's more balanced regional distribution was discussed in the EIB discussion.

Looking at the five case study countries (FYR Macedonia, Egypt, Poland, Turkey, Tajikistan), the pattern is consistent with the overall portfolio comparison in that in all 5 countries (see chart below), IFC has a larger average loan size, while the EBRD does a much larger volume and a far higher number of operations in each. Compared to IFC's total volume of lending in the five countries over the period 2010 to 2015 of €4.9 billion, the EBRD approved 13.6bn, while the EBRD did almost 4 times the number of transactions, 496 compared to 128 for IFC. Comparing the sector coverage in the five countries, in most cases the EBRD has a somewhat more balanced sector coverage and is somewhat less reliant on loans to Financial Markets/Institutions.

IFC and EBRD: competition and cooperation

With IFC and the EBRD both focusing on lending to the private sector, a degree of competition between the two institutions is inevitable. This is particularly true in smaller countries or countries with less developed private sectors as both institutions will tend to be working with the same limited pool of companies. However, IFC generally focuses on larger loan sizes and clients able to borrow larger amounts of around \$5m, with loan sizes of even \$10m and above being preferred. By contrast, the EBRD's business model allows it to undertake smaller loans, including SME loans that IFC generally does not do or will seek to support through credit lines to commercial banks. Equally, the EBRD undertakes loans to municipalities while IFC does not lend to government entities even without sovereign guarantee. Hence, the two institutions operate in somewhat different markets and have somewhat different risk appetites.

At the same time, cofinancing of projects by the EBRD and IFC is not uncommon. There is also extensive cooperation in the area of policy dialogue, with the two institutions working together to push for improvements in the business environment and investment climate. With IFC and the EBRD often being among the largest investors in a country, they have considerable influence in these areas in their dialogue both with the authorities and other development partners, including on policy conditionalities. All of the IFC staff interviewed stressed that cooperation between the two institutions was good, and generally constructive. There are a number of examples where the EBRD and IFC working together have either helped to move forward policy reforms or have been able to prevent authorities backtracking on important policies. Some of those interviewed noted that if they are approached about a project which they think looks good but is too small for IFC they will encourage the promoter to meet with the EBRD office.

The fact that the EBRD is able to subsidize up to 75 to 80 per cent of the cost of advisory consultancy for clients, while IFC insists on full cost recovery was seen as something that did unfairly favour the EBRD in business development. In some cases, particularly the EBRD's

Small Business Support clients, these are a size of business not targeted by IFC. However, the situation still occurs for larger clients that are of a size that IFC is targeting. IFC interviews went on to note that, partly because of the strong reputation of IFC's advisory services and willingness of clients to pay, as well as the overall demand for investment from both the EBRD and IFC, this was still seen as a minor irritant that did not alter the overall close collaboration between the two institutions.

Comparing IFC and EBRD field presence

In comparing the field presence of IFC with that of the EBRD, the IFC interviewees were generally envious of the strong presence in terms of bankers that the EBRD had in-country. It was felt that this gave the EBRD a significant advantage in deal origination as EBRD staff were able to 'leave no stone unturned' in seeking out business and able to develop closer relationships with clients. This also enables the EBRD to undertake smaller deals and provide support to SMEs, including through Small Business Support. The EBRD's strong presence was also seen as giving the EBRD an excellent knowledge of the local market and key challenges and opportunities. Against this, IFC staff felt that having the Istanbul Operations Centre and other Hubs with substantial decision making powers, was a very positive feature of the IFC model.

The challenge to IFC in staffing field offices

The radical deconcentration and decentralisation that IFC has undergone has had major implications for staff and human resource issues. Decentralisation was expected to have a positive impact on staff morale. Although this was less than expected, due to the fact that staff still had to undertake frequent, if shorter, travel, within their region, the delegation of authority has reportedly led to staff feeling more empowered. Similarly, the fact that staff, particularly in the major hubs, can work across a number of countries and be seen by senior managers, has helped to motivate staff, provide better training opportunities and strengthened career development. A bigger challenge is with the country offices, predominantly staffed by country nationals, where most of the work is advisory in nature and staff have little opportunity to work on other countries and thus develop a career in the wider organisation. Similarly it is difficult to get expatriate staff to work in smaller countries where the scope for investments is low. Mobility, which had previously been a very peripheral issue, has now become a major human resource issue and is one that IFC management is continuing to grapple with.

Comparison of EIB, EBRD and IFC by common country of operations

		<i>EIB</i>	<i>EBRD</i>	<i>IFC</i>
FYR Macedonia	€millions	390.26	905.74	67.68
	No. Ops	10	70	4
	Average size of Operation	39.03	12.94	16.92
Egypt	€millions	1,860.37	1,534.41	1,337.48
	No. Ops	13	34	27
	Average size of Operation		45.13	49.54
Poland	€millions	31,045.65	4,204.17	15.01
	No. Ops	275	128	1
	Average size of Operation	112.89	32.85	15.01
Turkey	€millions	11,948.90	6,650.46	3,417.77
	No. Ops	123	192	85
	Average size of Operation	97.15	34.64	40.21
Tajikistan	€millions	78.25	337.38	75.12
	No. Ops	3	72	11
	Average size of Operation	26.08	4.69	6.83



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6. Client survey and other evaluations

- Client views on the resident office system from an EBRD client survey
 - Review of evaluation work conducted by other institutions on resident office systems
-

EBRD client survey

Mostly, this evaluation did not consult clients – partly because of the number that would have to have been interviewed to get a reasonable sample of views and partly because Management had recently conducted a client survey which covered some aspects of the Bank's field presence. This survey was conducted by a contracted company so the basic data was not available but Management made available all the analysed information provided to it by the company.

Key messages:

- 78 per cent of clients agreed that the EBRD's local office provides valuable support to them
- Client satisfaction was high on local/country expertise and technical/sector expertise
- Clients were positive about the EBRD's understanding of how to do business in countries of operation and contributing to local economies
- Local presence was seen by respondents as relatively unimportant in chads of officising a finance partner – it was seen as most salient for non-client foreign direct investors.

Methods of communication

- Clients most often mentioned getting information from the EBRD by regular email contact (56 per cent), regular meetings with the local office (45 per cent) and the EBRD's website (42 per cent)
- Around a quarter of clients mentioned having regular teleconference contact with the local office (24 per cent) and meetings with the Bank's head office (23 per cent). This is broadly in line with the type of contact clients say that they would prefer; 54 per cent prefer regular contact by email, 40 per cent meetings with the local office, 22 per cent meetings with the EBRD's head office and 17 per cent teleconferences with the local office
- Non-client companies most often mention getting information on the EBRD through its website (24 per

cent) and through face to face meetings with the local office (22 per cent)

- Non-client companies would prefer more regular contact by email (30 per cent) and face-to-face meetings with EBRD staff at its local office (29 per cent)
- A large proportion of clients (78 per cent) say that their EBRD local office provides valuable support to them (93 per cent in Caucasus being the highest rating and even in newer region of South and Eastern Mediterranean 57 per cent think the local ROs provide valuable support). Client satisfaction with both the EBRD's local and country expertise (82 per cent) and its technical and sector expertise (85 per cent) is very high.
- Given that only one-third (30 per cent) of non-client foreign direct investors say that local presence is an important factor when chads of officising a financing partner, helping to increase awareness about the Bank may be something that the EBRD can also tackle on the ground in its countries of operation.
- Local presence is highly valued among clients, they think that the EBRD has a good understanding on how to do business in its countries of operations and they see local offices as an important source of support and advice for them and their businesses. Clients agree that regular contact by email would be one of their preferred methods of communication, but as a priority they would chads of officese to have more face-to-face meetings. Non-client companies indicate that they would prefer to have more regular contact by email with the EBRD.

Key recommendation

Maintain and build on local presence.

80 per cent of clients surveyed feel that the EBRD's local offices are a valuable source of support to them and their businesses. A significant majority of clients feel that the EBRD has a good understanding of how to do business in the countries in which it operates and to an extent contributes to the success of those economies. This further indicates the need to keep up the high standards already achieved and to listen to clients when it comes to their local needs in their respective countries.

Other Evaluations

Asian Development Bank

2007 Special Evaluation Study on Resident Mission Policy and Related Operations

This was an evaluation carried out by the independent evaluation department of the Asian Development Bank in 2007 – the basis for the evaluation was Asian Development Bank’s Resident Mission Policy of 2000.

Significant aspect or finding	EvD comment (following study on the EBRD’s resident offices)
<p>Existence of a policy</p> <p>The Asian Development Bank had a policy on its field representation through resident missions.</p> <p>The policy did not have a design and monitoring framework setting out clear objectives and indicators against which progress could be assessed.</p> <p>The policy was evaluated as highly relevant (and flexible enough).</p>	<p>The EBRD does not (and has never had) a formal policy on ROs or decentralisation. Any informal policy is very dated.</p> <p>The absence of a policy on ROs is considered by this evaluation to be a gap that needs to be filled. Among the many issues caused by the lack of such a policy is that of there being no clear objectives and indicators for assessing the performance of ROs and the field presence system as a whole</p> <p>Ultimately, this evaluation considers that a policy on decentralisation is even more important as the Bank finds itself in a somewhat discordant position of being a highly centralised organisation with a very substantial field presence that has almost no delegated authority.</p>
<p>The need for greater decentralisation and more resources for resident missions</p> <p>More decentralisation and a larger deployment of resources to RMs would likely have resulted in higher effectiveness and efficiency ratings.</p>	<p>This evaluation finds that the EBRD’s field presence is almost exclusively about the banking function. This is effective if an almost sole focus on investment is considered to be the best way for the Bank to deliver on its mandate of fostering transition. However, this evaluation does not hold to this view based on the evidence gathered. The evaluation finds that there is a need to have more non-banking expertise in ROs.</p> <p>This evaluation finds that the large HQ (around three-quarters of all staff) where almost all of the non-banking expertise lies and a highly centralised, standardised (one size fits all) and consensual decision-making style sits alongside a very significant field presence (around one-third of total staff) of largely banking staff (about 50 per cent of all banking staff) and their required support is inefficient.</p>
<p><u>Recommendation</u></p> <p>Prepare a decentralisation strategy in light of the evolving challenges and opportunities and in line with Asian Development Bank’s future strategic directions. The strategy should be informed by a detailed feasibility study (covering, among other things, financial and human resources implications and impacts on business processes).</p>	<p>This evaluation also recommends that the EBRD needs a decentralisation policy (and a policy on resident offices as part of this or separately)</p>

2013 Decentralisation: Progress and Operational Performance

This was an evaluation also carried out by the independent evaluation department of the Asian Development Bank in 2013 – the basis for the evaluation was Asian Development Bank’s Decentralisation Policy adopts in line with one of the recommendations of the 2007 evaluation.

Significant aspect or finding	EvD comment (following study on the EBRD’s resident offices)
Clients considered Asian Development Bank’s operational processes to be complicated and cumbersome	Although the client perspective and the Bank’s operational processes were not a focus of this evaluation, this finding would likely reflect the views of the EBRD’s clients based on what RO staff told the evaluation team
Project delegation from HQ to resident missions during implementation affects policy dialogue and implementation activities. Projects are typically administered by HQ staff during the first year or two before they are delegated to resident missions	In the EBRD there is a more of a team approach between HQ and RO with less of a clear-cut delegated authority to RO – in the EBRD it is more to do with the location of the OL. That said, generally responsibility for monitoring and implementation support passes to the RO immediately following approval in cases with the OL is HQ-based.
Operational approaches vary little across regions and individual DMCs. While Asian Development Bank has different sizes and types of resident missions, functionally they are quite similar in delegated authority and assignment of sector specialists.	The EBRD is strongly a “one size fits all” institution in terms of operational approaches (and this is an inefficiency in the view of this evaluation). In the EBRD’s case ROs vary greatly in terms of functions and assignment of sector expertise but very similar in the aspect of delegated authority – basically there is no delegated authority in the EBRD.
Staff in resident missions have concerns about career progression and differentiation in the assignment of responsibility. Attracting and retaining experts and talented staff in the resident missions remain a challenge.	This evaluation finds that these concerns are very much shared by EBRD RO staff. Attracting and retaining talented staff can be a problem in EBRD’s ROs as a result of the completely non-transparent process for setting local salaries, a process that ignores the fact that in order to get the best local expertise (if this is what the Bank wants) it may well be necessary to have a salary/benefit package that attracts internationally-experienced and mobile local staff. This not the case currently. This evaluation also finds that retaining good staff can be an issue because of reasons that include: a high use of maximum of 23 months contracts by ROs; salary currency issues; lack of competitiveness of the EBRD package for internationally mobile local staff; limited promotion, career development and mobility prospects; and problems with social security eligibility as a consequence of the absence of, or insufficiency of host country agreements.
<u>Recommendations</u> Regional departments should take a differentiated approach to decentralizing operations to meet the diverse regional development contexts, demands, and priorities [of the various country groupings]	This evaluation supports the principle behind this recommendation such that it suggests that the Bank should, to some extent, adopt a more context-specific approach and somewhat less of a “one size fits all”/standardised one. There is not much point in having deep cultural and market local knowledge and then imposing a standard approach on top of this.
Differentiate the types of resident missions to enable Asian Development Bank operations and business processes to be more relevant and responsive to different types of countries, development contexts, and operational priorities.	As on the previous point, this evaluation considers that this recommendation is highly applicable to the EBRD.
Strengthen the technical capacity of resident missions and delegate more operational responsibility to them, in particular project and technical assistance processing and administration.	Again, this evaluation considers that this recommendation is applicable to the EBRD situation.
Delegate direct operational support functions to regional departments or resident missions by increasing their capacity to undertake these functions.	This recommendation is also equally applicable to the EBRD.
Increase HQ-resident mission connectivity and coordination and resident missions’ participation in knowledge activities.	This recommendation is also equally applicable to the EBRD.

African Development Bank June 2009

This was an evaluation by the independent evaluation department of the African Development Bank of its Decentralisation Strategy.

Significant aspect or finding	EvD comment (following study on the EBRD's resident offices)
<p>Findings</p> <p>The objectives of the Decentralisation Strategy were clearly expressed and have continued to evolve in line with growing expectations over what decentralisation will deliver</p>	<p>The EBRD has never had a formal strategy on decentralisation of resident missions, which this evaluation considers it should have.</p>
<p>Insufficient clarity on the causal connections and no clear results framework providing a comprehensive set of targets against which progress can be assessed.</p>	<p>This finding is equally applicable to the EBRD. The Bank does not even know how much its field presence costs – neither in total nor disaggregated to country, region or office</p>
<p>The decentralisation process is behind schedule. Whilst nearing achievement of targets set in terms of the number of FOs opened, there are some significant gaps in terms of the planned FO network operating at full capacity (e.g. the number of sector specialists in the field, levels of delegated authority and levels ICT connectivity).</p>	<p>The issues of sector expertise in the field and ICT connectivity are issues that resonate in the EBRD context.</p>
<p>Small offices lack a critical mass of professional staff.</p>	<p>This is an important issue for the EBRD which has many small offices (both single ROs and satellite offices).</p> <p>The obvious question is critical mass for what? Most of the EBRD's ROs are not expected to be independent entities – they work closely with HQ-based staff. This evaluation found that even small ROs have a critical mass to be effective in the top roles of representing the EBRD, deal origination and client (project) follow-up and support. Of course, with more staff they could carry out more functions or do a better job of the top three functions of ROs but they don't lack a critical mass to be effective and certainly, although the evaluation could not come up with quantitative measures of efficiency, its view is that small ROs can be very efficient. Here leadership is very important.</p> <p>Notwithstanding the above, this evaluation finds that in the EBRD situation, small offices (and indeed some medium-sized ones too) lack sector expertise based locally. In part, this is a consequence of the way the Bank has organised itself with HQ-based sector teams (which may have team members based in ROs if such is considered justified). It is also partly a consequence of small ROs often being reflective of a small portfolio (or perhaps the size of the portfolio is a consequence of a limited local presence) so it is considered that dedicated sector expertise in the RO is not justified.</p> <p>This evaluation also finds that staff in smaller ROs frequently indicate that it can be difficult to access the required expertise from sector teams whose attention may on bigger deals elsewhere. On the other hand, the sector-team model does allow sector expertise to be "plugged in" when needed. Here personal factors such as sector director and head of office willingness to work together are important.</p> <p>Aside from the head of office, smaller offices in the EBRD also generally lack senior staff. This affects the ability of the RO to participate fully in policy dialogue. The need for, and resources required for policy dialogue are independent of market/country size so if policy dialogue is considered a major function of ROs (which this evaluation considers should be the case, even small ones or perhaps particularly in small ones) then small EBRD ROs do indeed lack critical mass, and unlike the situation with sector expertise there is no in-house capacity to plug gaps – the only option is to use TC but this is only a complement to Bank-led policy dialogue and not a substitute for it.</p>
<p>There is evidence of change in some important activity areas associated with improving portfolio management through field presence but this is not yet strong enough to deliver quality assured project processes</p>	<p>In the EBRD, ROs play a major role in project monitoring and management and associated capacity building but it is not clear to this evaluation to what extent the country portfolio is managed as a collective whole rather than a series of component parts (the projects financed). Certainly there is no financial reporting on the portfolio at the country level the absence of which seriously constrains the ability of the Bank to manage the portfolio as a whole and strategically.</p> <p>Strengthening the country strategy process and the role and importance of country strategies in determining what gets done in a country should result in a more strategically coherent portfolio and provide the basis for a higher order of portfolio management.</p>

Significant aspect or finding	EvD comment (following study on the EBRD's resident offices)
The proximity of field offices has brought a change in the frequency and responsiveness of dialogue, which are two important elements in the long term process of building trust. But the dialogue has yet to mature into a more challenging form which could have a more appreciable effect on improving development outcomes.	This evaluation has found that the local presence provides for a vastly improved context for dialogue. Since the African Development Bank's field presence was relatively new at the time of its evaluation it is understandable that this dialogue had not yet led to improved development outcomes. This is not the situation in the EBRD – there are plenty of examples of a strong contribution by RO involvement in policy dialogue contributing to better outcomes and impacts.
Decentralisation is improving the visibility of the AfDB within the national setting and within the donor coordination landscape.	The first part this finding is supported by this evaluation, particularly important in the newer countries of operations. The Bank's ROs do play a role in donor coordination but this is generally a lower priority function.
The AfDB's effort to establish FOs has been generally well appreciated by external stakeholders and there are strong centres of enthusiasm for decentralisation - and further decentralisation – both within the AfDB, and amongst its clients and partners.	This evaluation finds that the Bank's ROs are appreciated by clients, governments and other stakeholders. In some aspects the Bank's field presence is envied by comparators such as EIB and IFC (though they consider it not efficient). Governments of course favour further decentralisation.
There has been a minimal effect in terms of the AfDB strengthening its ties with regional economic entities and its links with the private sector and civil society.	Of course, the EBRD's links with the private sector are vastly superior to those of a development-focused regional bank but they are also superior to those of EIB and IFC. However, at the RO level there are only limited links to civil society organisations. There are links to regional economic entities, in particular the EU.
Decentralisation is proving to be a positive factor in the growth of the lending volume of the AfDB though the evidence is not sufficiently strong to establish causality and increases are likely to be the result of a combination of factors.	This evaluation finds there is no doubt that the EBRD's field presence is absolutely essential to its business model of targeting local sponsors and smaller deals while maintaining an acceptable degree of risk. This could not be done flying in and out from London.
Decentralisation is generally associated with increased costs, and efficiency gains are not automatic. It is rarely recognised (or managed) as a key element of a wider change process, and weak monitoring of the process and results of decentralisation is a common feature.	This evaluation was not able to make “before and after” and “with and without” comparisons as the EBRD has ROs in almost all its countries of operations and opening an office is generally one of its early moves.

7. Findings and conclusions

– Answers to the evaluation questions

This chapter provides the main findings and conclusions of the evaluation, including answers to the evaluation questions, based on the evidence presented in the preceding chapters. The questions posed by the evaluation are:

- (i) To what extent and in what ways is EBRD's field presence system relevant?
- (ii) Is EBRD's field presence system effective and in what ways does it contribute to results?
- (iii) Is the Bank's field presence system efficient and what are the main contributors or inhibitors of efficiency?
- (iv) What other factors not captured under relevance, effectiveness and efficiency (if any) affect the performance of the Bank's field presence system?

The answers to these questions may be different for different people depending upon the weight or relative importance assigned by each person to a set of beliefs or values. The answers to the evaluation questions presented in this chapter are those that in EvD's judgement best reflect the weight of evidence gathered. However, an effort is made to reflect alternative views where considered relevant.

Answering the questions would be made easier if there was a clear basis against which performance could be assessed. For example, against what should relevance be judged? What standard should apply to relevance? However, in the absence of a formal policy on ROs or decentralisation, and the absence of a clear specification of the purpose of the field presence system and the results expected from it, a comparison against a standard set of expectations is not possible.

Also, there are significant quantitative data gaps for informing judgments. For example, it was not possible to obtain data on the complete cost of the RO network – constructing a full cost profile would be a manual process as the Bank's accounting systems are not set up to produce aggregate cost schedules for ROs. Thus, it is not possible to regularly and reliably produce any quantitative assessments of efficiency of the RO network – neither by this evaluation nor by Management for its own purposes. Thus managing costs at the RO level can at best be a partial exercise.

Related to the absence of complete aggregate or RO-level data on the cost of the field presence system, it is not possible to easily compute and monitor the Bank's investment performance at the country level through regularly available profit and loss statements. Given that neither the net return nor expenditure can easily be accounted for at the country level in statements of financial performance (profit and loss statements) efficiency cannot be measured in terms of cost-

effectiveness (with effectiveness here being in terms of investment performance). That said, there is some high level data that raises questions about efficiency and a considerable body of qualitative data gathered by this evaluation that clearly puts the focus on areas of inefficiency.

The findings that follow are organised according to the evaluation questions of relevance, effectiveness, efficiency and other performance attributes. The reality is that there is a high degree of inter-relatedness, thus the recommendations made often cover more than one performance dimension.

Bearing in mind the above realities, the evaluation's answers to the evaluation questions follow.

Is the Bank's field presence system relevant?

From any perspective, the EBRD could not do the number and type of deals it does (deals with local sponsors, smaller deals, deals with a high degree of non-financial additionality, deals in the regions of the country, and the advisory services provided by Small Business Support) with an acceptable level of risk and low level of non-performing loans without the reach and continual presence of a field office system. Nor could it maintain the volume of deals it does in markets with high levels of corruption and large numbers of persons with whom the Bank cannot work without a significant field presence. A failure to exercise a high degree of integrity due diligence could seriously compromise the Bank's credibility and financial performance. In-depth local knowledge based on local presence is essential to displaying sound banking and maintaining high standards of integrity, particularly given the clients that the EBRD is principally targeting (local sponsors without sovereign guarantee).

The field presence system has evolved to serve the needs of banking consistent with the belief that it is largely through the Bank's investing activity that it delivers on its transition mandate. The banking nature of the RO system is illustrated by the fact that less than 5 per cent of staff in ROs are from non-banking departments though this category of RO staff has risen sharply in percentage terms in recent years. The evaluation concludes that the low presence of non-banking expertise in the field makes the field presence system less relevant than it could and should be.

Taking the case of sector economists, many of those interviewed expressed views along the lines that "transition happens in the Bank's countries of operations and not in London but all of its transition experts [sector economists] are London based." RO-based interviewees believe that sector economists have a limited ability to travel though the view expressed from HQ is that they

do travel frequently. Despite this, a commonly held view by RO bankers is that sector economists are inadequately informed about the realities of the client, the country and the meaning of transition in the particular country context. Sector economists are frequently characterised by those in ROs as having a “theoretical or ivory tower approach.” The fact that moves are underway to post some sector economists to ROs should help increase the relevance of the field presence system.

The less-than-desirable relevance of the RO system from a staffing profile perspective can also be illustrated by considering the function of policy dialogue. Policy dialogue is a very important part of the RO role though it generally goes un- or under-recognised and un- or under-rewarded – perhaps as a consequence of this low (though rising) visibility ROs have little locally-based support for carrying out this role, nor is there much in the way of policy expertise in ROs or regional hubs. There is a pressing need to have more policy expertise based in the field and to ensure that Heads of office have, or can further develop, the skills to carry out this essential function at a time when it is growing in importance.

Similarly, there is limited time, available skills or clear responsibility for RO staff to engage with civil society or to be more proactive in media relations due to the limited resources available for such activity in ROs. This also means the Bank’s field presence system as structured is less relevant than it could be.

Also, the evaluation notes the role of ROs in capacity development,⁷ another under-recognised RO function. Recognising and resourcing this function better would also increase the relevance of the RO system.

When considering relevance, one should not only consider relevance in terms of the past and present but also the future. Is the Bank’s field presence fit for future challenges? Based on the directions of the Strategic and Capital Framework 2016 to 2020 (SCF) and the newly re-elected President’s agenda for delivering this, in 2020 the Bank will be greener, leaner and taking centre stage in the global development agenda more than it is today. The Strategic Development Goals are recognised as the EBRD goals more so than the previous Millennium Development Goals; the EBRD will prioritise green and inclusive transition, explicitly pledging 40 per cent total EBRD financing invested in activities that incorporate

⁷ Capacity development has never been defined in the EBRD nor recognised, formally at least, as a significant role of the Bank. An Asian Development Bank 2011 publication, *A Practical Guide to Capacity Development in a Sector Context*, notes capacity development can entail changes in knowledge, skills, work processes, tools, systems, authority patterns, management style, and others. Like learning, [capacity development] takes place in people or organizations and, like learning, it cannot be forced upon them. People and organizations can have strong or weak incentives to change, develop, and learn—coming from the environment or from internal factors—but eventually, the change is an internal process that has to happen in people or organizations. Other definitions of capacity development are broader than a change process in organisations or individuals – they encompass changes to the “rules of the game” or the legal and regulatory framework itself, something that EBRD ROs are frequently very involved in supporting.

sustainable energy and resource efficiency, versus the previous 25 per cent target. The future operational profile includes more focus on infrastructure and energy security, support to small and medium enterprise and local currency financing, and equity. This approach is underpinned by efforts to update the concept of transition to better fit the range of country circumstances, emphasising market qualities over traditional structural considerations. The Bank will continue to leverage change through projects and policy advice built on the back of investment, with strengthened partnerships a priority. Rather than expansion, the President has stressed the need to consolidate efforts on current countries of operation, and through country strategies to consistently consider the Bank’s additionality. The Bank will continue to pursue operational effectiveness and efficiency to facilitate focused and better service around these themes.

Meeting this future agenda will rely on deep local knowledge and require a broader range of expertise in ROs.

In conclusion, for supporting the Bank’s investing activity, the evaluation finds the field presence system is highly relevant, as ROs are: “deal originating machines”; they are the public face of the EBRD in the country; they generally monitor the portfolio and take care of problems as they arise; they can be called on to provide support as required by the HQ-based sector banking teams; and they help ensure a high standard of integrity in the Bank’s operations.

From a broader perspective, the evaluation considers that the Bank’s field presence system is less relevant than it could be because it is not structured to fully realise the capacity of a local presence to deliver transition impact, however defined. Taking account of strategic directions and priorities, the evaluation considers that the field presence will need adapt to the new challenges - thus it is not currently fully relevant to future needs.

Is the Bank’s field presence system effective?

Resident office system contribution to results

A preliminary results framework was included in the evaluation approach paper and included as Annex 1 of this report. A results framework embodying a theory of change seeks to illustrate in diagrammatic form how the inputs and activities provided are turned into results – with results categorised in terms of outputs, outcomes and impacts. The theory of change embodied in the results framework provides the link from inputs to outputs, outcomes and impacts. A results framework of expectations is subject to a set of assumptions that need to hold true, and risks that may occur, and if they do, can be successfully mitigated. The important assumptions and risks are also reflected on the results framework prepared for this evaluation (see Annex 1).

Following extensive field work, the evaluation concluded that the results framework included in the approach

paper was basically sound. It confirmed that the main outputs of the field presence system in relation to transactions are:

- Deals originated that provide greater choice to the Bank than would be the case if the Bank was operating out of London – this means greater ability to do smaller deals, deals with local sponsors (both public and private), deals in the remoter parts of the country and to do deals with such clients in the absence of sovereign guarantee.
- Advisory services provided by the Small Business Support programme
- Projects of better quality, particularly in terms of being sound from an integrity perspective
- Problems with project implementation are identified and resolved earlier than would be the case if operating solely from London

The evaluation also found that these four outputs lead to achievement of immediate outcomes of more projects with local sponsors and better achievement of project outcomes. In turn these lead to the intermediate outcome of growth in local business and the impact of transition gaps narrowed.

Another output class is the delivery of a range of identifiable results from policy dialogue (policies changed, regulations or legislation adopted and so on). These lead to positive policy outcomes and contribute to the impact of reducing transition gaps and improving the investment climate in the country.

Other outputs identified are:

- EBRD has better local knowledge
- Better visibility and knowledge of the EBRD locally
- Communication faster, more frequent and more culturally relevant
- The EBRD has a voice locally promoting key messages

The first of these was expected to lead to better country strategies and a more strategically focussed, customised, coordinated and efficient programme and portfolio. The evaluation found that this outcome is generally still to be realised though current efforts to significantly revise the country strategy process should contribute. Previously, sector teams had the greatest degree of influence on country strategies in terms of what deals got done in the country but the move now is to adopt an approach that uses transition gap analysis and country diagnostics to determine where the EBRD can be most effective. Time will tell if these changes actually result in the EBRD becoming more relevant and effective in its countries of operation.

The second and fourth outputs were expected to lead to a greater receptivity to the messages being advocated by the EBRD. The evaluation found that this was the case, particularly in the newer countries of operation. In these countries and elsewhere the greater visibility and accessibility also results in deals happening that would likely not happen on the basis of periodic visits from London.

The third output of faster, more frequent and more culturally relevant communication also was seen in practice and this is plausibly a significant factor in realising the outcome of the EBRD's comparative advantage in the market place.

Assumptions for ROs effectiveness

Assumptions, whether explicitly identified as such or not, are a critical factor in determining whether expected results are achieved or not. Therefore, as part of determining the effectiveness of the RO system, the evaluation considered whether important assumptions hold true or not. The results framework identified the following assumptions that need to hold true for ROs to effectively contribute to results:

- Assumption 1: RO heads have the required skills and abilities to carry out the functions required for success – the evaluation identified that there is work to do to ensure that heads have, or are given the opportunity to develop, all the skills needed to do the job; and the evaluation also found that the process for the selection of heads needs to be improved (particularly by not making direct appointments)
- Assumption 2: Sufficient well managed and motivated staff with the right skills are in the field – the evaluation identified that there are issues around management (management skills, layers of management, recognition and reward for policy dialogue and the functioning of the matrix reporting system) that need to be addressed; there are considerable unresolved issues that affect motivation (mobility, career development, contract issues, perceived lack of equity in the way local-hire staff are treated); and that ROs lack the full non-banking skill-set to be fully relevant, effective and efficient.
- Assumption 3: The right balance exists between: country and sector team, the authority of RO head and sector directors, ROs serving the needs of the Bank versus banking, on centralisation versus delegation of responsibilities and authorities, and the centralisation versus deconcentration of staff and skills sets. Again, the evaluation finds that there are issues to be addressed to ensure that this assumption holds true so that ROs can realise their full potential to contribute to the results produced by the Bank.
- Assumption 4: Acceptance that narrowing transition gaps, improving the investment climate and greater environment and social sustainability in the Bank's countries of operations will require more than successful transactions, as important as these are. The evaluation found that this acceptance is growing but is by no means universal yet; and the resources required to implement this have been slow to materialise, a situation perhaps exacerbated by the absence of reliable information on resource allocation, both human and financial.
- Assumption 5: Some degree of delegation of responsibility and authority occurs – the evaluation finds that no significant delegation of authority to the field has yet occurred.

- Assumption 6: Clarity about roles and responsibilities such as might be expected in a policy on ROs or decentralisation – the evaluation finds that no such clarity exists.

Effectiveness of the resident office system

Most of those consulted believe that the most-valued metrics of performance are the value of deals done (and to a lesser extent the number of deals), followed by successful repayment or exit, and the generation of an acceptable return to the Bank. Here the ROs play a vital role – in deal origination, client relationship development and maintenance, integrity checks, monitoring, support to implementation and problem resolution.

Given this, in terms of helping to make investments, ROs are effective though sometimes seen to be pushing deals that are not viable (according to HQ-based sector bankers or credit officers).

The evaluation acknowledges the effectiveness of the RO system in generating business, and developing and maintaining client relationships but it also considers that there needs to be a greater focus on achieving outcomes and impacts of the investments that the EBRD makes. An opposing view, sometimes put forward considers that largely these will naturally follow as a result of well-conceived and structured investments. The evaluation however, sees a need for a more proactive “managing for results” approach because often the expected higher order results do not automatically flow from the investing activity – they need a “helping hand” (be it from policy dialogue or capacity development or other support) to ensure they happen.

The evaluation found that the field presence system is effective overall though less effective in some areas and highly effective in others. As already noted, the field presence system is highly effective in originating much of the business of the Bank and in ensuring integrity risks are low and the credit risk acceptable. They are also effective in monitoring, supporting and reporting on project performance, resolving implementation problems. However, because their function is heavily directed towards the investing activity of the Bank, they are less effective than they could be in managing for transition results, particularly via the important areas of policy dialogue, capacity building and wider outreach to civil society – this because the skills and time available locally to carry out these other functions are generally limited.

RO staff often see the need for the concept of transition to be more customised to country context. In the past it was not easy for RO staff to have an influence on this. However, the new approach to country strategy preparation being developed should help overcome this problem. The evaluation also found that there is a wider problem of the relevance of the transition concept to newer member countries, which were never part of the former Soviet Union, and for those that were but which have either moved well beyond transition as originally conceived, or which are “stuck in transition” or even regressing. While the concept of transition has evolved, and its further evolution is under active consideration, the evaluation found that this is an issue that affects the Bank’s effectiveness. There is a need for greater flexibility

to customise the transition impact concept to local circumstance.

On the other hand, this evaluation finds that ROs frequently contribute very significantly to “transition impact broadly defined” in ways that go completely unmeasured because they are not captured in the Bank’s results recording systems – principally, the transition impact monitoring system.

In fact, ROs contribute in a number of ways to the achievement of outcomes and impacts at the country level; contributions that are under-recognised, unreported and unrewarded. These contributions include:

- The Bank’s expectations with regards the transition impact from its transactions, are captured in a metric called expected transition impact. The starting point for measurement (the baseline situation) is explicitly or implicitly that at approval at which point the client is obviously “bankable”. Through their role in client development, deal origination and ensuring integrity standards are met, ROs play a proactive role in moving potential clients from being “not bankable” to a situation where they can become EBRD clients – this is a significant contribution to country transition (the integration of SBS into banking has increased this contribution of ROs). Even if potential clients have not yet become “bankable” RO efforts frequently move them in that direction. Of course, this before-approval contribution to transition impact may not, as previously noted, be sufficient to ensure achievement of expected transition impact without proactive managing for impact.
- As part of the previous point, the contribution of Small Business Support (an almost exclusively RO-based activity that is now more integrated within banking) has its own totally separate results reporting and evaluation system that does not enter the mainstream of the Bank’s transition impact reporting or evaluation systems⁸ so the contribution of Small Business Support to results produced as a result of field presence is under-recognised as a consequence of its lack of integration in result reporting though the “new style” country strategies can address this current reality.
- Both during the deal development stage but more particularly as part of RO support to project implementation ROs can make an important contribution to capacity development (see footnote 13) of clients, sometimes government agencies, and sometimes business associations and the like. The study of ROs’ contribution to capacity development would merit an evaluation in its own right but the current evaluation recognised that even though it can’t currently be quantified as it is unrecorded and unreported, a lot of it happens.
- The local presence allows for a high degree of informality or spontaneity in contacts with government and business leaders – such contacts

⁸ For example, in EvD’s Annual Evaluation Review the Bank’s aggregate performance is determined solely on the basis of the performance rating of investment projects. There are no results presented for SBS activities.

can initiate or contribute to significant outcomes and impacts but this contribution is by its nature very difficult to capture in formal reporting (at least in a quantitative manner).

- Although the areas of civil society and media outreach are not as well developed as this evaluation believes is desirable, ROs are involved in these activities and this involvement can and does contribute to better outcomes and impacts (as evidenced by the case studies conducted by as part of EvD's evaluation of policy dialogue in Ukraine) though again this is hard to measure quantitatively.

The contribution of ROs to achieving expected transition impact and turning this into realised transition impact based on (a generally limited number) of supposedly monitorable indicators or transition benchmarks in the Bank's transition impact monitoring system is mixed. In some cases the RO banking staff dismiss the "top-down" or "ivory tower" concept of transition (as they see it) as being largely irrelevant to their clients and the country – in these cases they see transition impact as something of only internal importance so it is not surprising that there is not a lot of effort put into managing towards what the staff concerned see as unrealistic transition expectations. On this, the same view often prevails in HQ as well.

In other cases, RO staff are making significant efforts to encourage clients to achieve transition benchmarks but it would be fair to say that this generally does not occupy a very significant proportion of RO staff time (based on comments provided in the survey and on interviews).

On the basis of the above, the evaluation found the RO system to be effective both in terms of contribution to making investments and transition, though less effective in some aspects and highly effective in others. There is considerable potential for ROs to make a greater contribution to results but this may require incremental resources or a somewhat lesser focus on volume.

Is the Bank's field presence system efficient?

Overview

Based on the qualitative evidence it has gathered, the evaluation finds that the RO system is not efficient. A few of those consulted considered the system efficient but even here it is more on the basis that good people can make a not-so-good system work rather than the system itself being inherently efficient. Some believe that a lack of efficiency is a necessary trade-off as part of sound banking and to ensure the financial integrity of the Bank itself (AAA credit rating, low non-performing loans ratio and acceptable returns to shareholders). Some believe that the inefficiency is an unavoidable consequence of what they see as each transaction done by the Bank being customised or unique thus requiring high-level individual scrutiny in London involving multiple departments.

While acknowledging these views, the evidence gathered by the evaluation is that the field presence system is inefficient along a number of dimensions and that a

number of these inefficiencies can be addressed while maintaining the financial integrity of the Bank. Mostly, these dimensions are to do with the way the Bank operates rather than being inefficiencies of the functioning of ROs themselves (although in the absence of complete cost or net income data, it is not possible to make any observations based on quantitative evidence as to whether individual ROs are efficient or not).

Qualitative dimensions of efficiency considered

The large amount of evidence collected from interviews on efficiency aspects were grouped into four categories (see Chapter 4) and these are repeated below:

- (i) Staff-related issues covering four topics:
 - a. heads of office matters
 - b. mobility and career progression
 - c. layers of management
 - d. contract issues
- (ii) Location, nature and style of decision-making
 - a. location of decision making being the degree of delegation or centralisation of decision making;
 - b. nature of decision making being whether decisions adhere to a common set of standards (a "one size fits all" approach) versus a "customised to context" approach
 - c. style of decision making being collective and consensual decision making with collective accountability, versus individual decision making with individual accountability;
- (iii) Deconcentration of non-banking functions
- (iv) Functioning of the matrix

Staff related issues

As noted above, the evaluation considers four issues that affect the efficient (and indeed effective) functioning of ROs – Heads of office issues, mobility and career progression, layers of management, and contract issues.

Heads of office are widely recognised as the single most important resource determining the efficient and effective functioning of the RO system. There are, however, a number of issues that were frequently raised by heads and former heads of office (and others) regarding ways to raise the status of the position, make heads of office more efficient and effective, and to better utilise the skills and experience of those that have filled this role. These include:

- The skills and attributes required of a Heads of office for the particular country context need to be more precisely defined and recruitment demonstrably in line with the skills required
- It was frequently mentioned that all Heads of office appointments should be on the basis of a competitive, merit-based and transparent recruitment process (which many would argue should apply generally throughout the Bank but any such observation is outside the scope of this evaluation) – the fact that some Heads of office are directly appointed and some are appointed as the

result of a competitive process creates a dual standard in the eyes of some

- Many consider that skills development (learning and development) for Heads of office needs to be significantly expanded and properly resourced including customised training pre and post-assumption of the role – to the extent possible, skills required should be developed before appointment rather than after
- It was frequently observed that Heads of office positions need to be something staff in the Bank aspire to in order to attract the best people – as part of this, many think that spending time in a RO should become an essential requirement for promotion to senior levels (director or above) in the Bank rather than, as currently, a mere statement of intent
- Heads of office need to be given greater delegated authority for the approval of certain classes of transaction, portfolio management actions and administrative/budget matters (see below), and greater responsibility and authority for managing staff in ROs – both to achieve greater efficiency of process and to build the importance of the position
- Regularly providing statements of financial performance (profit and loss statements) at the country level and making heads of office responsible for managing the financial performance at the country-level would help enhance the status of the role
- Comprehensive handovers between Heads of office need to be made the norm rather than the exception
- Current and former Heads of office had many negative views on succession and career path planning – many consider there is a large wastage of talent and skills developed through the experience of being a Heads of office that career planning should address while succession planning is seen as non-existent or at best non-transparent
- Most heads and former heads of office question why term limits should apply only to apply to Heads of office rather than uniformly across the Bank.

Two other issues regarding Heads of office came up – (i) should it be possible for the Heads of office be a national of the country?; and (ii) is one expatriate enough in an office? On the first question, the evaluation supports competitive, merit-based and transparent selection processes. While it is not unreasonable to consider other factors such as gender, nationality and broader international experience in the selection process, the evaluation does not believe that any firm position needs to be taken whether a national of the country can be appointed to a Heads of office position provided the process is competitive, demonstrably merit-based and transparent. In fact, a few Heads of office are nationals of the country concerned with very positive consequences. On the second question, the evaluation considers that while desirable in terms of relevance and effectiveness, having two expatriates in an office may not be feasible in terms of a consideration of costs and benefits – in the absence of complete cost data at the office level a cost benefit analysis is not possible.

Aside from career progression for Heads of office, the evaluation considered career progression for local-hire RO-based staff and mobility for those staff from their home-country RO as well as inward mobility to ROs of HQ-based staff, and/or staff from one RO to another.

A strong majority of RO-based staff and HQ-based staff that had spent time in a RO disagreed with the survey statement that “there are good mobility prospects from a RO”. The evaluation considers that mobility for local-hire staff needs to be institutionalised and resourced (including for backfilling temporary vacancies) to enhance staff skills for their current positions, their motivation, and to position them for promotion. Inward mobility from HQ (or indeed from other ROs) needs to be much more focussed on developing local-hire staff skills than is currently the case (see below under deconcentration of non-banking functions for further details on the development of skills of local-hire staff.

The nature and boundaries of promotion and career progression for local hire staff need to be made clearer and more opportunities provided for skills and experience acquisition to position staff for promotion. The norm that associate bankers move to the sector team upon promotion to principal banker is seen as institutionalising a type of “lower order” more junior country team.

A more general consideration is whether the concept of a local-hire NOTE (professional local staff in previous terminology) remains relevant in 2016. This local hire category of professional staff has its roots in the Bank’s early documents approving the establishment of a field presence system which point to the efficiency gains that could be realised by hiring local staff who would be cheaper than London-hired staff. The evaluation considers that the time has come to reassess whether a local market comparison and a local hire NOTE category of staff are appropriate for the type of person the Bank wishes to attract and for those staff with the same job title as HQ-based colleagues; and the Bank’s aspirations regarding mobility of staff. Certainly, in many countries of operation visited by the evaluation the view was expressed that it is no longer relevant. Local hire professionals and Heads of office frequently expressed the view that local hire professionals are viewed as somehow inferior to HQ colleagues (see two paragraphs below and chapter 7 below for more on this).

Another commonly expressed view is that the layers of management in the field presence system are multiplying and that this leads to inefficiencies. Many consider that this, coupled with the matrix system of dual reporting, results in responsibilities, and communication and reporting lines being unclear and/or convoluted. There would seem to be possibilities for simplifying reporting lines.

Unresolved contract issues may distract staff from the task at hand and could potentially affect motivation. The perception from the field is that there are inequities in terms and conditions of employment both across the RO system and between ROs and HQ. Some of these issues aroused the strongest passions – for example, a significant number of RO staff questioned the reality of “One Bank” from the point of view of ROs. RO staff, including Heads of office, cited many examples of what

they saw as unequal treatment – for example, the reality as they see it that equal pay for equal work does not apply. The evaluation considers that these issues need to be addressed to ensure that staff dedicate the maximum amount of time to their duties with a high degree of motivation, and to ensure that the Bank is regarded as a fair and equitable place to work. Of course, these issues are not unknown to Management and it is recognised that their resolution will require budget resources in a budget constrained context. Notwithstanding this, in the view of this evaluation they need to be resolved with some degree of urgency given the strength of opinion that exists. The issues include:

- Different treatment among ROs in terms of whether remuneration is denominated in hard currency terms or whether a currency floor is in operation (to offset depreciation/devaluations beyond a certain point)
- Reconsider the continued relevance of the concept of a local-hire staff on a different salary level even when having the same job title and being on the same level, and doing the same work to the same standard as London-based counterparts – until such as a decision is taking to move to a Bank-wide system of salaries not dependent upon location of appointment then there should be greater transparency on how local salaries are derived with these taking account of the type of expertise and experience the Bank wishes to attract
- Similarly, if mobility and equity objectives are to be achieved then a more harmonised and transparent system of allowances and benefits that apply uniformly to HQ and RO-based staff is required
- The use of a short-term (maximum of 23 months) contract arrangement has been an expedient remedy used by many ROs to get the staff required to carry out the role expected of them – however, the fact that this type of contract cannot be renewed results in many cases in a wastage of skilled resources as those affected are becoming fully productive at the time when they need to start looking for a new job

Location, nature and style of decision-making

The evaluation finds that there is a need for delegation of decision-making authority from HQ to ROs if efficiency is to be improved. Currently, there is no significant delegated authority.

Of course, delegation of authority could involve some degree of risk and this must be managed through steps including: (i) ensuring that those to whom authority is delegated have the required skills to exercise that authority; (ii) there is clear guidance; (iii) individual accountability exists; and (iv) there are necessary ex-post checks. That said, the evaluation considers that the risks of delegation are often over-stated by those that oppose it, and that opponents of delegation fail to acknowledge that local decisions can potentially better incorporate certain risks – locally-made decisions may be able to more accurately assess risk. Also, locally-made decisions can often be made more quickly so be more timely (RO-based bankers frequently complained of losing opportunities because of slow decision-making). On the

other hand, centrally-made decisions can: have a wider knowledge base for decision-making; more consistently ensure application of standards; and, be less liable to capture by vested interests as decision-makers are more removed from the place where the decision has an impact.

As well as approval authority for certain types of transaction such as small deals, repeat transactions and non-complex deals, delegated authority should cover a range of administration and other actions including: personnel actions for local hire staff; purchasing of some IT equipment (within clearly defined standards), office furniture and vehicles; approval of TC; and selected portfolio actions.

RO informants recounted many stories of the inefficiencies arising from the centralisation of administrative decision-making – the time taken to get a decision on replacing a vehicle or for office refurbishment, the time spent on reaching a decision on minor personnel matters (time which could be better spent on other things), centrally procured Blackberries languishing in a cupboard because there was no local provider for the service, furniture purchased centrally that doesn't fulfil its intended purpose and so on.

Decision-making processes for the approval of operations tend to be both centralised and collective (irrespective of the size and/or complexity of the transaction). Decisions are collectively made with quite a lot of departments being involved in the approval of operations (collective decision making). The evaluation notes that each of these departments “sets the rules” for its area of competence and then ensures that these rules are adhered to for each transaction. This makes trade-off decisions harder to achieve than in a situation where the rules setters are not part of the transaction-by-transaction decision-making process. Every hurdle has to be jumped regardless of whether it contributes to better outcomes or is efficient.

Of course, the area of integrity should be non-negotiable but in other areas trade-offs should be possible where justified by the prospect of better results. Sound banking is a core mandate but this can be managed by informed pricing of risk along with covenants, structuring and close management. It is possible to take on more risk to achieve more transition impact provided the risk is accurately assessed and well managed, which is where ROs can make a major contribution. Many consulted in ROs consider that there needs to be a more effective way of trading off risk and the magnitude and likelihoods of offed of contributing to transition impact.

The third aspect of decision-making that affects efficiency is that of the collective and consensual decision-making style followed by the Bank. This generates significant transaction costs while at the same time obscuring accountability. As some noted, collective decision making also means everyone is accountable but no-one is accountable. Delegated authority will never produce efficiency gains unless at the same time decisions are made by individuals who are ultimately accountable for the decisions they make.

Deconcentration of non-banking functions

The evaluation finds that there is a need to have capacity in a range of non-banking functions more widely available in ROs, or closer to ROs than is currently the case as most of the non-banking expertise resides in London.

The evaluation finds that a build-up in non-banking expertise locally is necessary for the banking function to realise efficiency gains through addressing the “friction loss” because of a local knowledge asymmetry between RO and HQ. If the recommendation to delegate approval authority for certain types of deals to heads of ROs is accepted then a range of non-banking expertise will need to be available locally or within easy reach for delegated authority to deliver efficiency gains. Even if the recommendation on delegated approval authority is not accepted there are efficiency (and effectiveness) gains to be had from building up non-banking expertise locally.

The case for having sector (or project or transition) economists (with transition and political economy expertise) in the field (with a small oversight and policy group remaining in HQ) is indisputable in the view of the evaluation. Transition does not happen in London. Transition is the mandate of the Bank and it needs to have its transition experts on the front line.

Similarly, the evaluation finds that the experience to date of having lawyers in ROs contributes greatly to improved efficiency (and effectiveness). The evaluation considers that the case for having more lawyers based in ROs is very strong, not only to make deal closing more efficient but also to reduce the legal costs for small deals, and for capacity development of the local legal and regulatory system. Having local Legal Transition Team experts available in each RO or within easier reach would also contribute to improved effectiveness in achieving transition impact.

There are plausible arguments made for keeping the credit function centralised. On the other hand, there would be benefits from having credit expertise available locally. However, there are practical considerations that the Credit Department considers would prevent a significant deconcentration of the credit function. First, it was suggested that there are too few credit officers to consider a major movement to the field, particularly as they specialise by sector (the same can be said for sector economists of course). Second, the Credit Department considers that there is a strong benefit to a number of credit officers working together. These considerations would indicate that basing small groups of credit officers in regional hubs and with regional responsibility could be an option. Also, the evaluation notes that having credit expertise available locally need not be accompanied by delegated decision-making authority on credit matters.

In addition to sector (project) economists, lawyers and credit officers, the evaluation concludes would be desirable to have environment and social specialists, procurement specialists, policy experts, human resource management specialists, media and communications specialists, and civil society engagement specialists in the field, if not in every RO then again within easy reach.

Of course, making this happen would not be easy or cheap. It may lead to efficiencies and greater

effectiveness but not be cost-efficient. Had cost data been available the evaluation may well have been able to cost its recommendation on deconcentration but in the event this was not possible.

While moving responsibility and staff from HQ to the field achieves two objectives simultaneously – increasing skills in the field and downsizing HQ, this may not be achievable (staff do not want to move) or financially feasible (it costs too much). One answer may be to recruit non-banking experts locally and then invest in developing their skills to the required standard through attachment to HQ and temporary assignment of HQ specialists to the field with a significant responsibility for local staff capacity development. While the evaluation questions the continued relevance of cheaper locally recruited expertise the hiring of non-banking experts locally would be cheaper than temporary assignees from HQ since no location allowances or temporary assignment benefits would be payable even if salaries were comparable.

Part of the solution could also be to develop real regional hubs that are more like the IFC model (see chapter 5) in that they have a full (or at least more complete) range of required non-banking and sector expertise available to those ROs where it cannot be justified to have full-time expertise in the individual RO.

While recruiting and developing local non-banking expertise may be part of a solution to improving the efficiency and effectiveness of the field presence system it would likely need to be part of a strategic decision to deconcentrate the Bank from London. In turn, this would require a package of measures, including delegated authority for a range of decisions for efficiency gains to be realised. What seems clear is the Bank cannot become more efficient if it continues to grow its field presence and the size of its HQ. It is obviously beyond the remit of this evaluation to suggest ways in which HQ can be downsized, but the evaluation can say that there is value to be had in terms of process efficiency and effectiveness for ROs to be upskilled and moderately upsized as it is clear that the field is “where the action is” so that is where the expertise needs to be.

The last area looked at in terms of efficiency is the functioning of the matrix. The evaluation finds that from an investment and volume point of view then the matrix makes sense – you want powerful sector teams that can roam over the Bank’s countries of operation picking the best and biggest deals to ensure that volume targets are met. Of course, there are limits to this to this behaviour as established under the scorecard system.

Under the matrix system as currently functioning, the role of the country team is to primarily carry out selected functions in support of the sector teams – principally to originate deals and to monitor the resulting projects. Of course, this is a simplification of reality as there is collective effort and changes have been made to the scorecard system to give equal recognition to country teams but the perception remains that more power rests with the sector than country team (as evidenced by the survey results, see chapter 3 and the interviews).

It is beyond the scope of this evaluation to opine on the matrix itself. Suffice to say that the evaluation concludes that shifting meaningful authority to country teams would

likely improve delivery of transition impact at the country level. One way this might be brought about is through the new country strategy process. If this is implemented as planned, and the country teams are primarily responsible for ensuring the strategies are followed, and for monitoring the results achieved in relation to results frameworks, then greater influence will pass to the country team.

Also, as part of practical aspects of the matrix that affect ROs, the evaluation considers that Heads of office need to be able to manage all the resources deployed at the country level – this means that all staff in ROs (including Small Business Support staff) should have a primary line of reporting (including for administrative matters such as leave and travel) to the head of RO. In the case of sector bankers on temporary assignment to ROs there should be explicit agreements (with sector directors and other heads of ROs in countries where the sector bankers are expected to work) on regional responsibilities.

The evaluation also considers that the norm that associate bankers cease to be members of the country team upon promotion to principal banker should be dropped. This norm institutionalises the secondary nature of the country team by ensuring that it is always primarily composed of more junior staff thus giving some limited validity to the perception of RO staff being somehow less valuable than HQ staff (Chapter 7).

Other factors affecting performance of the field office system

Organisational culture considerations

Organisational culture can be a powerful positive force for aligning staff behaviour to core values of the institution. But it can also be a strong inhibitor of change. Organisational culture can also contain elements that are undesirable. The very large number of one-on-one interviews of EBRD staff conducted by the evaluation (over 350) and the frankness with which most interviewees shared their thoughts did reveal perceptions and behaviours that reflect undesirable aspects of the EBRD culture.

There is a widespread perception among RO staff that they are seen by some HQ-based colleagues as “second class citizens” whose professional ability, experience, skills and ability are second-rate compared to HQ-based colleagues. Particularly problematic is the view that RO-based staff cannot be trusted to make impartial or objective decisions. It is not that RO-based staff consider that their skills and knowledge are equal to that of many of their HQ-based colleagues – they recognise and value HQ-based colleagues multi-country experience, deeper sector knowledge, and superior ability to operate within the “EBRD system” – but, they see that their deep local knowledge and closer client relationships are not equally valued by some HQ-based colleagues.

During interviews in HQ the evaluation team did indeed hear views expressed that in some cases confirmed RO

staff perceptions that they are seen as “second class citizens” in terms of their capability.

Some of the actions suggested earlier in the chapter – addressing a range of human resource issues, delegation of authorities to ROs, removal of the norm that promoted junior bankers always move to the sector team, reviewing the continued relevance of a local-hire staff being a cheaper option, uniform application of policies on benefits and allowances, and to act decisively to broaden and deepen the skills of RO-based staff should contribute to addressing this perception that somehow RO-based staff are somehow inferior to HQ colleagues.

Host country agreements

As noted in chapter 2, a HCA is a means of protecting the Bank (and hopefully its staff) from possible legal action arising from it having a local office. A HCA is expected to facilitate the interface between the RO and country authorities. As of the time of this evaluation (and including representative and well as resident offices), the Bank has offices in 7 countries where it does not have a HCA in place. Of the balance where there is some sort of agreement in place, only the more recent ones can be considered to be fully fit for purpose. Interviews with RO staff and Heads of office revealed a number of issues around taxation, social security and purchasing that are difficult if not impossible to resolve in the absence of an adequate HCA.

Availability of adequate physical and financial data

At the time of conducting the evaluation, there was no easy way to determine how many staff are in the field, the cost of the Bank’s field presence system, or the financial performance of the country portfolio in terms of profit and loss. This needs to be rectified.

Absence of a policy on ROs and/or decentralisation

The RO system the Bank has evolved over time without any explicit guiding policy or strategy. It has largely developed reacting to operational needs and priorities. Even here, it is only in recent times that an explicit business case was made for opening a resident office. However, neither budget documents nor country strategies provide the strategic case for the evolution of RO function. There has only been one formal review of the field presence system (as part of a wider strategic review) in 25 years of the Bank’s operation. Over this time, the number of staff in the field and headquarters have grown with no clear view on what the strategy and policy are in terms of decentralisation and role and function of ROs vis-à-vis that of HQ. There is no clear framework on how the performance of ROs should be assessed. The evaluation considers that the time has come to develop a policy on decentralisation and clear strategy for ROs to address these deficiencies.

8. Recommendations

– Recommendations with suggested priority actions

The recommendations and proposed actions that follow are the evaluation's best effort to focus on the more strategically important issues. However, the evidence gathered can be tapped to help inform a range of other decisions. EvD is prepared to "mine" its evidence base on request to support decisions not covered by the recommendations below.

Each recommendation is an "omnibus" one covering a number of specific issues. Management is ultimately required to formulate an action plan for those recommendations it accepts in whole or part. The evaluation suggests a number of actions that could be taken, but any specific decisions are the prerogative of the Board and Management.

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.

Possible actions:

- Establish host country agreements for every country where there is an office and desist from opening offices prior to putting in place a host country agreement, re-negotiate those host country agreements that are not fully fit for purpose
- Develop a comprehensive policy on decentralisation and field offices covering all aspects their purpose(s), opening, functioning and closing
- Have a fully automated reporting system that comprehensively details the numbers of staff and other EBRD-funded personnel in the field for each office, country, region and in aggregate by gender and by all categories of staff and near staff (including those categories of consultants that are filling staff functions)
- Develop a fully automated financial reporting system that captures all costs by cost category of the field presence system – one which is capable of producing reports by office, country, region and in aggregate
- Create a single point of responsibility for coordinating operation of the Bank's field presence across all functional departments.
- Give all staff in ROs to have a primary reporting line to heads of office (including for administrative matters) and, if sector team members, a secondary line of reporting to their "parent" department – as part of this there should be an explicit agreement with sector directors covering the expected regional responsibilities for sector team bankers in ROs, and corresponding agreement with other heads of ROs
- Review current lines of reporting for staff in the field with a view shortening reporting lines and removing confusion
- Review the concept of regional hubs to more clearly define their functions and services provided.

Resolve staff issues affecting effectiveness, efficiency and/or that are inequitable

Within 2 years a series of staff-related issues identified by this evaluation as affecting the organisational effectiveness, and/or efficiency, or where there are inequities between field and HQ staff should be resolved. Of prime importance is addressing the structural, procedural and behavioural/organisational 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.

Possible actions:

- Confront a feature of organisational culture that regards local hire staff as "second class citizens" – a number of the actions suggested under this and other recommendations could contribute, but direct measures should also be considered.
- Comprehensively review the terms of employment and conditions of service of staff recruited from the country of operation to work in the local RO. As part of this:
 - Assess whether using a local-hire category of employment for professional staff (non-overtime eligible staff) remains relevant for a multinational organisation that wishes to: (i) attract the best qualified nationals of the country to work in its ROs; (ii) promote staff mobility in order to more fully capture available skills and expertise; and (iii) motivate staff via an international career opportunity. If a local-hire non-overtime eligible category is retained, consider creating a clear pathway to an international staff category.
 - Create a remuneration and benefits system for field-based staff that is equitable across ROs, and equitable between RO and HQ-based colleagues doing the same work, with built-in protection from large currency movements against the GBP or Euro.
 - Prepare a strategy for mobility from RO to HQ and vice versa, and from RO to RO that has a clear purpose and is, importantly, resourced, including for backfill of positions

- Develop a career planning framework for local-hire staff that shows the various career trajectories than might be available to them and the requirements (skills required) for the various trajectories
- Find an alternative for non-renewable, maximum of 23-month contracts
- Make the basis for determining local salaries fully transparent to staff
- Create a more consistent and equitable system of allowances and benefits for travel and temporary assignment away from home base that apply equally to RO and HQ-based staff.
- Abandon the norm that associate bankers become members of the sector team upon promotion to principal banker as this perpetuates the situation of a country team as comprising of mostly junior staff. Movement to the sector team should still be possible but it should not be a norm and the country team should have the final say on whether it happens or not.
- Address a number of issues affecting heads of office
 - Resolve the different treatment of RO-based and HQ-based director-level staff in terms of whether a fixed term should apply or not
 - Avoid mixed methods to appoint of heads of office (direct appointment versus competitive process) – the evaluation recommends use of only a competitive process.
 - Consider having one job title only for all heads of office – that of country director and that most if not all positions be level 8. This on the basis that the skills required and much of the work involved is not dependent upon the size of the portfolio or the number of staff in the RO. The action is also designed to make the head of office position more attractive. Adopting this action will require the issue of mobility of HQ managers to be addressed if an over-supply of managers is to be avoided – see next suggested action also.
 - Develop a meaningful “landing strip” for returning heads of office that ensures that the skills, expertise and knowledge they acquired during their time in the field is well utilised to the benefit of the Bank and the satisfaction of the staff. Of course, continuing to move level 7 staff to management positions as heads of office, or promoting level 7 staff to Country Director or recruiting from outside in the absence of significant mobility of level 8 managers to the field, is guaranteed to result in an over-supply of level 8 managers so resolving this problem may not be possible without addressing managerial-level staff mobility more generally.
 - Provide more extensive pre- and post-entry training focusing on the *de facto* required tasks, including delegated authority.
- Make available on the Intranet the terms of all heads of office
- Standardise a handover period between outgoing and incoming heads
- Enforce the requirement that promotion to director level or above requires at least 2 years in one or more field offices (this to improve the value assigned to spending time in the field thereby increasing the pool of candidates for heads of office positions)

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.

Possible actions:

- Delegate approval authority for certain classes of transaction to heads of office acting with individual responsibility
- Delegate approval authority for all items of budgeted expenditure with local purchasing being the norm unless convincing reasons exist for international purchasing
- Delegate approval authority for certain portfolio management actions.

Ensure the relevance of the transition impact concept for each country of operation and that it captures all impacts resulting from the Bank’s presence

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.

Possible actions:

- Ensure that the ongoing review of the transition concept takes full account of the perspectives from the field to ensure relevance to each country and the Bank’s clients
- Describe the sources of transition impact that are relevant to the particular country context and incorporate this in the new country strategies and associated results frameworks
- The expectations for realised transition impact included in country strategy results frameworks should include a range of RO contributions that currently go un-recognised, un-reported and un-rewarded – including results from capacity development (pre- and post-approval), policy dialogue, capacity development and

communications/outreach activities

- The build-up of non-banking expertise in the field (see next recommendation) is a vital part of achieving this recommendation.

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/or regional hubs with priority given to lawyers, sector/transition economists and policy dialogue specialists.

Possible actions:

- The proposed policy on decentralisation (see recommendation 2) should establish the policy for deconcentration of non-banking expertise from HQ and/or recruiting and training local non-banking staff – the evaluation considers that the latter approach should have priority
- Country strategies should identify resources needed

to efficiently achieve the results targeted, including the need for resident (or hub-based) non-banking expertise

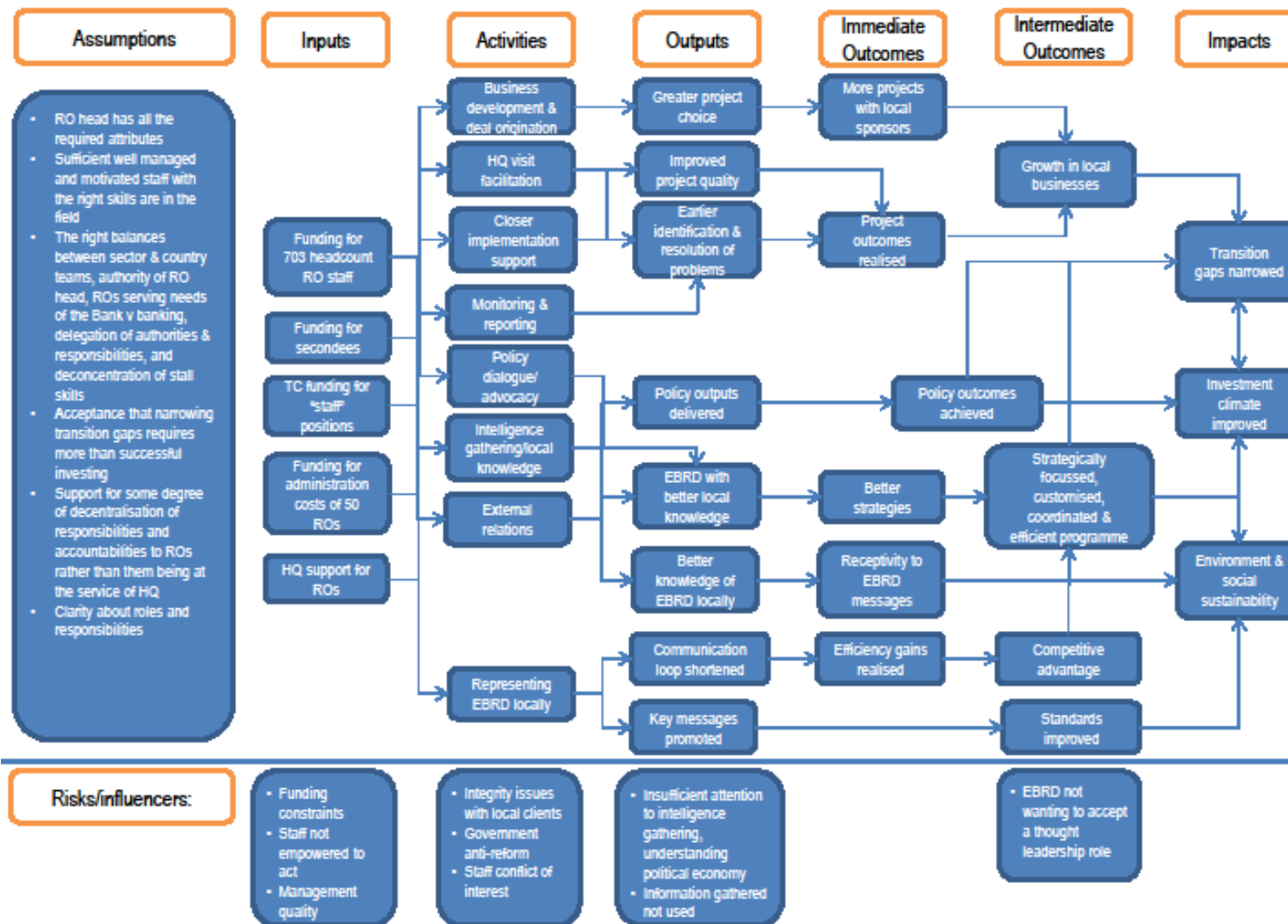
- A first priority should be to build-up of sector economists/transition experts in ROs and/or regional hubs, development of local legal capacity (both project lawyers and legal transition expertise) and policy expertise
- Consider establishing a credit function with a degree of delegated authority in one or more regional hubs with a group of credit officers covering a number of countries and, additionally, consider developing a local credit function in selected ROs to pilot advisory work
- Develop plans the recruitment and training of local specialists in environment, social aspects (including gender), procurement, human resources, media and communications, capacity development and civil society outreach to ROs and/or regional hubs



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Annex 1: Results Framework

Results framework: EBRD Resident Office Network



Annex 2: External peer review comments

Bruce Murray

Formerly Head of PRC resident mission for ADB and Director General of ADB's Independent Evaluation Department

29 August 2016

External peer reviewer comments on the final report of the evaluation of the EBRD's Experience with Resident Offices

This evaluation of the EBRD's experience with resident offices is timely because: (i) resident offices are an integral component of the EBRD's business model; (ii) although the EBRD has 54 resident offices, there has been no formal policy to guide the development of this extensive network of offices; and (iii) although the first resident offices were set in the mid 1990s, Management has not undertaken a self evaluation of the lessons learned to identify areas that need improvement. Thus the evaluation fills an important gap that should help the Board and Management address this strategically important topic going forward. This is a relevant topic for all multilateral development banks and several of them have conducted similar evaluations during the past few years.

The main strength of the evaluation is the extensive work that the evaluation team undertook. Field visits to 26 field offices, 468 interviews, responses from 645 people to an online survey (a 73 per cent response rate), institutional comparisons between the EBRD, IFC and EIB, use of the EBRD's client survey and the findings of evaluations by other multilateral development banks provide an extensive information base for the evaluation. The analysis of a large number of comments received in the open-ended boxes on the survey and interviews (12,700 coded segments of qualitative data) represents a rich set of evaluation evidence that, as the report points out, could be mined for other purposes.

When reviewing the approach paper and draft report I was initially of the view that the approach and methodology could have been strengthened by the use of a quantitative analysis of counterfactuals such as before and after or with and without resident office comparisons, as has been done in some evaluations undertaken by other multilateral development banks. However, for the reasons given in the report, such an approach was not feasible. This issue is described as a limitation of the methodology.

The evaluation makes a compelling case that resident offices are highly relevant for the EBRD and have been largely effective in delivering results. A particularly positive finding was that the EBRD could not have done the number and type of deals with an acceptable level of risk and low level of non-performing loans without the field office system and its support for sound integrity due

diligence. Strengthens of resident offices include client relations, deal origination and project monitoring. However, the evaluation identified some important weaknesses related to human resource management, financial management, delegation and implementation of the matrix management system. The strengths and weaknesses identified by the evaluation are broadly consistent with the experience of other multilateral development banks.

Recommendations

The report follows good evaluation practice by having a limited number of strategic recommendations, setting a time frame for the recommendations to be addressed and suggesting the broad directions in the recommendations but not being so specific as to limit degrees of freedom of Management to find feasible ways to address the issues. The report sets out 5 clear recommendations:

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.

Resolve staff issues affecting effectiveness, efficiency and/or that are inequitable

Within 2 years a series of staff-related issues identified by this evaluation as affecting the organisational effectiveness, and/or efficiency, or where there are inequities between field and HQ staff should be resolved. Of prime importance is addressing the structural, procedural and behavioural/organisational 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.

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.

Ensure the relevance of the transition impact concept for each country and that it captures all impacts resulting from the Bank's presence

Ensure the on-going 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.

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/or regional hubs with priority given to lawyers, sector/transition economists and policy dialogue specialists.

The recommendations flow from, and are supported by, the evaluation evidence. Each recommendation addresses a strategically important problem that is clearly documented. The direction and nature of the recommendations are fully supported. Given the large number of resident offices (54 offices in 34 countries of operation) and the fact that some of these offices have been operating for two decades, it is high time that the EBRD developed a formal decentralisation policy. All of the issues identified by the evaluation are complex and will require considerable effort on the part of Management to address. The EBRD needs a decentralisation policy to guide it in addressing issues related to financial management, human resource management and the nexus of delegation of authority and accountability. The EBRD clearly needs to get a grip on the incremental costs of resident offices, the human resource issues related to heads of office, national staff and career planning/rotation and the issues related to matrix management, delegation and accountability. The EBRD is not unique in needing to address such issues. Multilateral development banks are struggling to address similar issues as they continue to decentralise to provide better services to their clients. Reducing the number of staff in headquarters relative to the number in resident offices is a particular challenge. However, this is the only way that institutions can capture significant cost efficiencies as the number of staff in resident offices grows.

Effectively addressing many of the issues identified by the evaluation will require a corporate approach, as there are implications that go far beyond resident offices. Some of the issues and questions raised are of strategic importance to the EBRD and could be subjects of evaluations in their own right (such as matrix management; the EBRD's budget and HR systems; the role of country strategies; the views on transition impact; policy dialogue). These findings appear to have implications for EvD's future work programme.

First corporate evaluation

The evaluation of the EBRD's experience with resident offices is the first corporate level evaluation that the Evaluation Department has undertaken. As such it marks an important development in the evolution of the products produced by the Evaluation Department. Such evaluations have the potential to have strategic impacts on the EBRD. Developing an appropriate approach and methodology for corporate level evaluations is a challenge for all multilateral development bank evaluation departments. Given that the methodology described in the approach paper was implemented, EvD did well in this area. However, the evaluation report does not include an explicit rating. When EvD does future corporate evaluations consideration should be given to including a formal rating. While not all multilateral

development banks use ratings for this type of evaluation I believe that using ratings helps to sharpen the analysis and to make the conclusions of the evaluation clearer and more transparent.

The text of the main report is long. There is a risk that readers may get lost in the huge amount of detail presented. This problem was partly addressed by the executive summary, chapters on findings, conclusions and recommendations and a separate summary. However in the future EvD should consider limiting the length of evaluation reports to 30 to 40 pages.

Philip Erquiaga

Formerly Director General, Private Sector Operations Department, Asian Development Bank; Director General, Pacific Operations; and Principal Director Co-Financing

This Special Study is the first of its kind for the Evaluation Department (EvD). As such, it provides timely and revealing details of the EBRD's operations worthy of serious consideration by staff, Management and the Board. The Study aggregates a significant volume of information arising from staff and client surveys and interviews, from which principal conclusions and recommendations are distilled. Due to limitations on access to important quantitative information, and the complete absence of an institutional strategy/policy and associated results framework for the Resident Offices (ROs), the Study relies in large measure on the qualitative responses to these surveys and interviews. The responses often reflected significant variance and minority opinions. Under such restrictive circumstances, the EvD team has produced a comprehensive document, with valuable conclusions and recommendations. However, the Special Study should be viewed as a starting point of analysis, rather than its conclusion.

While the study ostensibly focuses on the EBRD's experience with its ROs, what emerge from these pages are reflections of an institutional nature that transcend a focus on the ROs per se, including observations pertaining to corporate culture, consensual decision-making, accountability, the role of volume vs. transition impact in operational planning and management (and, by extension, in the project processing cycle), matrix management, career progression, portfolio management, the importance attached to project administration; and others. While beyond the immediate scope of this Study, these transcendent issues need to be revisited and addressed at some point by the Bank.

The Study acknowledges the value addition of the ROs to the EBRD business model. According to the Study, the ROs play a pronounced role in promoting client representation and deal origination, particularly by identifying smaller and more geographically disbursed transactions and developing partnerships with local sponsors and financiers. Potentially, the ROs could play an even greater role in project processing, deal monitoring and administration, project management, country strategy formulation, policy advocacy, project/client advisory, technical cooperation, human resource management, and others.

These operations and activities are at the core of the EBRD value proposition and it is unfortunate that insufficient strategic thinking on the part of the Bank has gone into optimizing the use of RO assets, particularly in relation to leveraging on the country presence to engage in some, if not all, of the aforementioned. Nor is it clear why the EBRD has yet to devote sufficient resources to the generation of detailed quantitative data (for example disaggregated cost figures) necessary to produce the cost-benefit analysis required to justify the RO network from an investment perspective.

As noted universally by respondents, the RO network has grown in response to business needs, and is therefore, by definition, relevant. Notwithstanding, organic growth of this network has not been managed within a strategic agenda, providing opportunity to optimize efficiency and effectiveness in ways not currently exploited. Development of a strategy/policy framework would be key to tailoring the EBRD's client orientation to local conditions while exploiting organizational synergies currently available. The challenge of balancing diverse interests, however, should not be underestimated. As evidenced by the interviews, the organization appears divided over the need to maintain certain "standardized" approaches and protocols ("common set of standards") on the one hand, and the need to exploit potential improvements in efficiency and effectiveness through further decentralization and delegation ("customized to context"), on the other.

Some degree of standardization is, of course, essential for operational effectiveness. Ensuring standards in the definition and use of such key terms as decentralization, de-concentration, devolution and delegation is essential, not only for strategy formulation, but also for resource allocation. In addition, some degree of standardization in credit evaluation, contract law and procurement is important to protect the institution from market, credit and operational risks.

At the same time, there is a legitimate desire to empower the ROs to respond flexibly to diverse local conditions. The perceived "standardization" of organizational structures and protocols that could emerge from development of an institution-wide strategic agenda governing the ROs may be viewed by field staff as an avenue to further circumscribe their role in key operational activities. However, this need not be the case.

For example, some HQ based respondents expressed reservations over an expanded role of ROs in project evaluation and processing (given perceptions of limited capacity and resources), in effect justifying standardized, HQ centric project approval protocols. However, the Study suggests various remedial measures which could further increase the relevance and effectiveness of the ROs by allowing an expansion of remit into evaluation and processing, such as capacity development initiatives at the RO level, assignment of more senior bankers to the field, placement of credit resources in regional hubs, and delegation of approval authorities, at least for smaller transactions. These measures merit consideration.

Subject to proactive implementation of the Study's recommendations, Management would need to

determine which ROs merit delegated approval authorities and the level of those authorities. At issue is risk, and how to balance potential commercial exposures with the objective of promoting transition impact (which, the Study rightly suggests, may be carried out more effectively by staff located in the field). To facilitate determination, Management may wish to further refine the risk budgeting process to enable assignment of a modest level of risk capital to individual ROs.

Assignment of risk capital has various potential implications. One is to assuage concerns within HQ as to the commercial risk which the institution could be exposed to through a greater delegation of approval authority to the ROs. Risk would be restricted to the capital allocated, and could/should be reviewed regularly at the country level by the risk department within the EBRD. Obviously, not all ROs would be assigned risk capital, but those meeting a pre-defined list of enabling criteria could expand their functions at the local level in a controlled fashion. Initially, risk capital could be assigned for smaller transactions only, with the bulk of the EBRD's transaction volume still within the control of the sector bankers.

Assignment of risk capital could also allow the EBRD to treat each line unit (e.g. the ROs, the sector divisions, etc.) as separate profit centers. Each would be responsible for demonstrating their sustainability by generating a positive P&L in their project-related operations (income relative to project related overhead). This would create a rising demand for the type of quantitative cost data referred to earlier.

It is telling that many survey respondents appear to believe that the EBRD, as an institution, is principally focused on deal flow and volumes. This may be entirely consistent with the EBRD's principal remit of assisting member countries transition to market based economies through lending to individual projects, specifically in the private sector. Given that lending and equity activities constitute a significant share of the Bank's P&L, it would be useful to understand the ROs current and potential contribution to the institution's bottom line, i.e. could they be profit centers or will they remain cost centers? And what should be appropriate profit/cost sharing arrangements between ROs that originate transactions, and sector teams that process them? If the ROs are to remain cost centers, one could begin a more informed discussion of potential alternatives to an expanded RO network (greater travel budget for HQ or Hub based assets?).

The introduction of a profit center concept to an multilateral development bank may sound extreme. However, the EBRD could be best positioned among the multilateral development banks to explore this option, as it alone enjoys the explicit mandate of promoting transition to open market economies among its client states, principally through financing of projects in the private sector. It is essential for the multilateral development banks, in financing transactions in the private sector, to ensure that those transactions are profitable. Profitable transactions are sustainable transactions. Sustainable transactions are replicable transactions. And replicable transactions are at the foundation of financial and economic development. It is

a small step to take from acknowledging the need to ensure profitability among transactions financed, to profitability in financing transactions.

At the same time, the Study correctly identifies the need to demonstrate effectiveness in key areas such as transition impact and policy dialogue, areas sometimes overshadowed by the financing activities of the Bank. These are important activities, and in the case of policy advocacy, offer the potential of greatly increasing both relevance and effectiveness by leveraging off the knowledge of deal officers in identifying areas where policy dialogue could directly affect business opportunity. The Study correctly focuses on the need to assign a greater number of non-banking staff to the field to assist in these important functions.

The principal message which emerges from the Study is that there is room to optimize the utilization of local assets. In the process of making an informed strategic decision on how to optimize these assets, EBRD Management must reflect on the broader issues of culture, operational objectives and protocols. The provision of greater quantitative data will inform such decision-making, but the data alone will not be conclusive. Instead, Management should reflect on the data produced, acknowledge the potential implications of change across the institution's operations and detail its future expectations of results leading to a more relevant, effective and efficient institution.



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Annex 3: Management comments

General comments

The Study is EvD's first corporate evaluation which seeks to evaluate the performance of the Bank's field system, using the concepts of relevance, effectiveness and efficiency, and thus to contribute to corporate learning.

Management welcomes this and acknowledges that this timely study touches upon a vital and strategically important aspect of the Bank's operational model. Management recognises several of the issues and has already been addressing them through various initiatives. Furthermore, as the timing of the study coincides with the work on Operational Effectiveness and Efficiency ('OE&E'), where many of the issues the Study raises are also relevant in a broader, overall corporate context, Management will draw upon the useful insights that the Study provides.

At the same time, Management recognises that the study ambitiously covers an exceptionally far-reaching scope of management matters of the Bank, encompassing practically all departments and units, and often beyond subjects specific to the Bank's resident offices (the "ROs"). Over 22 years since their role as an essential operational arm was introduced, ROs have been deeply integrated in the Bank's overall structure and for most matters cannot easily be distinguished as entities with segregated organisational positions, roles or staff. Therefore, many recommendations in the Study cannot be considered in isolation of the overall corporate context, in terms of organisation or processes. As customary, Management Comments are formulated to reflect unified views across all departments involved.

Management observes that the Study is predominantly based on qualitative inputs derived from the extensive staff survey and interviews with staff from particular parts of the Bank. A vast quantity of views, opinions and perceptions are expressed, as would be normal for similar surveys/personal interviews, in a subjective format. They represent a rich source of staff information and constitute a stimulating input for Management that will be taken into account. Nonetheless, the Study would benefit and warrant more factual/evidence based analysis of the various issues and their implications to reach firm conclusions, on which the recommendations would need to be based.

Comments on recommendations

Normally for a Special Study, Management endeavours to provide one of three possible responses of "agree/disagree/partially agree" to the recommendations. In this Study, Management has found it challenging to respond to certain recommendations

individually in such a facile manner (as per Paragraphs 1.1., 2.1, 3.1 below). This is because certain recommendations have been formulated largely relying on the staff survey results, without duly taking into consideration the contextual and institutional complexities that are often closely linked.

As stated, most of the Study's findings and recommendations are already being considered, prioritised or acted in the ordinary course of work to improve corporate policies and procedures. In doing so, Management has been engaging in internal consultations and assessments with appropriate cost/benefit analysis of some of the measures proposed for implementation under the recommendations. Due to its focus, the Study could not have taken into account the corporate level budgetary constraints and operational priorities, both of which have been set by the Board. As a matter of course, this would restrict the practical feasibility of certain recommendations.

As such, Management Comments on certain recommendations are prepared to illustrate the broader institutional framework, including but not limited to ROs, as part the on-going effort that has been addressing or will be addressing the essence of the recommendations, while reflecting the constraints and priorities of the Bank. Due to the highly complex nature of managing overall activities of the Bank, in which RO operations are deep-seated, Management has refrained from commenting on the various timelines included under the recommendations which assume an "RO only" context.

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

1.1 On the policy of decentralisation, over the years Management has periodically examined and continues examining organisational matters. For example, instituting a formal matrix in Banking in 2010 was one of the key changes resulting from such periodic reviews. The consideration of the ROs' role was essential to this decision. Equally, the RO network is part and parcel of organisational reviews and decisions affecting either Banking or the whole Bank. This is reflected in processes carefully balancing the inputs of all actors. The important role of ROs, the opportunity to leverage local knowledge and the need to promote more decentralisation has been and will continue to be critical drivers in this reflexion. However, Management does not believe that a systematic decentralisation policy in the sense of granting more autonomy or independence specifically to ROs would necessarily result in operational efficiencies or more rational processes. Such an approach may fail to account for the range of management complexities in operating in a dynamic environment with a wide spectrum of ROs.

1.2 Management is considering a number of the issues raised in the Study in the ordinary course of business improvement initiatives and will give it further emphasis under the relevant activities of the OE&E process. This would trigger adjustment towards the further optimisation of the RO network, but in the context of a decentralisation of decision making at the corporate level rather than

specifically for ROs. To support such efforts, and in line with EvD's recommendation, in 2015 Banking created a new MD position for all Countries of Operations whose principal responsibilities include being a single point of oversight, support and coordination of the Bank's geographic presence, dealing with such matters as organisation of the RO network, resources, staffing and contributions. In this context, other recommendations made in the Study on optimisation and simplification of reporting lines and layers are valuable and will be considered in the context of further adjustments.

1.3 The purpose of host country agreements is to reaffirm and supplement the privileges, immunities and exemptions accorded to the Bank by its member states pursuant to the Agreement Establishing the EBRD, ratified by all member states. It should be noted that the host country agreements are negotiated with each member country and therefore do not follow the same format in each case. The absence of a host country agreement does not hinder 'establishing a sound legal basis for operations'. Notwithstanding, the host country agreements often facilitate affirmations that are either useful or convenient for a number of operational and administrative processes, including matters concerning RO staff. In this sense Management **agrees** that it should endeavour to have host country agreements in all countries. While this has been systematic for all recent countries of operation, doing so hinges upon willingness, capacity and capability of the host countries themselves.

1.4 With regards to the recommendation to have automated reporting systems covering the human resources funded by the EBRD, Management agrees with such recommendation. Since the beginning of 2016, this data (with the exception of the gender breakdown) has been tracked by Management. In addition, Management is considering a proposal for a new HR reporting system for implementation in 2017 that would allow tracking of such data.

1.5 Management disagrees with the need to develop a fully automated financial reporting system that captures all costs by cost category of the field presence system. At present the approach to the allocation and tracking of budget is designed to match the organisational structure and the business processes of the Bank in line with the matrix of geography and industry. The preparation of the management information logically follows the financial and managerial accounting requirement. The benefit of the matrix allows flexibility in the deployment of resources, particularly amongst countries and sectors. Management is of the view that while an "RO only" set of financial reporting could be interesting and "nice to have", based on the way the Bank is currently organised and managed, creating an alternative, parallel approach as suggested here would not provide sufficient benefit to justify the costs of doing so. Nonetheless, as part of OE&E, Management is looking to enhance Bank wide management information and reporting to support its decision-making.

Recommendation 2: Resolve staff issues affecting effectiveness efficiency and/or that are inequitable

2.1 The majority, if not, all of the themes raised in the Study corroborate Management information gathered and reviewed since the creation of a dedicated HR Business Partnering team focusing exclusively on the resident offices in 2014. As a part of this role, a wealth of RO data has been collected and analysed to ensure that RO related matters are considered and addressed in the context of a holistic, Bank-wide review in an effective and sustainable manner. All of the HR related issues, either have been or are currently being addressed through comprehensive Bank-wide projects.

2.2 All of the recommendations by EVD that feature in the report can be broadly categorised into the following themes: talent management, reward and mobility. Rather than addressing them in isolation only for ROs, as noted above, HR have devised a comprehensive HR strategic approach that deals with all issues in a holistic manner, in line with the Bank's vision and strategy. The list of some of the key activities - completed, on-going and planned - under this strategic approach is provided below:

Talent management

- Continuing to utilise the People Management Framework to highlight the skills, experience and behaviours required for roles at the Bank and to encourage movement upwards and across the framework.
- Developing an objective and robust talent review and succession management approach, including assessment of leadership potential and using this to inform resourcing development investment.
- Creation of development plans for successors to roles at band 7 (Country Heads that are Associate Directors), band 8 (Directors) and above.
- Developing a leadership curriculum to support leaders at all levels (first, mid, senior and executive) that enables learning transfer into the workplace to occur.
- Behavioural competency model developed and embedded into all our HR processes and for all roles across the Bank.
- Recognising functional specialisms through the creation of a technical competency model and curriculum.
- Developing talent analytics to understand better the make-up of our workforce.

Reward and mobility

- Employees are already able to access details on the value of their total reward package via Employee Self Service, however, this will be further enhanced as part of the Reward strategic approach
- During the annual review process, employees are now being informed of the position of their salary

within the relevant salary range, and this will continue going forward.

- Details of the Bank's Total Reward offering and its components, encompassing tangible and non-tangible benefits of working for the EBRD, will be highlighted and communicated to employees on a regular basis using appropriate media
- Our Reward Framework will be designed to ensure barriers to mobility are minimised where practical and make business sense, to encourage the movement of a diverse employee group across the Bank, including permanent and temporary moves within or across functions, as well as international moves.
- Global Mobility policies will be further adjusted to balance the nature of our employee group, the business need, and cost effectiveness in order to effectively facilitate international assignments.
- The denomination of the salary structure in RO locations is being designed to be sensitive to the international and mobile nature of the RO employee base and will take into consideration the impact of unstable environments and the spending patterns of similar employee groups.

2.3 As for a number of the specific recommendations listed in the Study, as mentioned, Management believes that the conventional trinary response does not capture complex nuances of the on-going effort. Due to the extensiveness of those recommendations Management has included the responses in the annex

Recommendation 3: Delegate decision making authority

3.1 As expressed in Paragraph 1.1, Management believes that management of RO, including delegated authority for transactions, cannot be discussed in isolation from the overall operational mode of the Bank. The established delegated authority process for new investments (in pilot since 2015) has already given approval authority to both sector and country heads with respective areas of competence, which provides a crucial balance among sound banking, transition impact, local intelligence and policy input and commercial acumen. The delegation process goes beyond Banking units, also including other departments of the Bank. Delegated authority for portfolio management is already substantially in place (and performed in ROs for a significant part) and will be further deepened for certain categories of transactions.

3.2 Separately the Study has a specific reference to purchase decisions in ROs. corporate procurement in ROs and HQ is covered by the delegated procurement provisions of the Corporate Procurement Policy of the Bank. This permits Corporate Procurement to delegate authority for purchases with a value of up to GBP 20,000 to accredited members of the Bank's staff in user departments (Section 5.1 Corporate Procurement Policy).

Recommendation 4: Ensure the relevance of the transition impact concept for each country of operation and that it captures all impacts resulting from the Bank's presence

4.1 On improving the relevance of the transition impact concept for each country of operation and better capturing the impacts resulting from Bank's interventions, Management **agrees** with the recommendation. The transition concept review paper (CS/FO/16-10) emphasises clearly the importance of country specificity and it's captured under the third proposition: *"The framework of priorities and measurements against which the transition impact of Bank operations is assessed should be set at the country level."*

4.2 As a part of the work on the transition concept review, a number of initiatives are currently ongoing to strengthen the relevance of the transition concept at country level. The redesign of country strategies, undertaken under OE&E and reflecting a transition concept review, aims at strengthening country specificity and relevance, in particular through the introduction of country diagnostics and enhancing the link among country transition challenges, strategic priorities, targeted activities and the country strategy results framework. The review of the project transition impact rating system, again, using a reviewed transition concept, could further strengthen country knowledge relevance. A new set of assessment of transition challenges (ATC) indicators is also currently conceptualised to provide a country-specific framework of transition impact measurement. The redesign of the country strategy process, also undertaken in the context of the OE&E, is intended to strengthen the role of country management and country based staff in the strategy definition. The launch of pilot joint Banking-EPG policy objectives in 2016 is strengthening incentives (including through scorecards) for joint delivery of policy impact.

Recommendation 5: Increase non-banking capability in the field

5.1 As discussed under 1.1 and 3.1, on a proposed policy to decentralise and de-concentrate non-Banking expertise from HQ and/or recruit and train local non-banking staff, while Management appreciates the endeavour, the recommendation seems too broad-based to realistically apply to workable action plans for ROs only. Under the Bank's OE&E process, Management is reviewing various aspects of de-centralisation/de-concentration with a broader scope and conducting analysis in the context of the Bank as a whole rather than discretely for ROs. It is evident that certain non-Banking functions may usefully be located locally. For example, substantial progress was already achieved with the decentralisation of EPG regional economists to the field. This movement, possibly, also involving sector economists, is set to continue wherever practical, justifiable and affordable. Other non-Banking functions do not justify being located outside of HQ due to cost, the lack of scale and day-to-day demand. It would neither justify allocation of budget resource nor increase efficiency/effectiveness. Thus, it is critical for efficiency

that Management retains flexibility in deploying resources outside HQ and that the need for additional non-Banking capacities in the field are considered for each RO in light of business needs, the availability of resources and overall institutional priority. For instance, while this may be convenient from an RO perspective, at present the risk management function does not have sufficient scale to decentralise and is more effective being grouped in HQ. In this case one needs to weigh the benefit of the HQ environment where Risk Management, as a second line of defence, is able to maintain a strong combination of skills and pooling of knowledge versus that of being in RO and closer to the environment where the project is.

5.2 Management believes that the staff and other resource needs cannot be set country by country as part of the Country Strategies. Delivery at a country level cannot be seen through the lens of country based staff only, as this would ignore the contribution of other teams of the Bank operating from HQ or from neighbouring countries. Staff and other resource planning is handled

through a separate, corporate level process under the three year Strategic Implementation Plan (SIP). As part of a normal resource planning cycle, Management conducts assessments whether there is sufficient demand for building capacities outside of HQ to justify the (usually high) cost of expenditure associated with the re-deployment and acts accordingly, in a flexible manner. For instance, under such approach, some regional economists and sector economists have been reallocated to the regional hubs, and some ROs have dedicated government relations officers, legal counsels and IT staff (often with a regional mandate beyond the country of assignment). It is also worth noting that HQ-based sector bankers, economists, lawyers, procurement specialists, environmental advisers have built solid country expertise (indeed many Banking sector teams have dedicated bankers/sub-teams focused on countries or regions) and are frequently travelling to countries of operations and are regularly involved in country-level policy dialogue, project design, and capacity building.

Possible actions recommended by EvD	Management comments
“Confront a feature of organisational culture that regards local hire staff as “second class citizens”...”	Whilst this seems to be based on subjective feedback, as pointed out in the general observations, the Bank has recently adopted a comprehensive Culture Modernisation programme (endorsed by ExCom in July 2016) that is intended to address various culture issues in a holistic manner across the Bank, not only in resident offices.
“Assess whether using a local-hire category of employment for professional staff (non-overtime eligible staff) remains relevant...”	Part of the mobility review (to be completed in 2016).
“Create a remuneration and benefits system for field-based staff...”	The framework is Bank-wide and provides similar benefits and support irrespective of the location. The currency fluctuations are part of the mobility review.
“Prepare a strategy for mobility from RO to HQ and vice versa...”	Part of mobility review and talent management activities.
“Develop a career planning framework for local-hire staff...”	Career planning framework in itself is not sufficient. Instead, the Bank is focusing on getting/developing the relevant skills and experience to meet the needs of the Bank in all our locations. This is part of talent management activities. People Management Framework introduced in 2014 ensures better visibility of possible career paths Bank-wide and thus allows for better career planning as part of a holistic approach to career development. Many of our senior positions require experience of having operated in an RO and therefore this may be a requirement depending on the role and business needs.
“Find an alternative for ... 23-month contracts”	Since the lift of the headcount constraint in January 2016, short term contracts should be used for roles of a temporary nature only. All staff on short term contract (other than those covering a staff member on leave) are being converted to fixed term or regular appointment by end January 2017, according to business needs and as per the governance approach endorsed by ExCom in November 2015.
“Make the basis for determining local salaries fully transparent to staff”	During the annual review process employees were informed of the position of their salary within the relevant salary range. The Bank continues to educate staff on its reward framework, including salary setting.
“Create a more consistent and equitable system of allowances and benefits for travel...”	Part of mobility review.
“Resolve the different treatment of RO-based and HQ-based director-level staff...”	To create movement in the organisation and to build breadth of experience, there is an expectation that incumbents in roles at PMF band 8 (Directors) and above as well as Country Heads that are Associate Directors at Band 7 would move regularly taking into account business needs. Tenure in role will be reviewed during the talent reviews and this will be factored into succession planning. As part of the mobility review Management will be looking at identifying those roles that are more rotational in nature. These roles would thus be limited.
“Avoid mixed methods to appoint of heads of office (direct appointment versus competitive process)...”	Management has begun succession planning for all Corporate Leadership Group (CLG) positions using skills and experience, track record of performance and leadership potential to identify the best possible internal candidates. Being on a succession plan does not mean that the position is guaranteed, it is a list of potential candidates who could be ready for the role now, in 1-2 or 3-5 years' time. Vacancy driven promotions are subject to a competitive selection process and

Possible actions recommended by EvD	Management comments
	<p>candidates reviewed against the requirements of the role. However, selection and assessment methods may vary according to the size of the shortlisted candidate pool. Succession plans will provide a pre-qualified candidate pool. This does not prevent others from applying for an advertised position.</p> <p>Direct appointments can be made in specific instances and subject to business need and are subject to MDHR approval.</p>
<p>“Consider having one job title only for all heads of office...”</p>	<p>Following the implementation of the People Management Framework, the level of a job and its title depend on the size of such role, which is determined by an objective evaluation of the job description for a given role. However all country managers, whether Directors or Associate Directors have a unique functional title of “Head of [country]”.</p>
<p>“Develop a meaningful “landing strip” for returning heads of office...”</p>	<p>The talent review and succession planning process will include a review of assignments coming to an end and identify possible next roles. Staff must also assume ownership of their career development, while being supported by management and HR.</p>
<p>“Provide more extensive pre-and post-entry training...”</p>	<p>Part of the talent management activities, including developing a new leadership curriculum</p>
<p>“Make available on the Intranet the terms of all heads of office”</p>	<p>The terms and conditions of employment applicable to all staff, including Country Heads, are published on the Intranet. Individual letters will not be published as they contain personal information.</p>
<p>“Standardise a handover period between outgoing and incoming heads”</p>	<p>A standardised handover period would be ideal but it is not always possible as the departing Country Head may have already gone to take another role.</p>
<p>“Enforce the requirement that promotion to director level or above requires at least 2 years in one or more field offices...”</p>	<p>The appointment decisions for any role (including Director-level appointments) are made based on the evaluation of the candidates’ skills and experience against the requirements of a given role (that may not need such RO experience).</p>