



# Approaches to evaluating the international cooperation activities of the European System of Central Banks (ESCB)

## 1 Introduction

The international cooperation activities of the ECB and EU national central banks with non-EU central banks constitute a well-established practice comprising a large and diverse set of activities. Against this background, in 2018 the ESCB published a document entitled “International Central Bank Cooperation: ESCB Best Practices”, which illustrates the rationale, modalities and principles that the ESCB applies to these activities. One of the principles on which the activities are based is “evaluation”.

### Principle 6: Evaluation

The ESCB’s central bank cooperation activities include – where appropriate – monitoring, reporting and feedback mechanisms to review activities and assess their relevance, efficiency, effectiveness, sustainability and impact in order to draw conclusions on how to strengthen future activities.

This document provides further insights into this principle, which are the results of ESCB-wide discussions among staff members involved in cooperation activities. Insights take into consideration the OECD criteria and definitions for evaluating programmes and projects.<sup>1</sup> This document is made publicly available in order to enhance the transparency of, and thus facilitate, the ESCB cooperation activities.

## 2 Defining evaluation

Evaluation refers to the assessment of an ongoing or completed cooperation activity. It can be done by the beneficiary side and/or by the supplier side.<sup>2</sup> It can encompass an activity’s design, implementation or/and results. Evaluation comprises an assessment of an activity’s relevance, effectiveness, efficiency, impact and sustainability, and of whether it fulfils its objectives.

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<sup>1</sup> OECD (1991), “Development Assistance Committee (DAC) Principles for Evaluation of Development Assistance”; and OECD (2010), “Evaluating Development Co-operation, Summary of Key Norms and Standards”, second edition.

<sup>2</sup> The terms “supplier” and “beneficiary” were chosen to reflect the impact on ESCB resources and shall not characterise the format of cooperation nor diminish beneficiary contributions to such activities.

### 3 Purposes of evaluation

The main purpose of evaluation is to provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process.

In substance, the purposes of evaluation are:

- to improve future cooperation activities or their implementation through lessons learned: what worked, what didn't and why; how to achieve the desired results in future; understanding capacity-building processes;
- to support decision-making: i.e. whether to change course, close the activity down, scale it up, or change strategy;
- to respond to institutional needs such as the need for accountability (e.g. for the use of resources or the compliance with ESCB principles). In this respect, the overall effect of an international cooperation activity with regards to its objectives could also be assessed.

### 4 Criteria

When evaluating international cooperation activities, it is useful to consider the following sets of criteria:

**Relevance:** assesses the extent to which an external cooperation activity responds to the needs (e.g. the priorities and policies) of the beneficiary and the supplier. Relevance criteria can be used, for example, to check how consistent the output of the external cooperation activity is with the overall goal and the attainment of the ESCB's objectives (e.g. those set out in the best practices document).<sup>3</sup>

**Effectiveness:** assesses the extent to which an objective has been, or is being, achieved. Effectiveness criteria can be used, for example, to check the results of the activity against the ex-ante objectives, inter alia through feedback from all stakeholders and through the monitoring of how technical recommendations (drawn up in close cooperation with the beneficiary) are followed.

**Efficiency:** assesses the extent to which inputs are used in a cost-efficient way. Indicators of the cost of activities might be cross-checked with indicators of the activity's outcome/impact in order to assess efficiency.

**Impact:** assesses the global effect of the activities, in particular what real difference they have made to the beneficiary's activity or organisation. The assessment of impact may focus on changes in internal tools and procedures but also on improvement in relationships and the sharing of experience between the institutions.

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<sup>3</sup> For example, do the activities contribute to strengthening the ESCB's relations with non-EU central banks? Do the activities contribute to fulfilling specific (EU or national) strategic priorities in terms of target regions? Do the activities contribute to fostering sound central banking and supervisory practices, thereby contributing to monetary and financial stability? Weights could be assigned to different types of activity, reflecting the national central bank/ESCB priorities.

Such impact should be assessed with due regard to the “absorption capacity” of the beneficiary.

Sustainability: assesses to what extent cooperation activities have a lasting effect over time (especially for technical assistance). Long-term relationships with target countries/institutions, and coordination with other suppliers, could be considered. For training activities, sustainability criteria also assess to what extent beneficiaries are able to absorb training. For example, once a certain amount of time has elapsed following an activity, feedback could be requested from participants.

In evaluating external cooperation based on the above five sets of criteria, it is deemed useful to apply a principle of proportionality. Not all activities have the same importance with regards to the ESCB or national central bank objectives, so the required feedback and follow-up will differ accordingly. Some activities – such as a short meeting or high-level meeting – could even be excluded from any evaluation.

## 5 Tools

The ESCB makes use of monitoring, reporting, rating and feedback mechanisms to review and to assess cooperation activities. There is a clear consensus within the ESCB that there is no “one type fits all” tool to evaluate the diverse set of cooperation activities. Rather, this diversity is reflected in the daily evaluation practices of the ESCB:

- Training events are typically assessed using an established evaluation framework, with questionnaires and criteria for selecting participants playing an important role.
- Bilateral projects’ results can be assessed on the basis of day-to-day contacts between beneficiary and supplier, informal feedback received from the beneficiary and consultations.<sup>4</sup>
- Externally funded programmes are subject to various evaluations, ranging from financial audits to the evaluation of the performed work by professional evaluators working for the funding institutions.

In other areas, where the relationship-building component features prominently, the framework is less developed, in part owing to the highly qualitative nature of the objectives.

Work is continuing in this area.

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<sup>4</sup> For this more advanced type of activity, academic works such as Donald Kirkpatrick’s 4-level training evaluation framework can serve as useful points of reference.

## 6 Evaluation in the institutional framework of the ESCB

Central banks can draw on their own experiences and internal frameworks for evaluation and can also learn rich and useful lessons from international organisations. There are however limits to the application of international standards of evaluation in the ESCB context.

- First, central banks have a specific mandate that does not encompass international projects or development aid, as is the case for various international organisations.
- Second, central banks perform international cooperation activities on a much smaller scale, which does not justify a framework as extensive as those established by other institutions. For instance, it has proven difficult to establish in a systematic way an independent evaluation body, or to gain recourse to an external evaluator (except for externally funded programmes).
- Third, the assessment of the ultimate impact of the activities on the organisation, not even mentioning the economy and society, seems difficult for central banks given their limited means to change an institution in a different country over time. Likewise, the number of small-scale projects (and the rotation of staff/management in beneficiary institutions) limits the long-term view on the effect of bilateral cooperation.