

**REPORT TO CONGRESS ON
EVALUATION STANDARDS AND PRACTICES AT THE
MULTILATERAL DEVELOPMENT BANKS**



A Report to Congress

in response to

Section 7029(a) of the
Consolidated and Further Continuing Appropriations Act of 2015

United States Department of the Treasury
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Report of the U.S. Department of the Treasury Pursuant to Section 7029(a) of the Consolidated and Further Continuing Appropriations Act of 2015 (P.L. 113-235)

October 2, 2015

Executive Summary

This report has been prepared pursuant to section 7029(a) of the Consolidated and Further Continuing Appropriations Act of 2015 (the “FY 15 Act”). This section requires the Secretary of the Treasury to “instruct the United States executive director of each international financial institution to seek to require that such institution adopts and implements a publicly available policy, including the strategic use of peer reviews and external experts, to conduct independent, in-depth evaluations of the effectiveness of at least 25 percent of all loans, grants, programs, and significant analytical non-lending activities in advancing the institution’s goals of reducing poverty and promoting equitable economic growth, consistent with relevant safeguards, to ensure that decisions to support such loans, grants, programs, and activities are based on accurate data and objective analysis.”

Treasury is to report to the Committees on Appropriations not later than 180 days after enactment of the Act on steps taken by the U.S. executive directors (the “USEDs”) and the international financial institutions (the “IFIs”) consistent with section 7029(a). Following enactment of the FY 15 Act on December 16, 2014, Treasury instructed the USED of each IFI to seek to require that such institution complies with section 7029(a).

This report details actions consistent with section 7029(a) taken by Treasury and the USED offices at the five major multilateral development banks (MDBs) in which the United States is a shareholder: the World Bank, the African Development Bank (AfDB), the Asian Development Bank (AsDB), the European Bank for Reconstruction and Development (EBRD), and the Inter-American Development Bank (IDB).

The first section of the report provides an overview of Treasury’s efforts on evaluation since submitting its last report on evaluation to Congress in September 2014 (“Treasury’s 2014 report”), copy of which is attached for reference. The second section addresses each MDB’s compliance with the four components of the FY 15 Act’s section 7029(a). In brief, Treasury finds that:

- (i) ***Adoption and implementation of a publicly available evaluation policy.*** All MDBs have adopted publicly-available evaluation policies, but we have identified improvements that we will encourage at the AsDB and IDB. Treasury also believes that the MDBs should implement their evaluation policies in a way that reflects a risk-based, strategic approach to evaluation, which we will encourage at all MDBs.
- (ii) ***Strategic use of peer reviews and external experts.*** All MDBs use peer reviews and external experts to some extent, but their use should be more systematic and strategic. Treasury will seek increased use of external reviews, especially at the IDB, and the establishment of standard procedures and criteria for their use at all MDBs.

- (iii) ***Conducting independent, in-depth evaluations of the effectiveness of at least 25 percent of all loans, grants, programs, and significant analytical non-lending activities.*** Treasury’s research on evaluation best practices and its analysis of MDBs’ programs have resulted in broadening our understanding of the scope of what constitutes an “independent, in-depth evaluation.” Treasury’s 2014 report defined “independent, in-depth evaluation” as one that involves a visit to the project field site after the project is completed. This kind of in-depth evaluation, or *project performance assessment* as it is commonly known, is conducted on about four to 18 percent of all MDB loans, grants, programs, and significant analytical non-lending activities.

However, the percentage of projects that are independently evaluated through an on-site field visit is markedly higher when we include broader evaluations, such as *country program evaluations* and *sector and thematic reviews*. In these instances, a portfolio of projects is evaluated (e.g., across a theme, like water, or a group of specific countries). This approach to evaluation has proved to be more effective for learning purposes and more cost-efficient. As such, Treasury believes that it is more accurate to define an “independent, in-depth evaluation” as any evaluation conducted by the MDBs’ independent evaluation office that includes an in-depth field visit to one or more project sites. Under this definition, Treasury finds that the MDBs conduct independent, in-depth evaluations of about 38 percent of all projects. Treasury is encouraging the MDBs to increase coverage of all types of independent, in-depth evaluations, rather than seeking increased use of any single evaluation type (e.g., project performance assessments).

- (iv) ***Ensuring that decisions to support such loans, grants, programs, and activities are based on accurate data and objective analysis.*** Treasury finds that all MDBs are making efforts to strengthen feedback loops to ensure that evidence supports programmatic decision-making. However, there is room for improvement at all institutions. Promoting evidence-based decision-making and strengthening feedback loops within MDB evaluation systems are major priorities of Treasury’s enhanced engagement with the MDBs.

MDB evaluation policies address governance and accountability issues related to the independent evaluation units, but do not address operational issues such as the strategic use of peer reviews or the percentage of project coverage by in-depth evaluations. Such operational practices are established in the evaluation units’ annual work plans, which require approval of the MDBs’ Boards of Directors. Thus, Treasury and the USED offices have focused their efforts on advocating for the principles of section 7029(a) in the context of the MDB Boards’ review of annual work plans, rather than seeking to modify the overarching MDB evaluation policies.

The report concludes with a brief description of Treasury’s broader agenda on evaluation, particularly with regard to pressing the MDBs to make progress on the six recommendations highlighted in Treasury’s 2014 report.

I. Overview of Treasury's Efforts

In our September 2014 comprehensive review of the evaluation standards and practices at the five MDBs, Treasury found that, while the MDBs are leaders on evaluation in the development community, there are several areas in which they can continue to strengthen their standards and practices. Treasury believes that many of the areas for improvement are well identified in the language of section 7029(a).

The following section details actions taken by Treasury and the USEDs to enhance our engagement on evaluation with the MDBs' independent evaluation units, senior MDB management, shareholders, and other relevant stakeholders, consistent with section 7029(a).

- **Engagement with Independent Evaluation Offices.** In December 2014, Treasury's Principal Deputy Assistant Secretary (PDAS) for International Development Policy Alexia Latortue explained the implications of section 7029(a) in bilateral meetings with the heads of evaluation from all five major MDBs.¹ Also in December, PDAS Latortue gave a presentation on section 7029(a) to the Evaluation Cooperation Group (ECG), a consortium of chief evaluators from the five major MDBs and several other IFIs. A lively discussion followed the presentation, focusing on opportunities for taking concrete steps for improvements and acknowledging some of the constraints and cultural barriers to change. During late 2014 and early 2015, Treasury staff visited each MDB's independent evaluation office to have further conversations on the implications of section 7029(a) and specific steps the MDBs could take in response. In early 2015, Treasury also met with the team of external evaluators that was conducting an independent, external review of the World Bank's Independent Evaluation Group (IEG). The review team ultimately incorporated many of the findings from Treasury's 2014 report into their recommendations for IEG.
- **Engagement with MDB Management.** Treasury has also sought to raise the profile of independent evaluation at the MDBs through outreach with senior management and engagement with all parts of the institutions that have a role in strengthening accountability and learning. For any progress to occur, the buy-in, leadership, and strong support of the MDBs' top management are critical. Treasury's Assistant Secretary for International Markets and Development Marisa Lago directly pressed AfDB President Donald Kaberuka for improvements to the AfDB's recently revised evaluation policy, and Treasury staff played a key role in recommending specific amendments that helped strengthen the policy. PDAS Latortue participated in AsDB evaluation events with President Takehiko Nakao in Manila. Treasury also engaged with the units responsible for other aspects of MDB evaluation, such as the departments that design, monitor, and adapt quality standards for projects and track corporate results. These units are integral to ensuring that projects are well-designed using evaluation evidence, embedding evaluation into the institutional culture of the MDBs, and using evaluation to strengthen

¹ Caroline Heider of the World Bank's Independent Evaluation Group (IEG), Rakesh Nangia of the AfDB's Independent Development Evaluation (IDEV) Department, Vinod Thomas of the AsDB's Independent Evaluation Department (IED), Joe Eichenberger of the EBRD's Evaluation Department (EvD), and Cheryl Gray of the IDB's Office of Evaluation and Oversight (OVE).

the quality of projects. In early 2015, Treasury staff discussed the principles of section 7029(a) with the heads of these units at each MDB and with the chairperson of the Managing for Development Results (MfDR) Working Group (a consortium of MDB results units similar to ECG).

- **Engagement with MDB Shareholders.** Treasury conducted direct outreach with the Boards of Directors at each MDB. The USED offices highlighted section 7029(a) and Treasury’s 2014 report during Board discussions, particularly when reviewing the evaluation units’ annual reviews. The AfDB USED’s office provided all Board members with Treasury’s 2014 report and discussed section 7029(a) with other Board members. Finally, Treasury conducted outreach on the elements of section 7029(a) during bilateral meetings with officials from other donor country capitals throughout the year.
- **Engagement with Other Relevant Stakeholders.** Treasury has also conducted outreach on evaluation issues with the U.S. government interagency, think tanks, and civil society. We have engaged with the evaluation teams from the State Department, USAID, and the Millennium Challenge Corporation (MCC) to share lessons learned and discuss best practices in evaluation. We have engaged with and participated in evaluation working groups hosted by leading think tanks such as the Center for Global Development and the Aspen Institute. Civil society organizations (CSOs) are also focused on evaluation at the MDBs, particularly as it relates to strengthening environmental and social safeguards, and Treasury continues to engage extensively with the CSOs on these issues.
- **Treasury’s Internal Efforts.** Treasury’s International Affairs division has significantly bolstered its work on evaluation since 2014. Monitoring MDB evaluation standards and practices has been added to the work portfolios of two desk officers in the International Development Policy deputation, which oversees U.S. engagement with the MDBs. These desk officers consult regularly with the USED offices at each MDB to seek opportunities to strengthen MDB evaluation systems in accordance with the principles of section 7029(a). They also engage regularly with other relevant stakeholders, such as external experts in the broader evaluation community. Treasury’s International Development Policy deputation has also created an Office of Development Results and Accountability that focuses in major part on MDB project results, evaluations, and feedback loops.

II. Assessment of MDBs’ Compliance with Section 7029(a)

The following section details steps taken since December 2014 by the MDBs, with strong support from the USED offices and Treasury, in relation to the four central components of section 7029(a).

(i) Adoption and Implementation of a Publicly Available Evaluation Policy

Overview. Formal, publicly available evaluation policies enhance the independence and accountability of the evaluation function. Treasury’s assessment found that each MDB has adopted and implemented a publicly available evaluation policy that details the principal responsibilities and governance structures of the independent evaluation offices, including their

relations with MDB management and the Boards of Directors. At all MDBs, the independent evaluation offices are managed under the oversight of the Boards, to which they submit all evaluation products, annual budgets and work programs, as well as periodic reports on actions taken by the MDBs in response to evaluation findings. The Boards also appoint the head of evaluation at all MDBs and oversee their selection process, performance review, and remuneration.

These policies vary in their formality and the level of detail with which they address operational matters, such as specific evaluation practices and implementation arrangements. However, in all MDBs, operational matters are addressed annually in the evaluation units' work programs, which require Board approval. While the MDB evaluation policies themselves do not address the conduct of "independent, in-depth evaluations" or establish a threshold coverage level of at least 25 percent of all MDB projects, the USED offices each year review the work programs of the independent evaluation offices. Treasury is using these reviews as an opportunity to request the MDBs to conduct more independent, in-depth evaluations.

Coverage of Evaluation Policies. The World Bank has a mandate for the Director-General of IEG and terms of reference for the independent evaluation function that collectively function as an evaluation policy and encompass the World Bank, the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).² The mandate and terms of reference clearly define the principal functions of IEG, including assessments of the effectiveness of World Bank activities, validations of project completion reports, and dissemination of evaluation findings. They establish that IEG's functions and staff are organizationally independent and describe governance arrangements, including IEG's relationship with the World Bank's Boards of Directors. They establish that IEG will also have unrestricted access to World Bank staff as well as policy and operational records.

The AfDB's Board approved the Independent Development Evaluation (IDEV) Department's latest evaluation policy³ in March 2015, incorporating lessons and recommendations raised in IDEV's 2012 self-assessment of the AfDB's evaluation system. The new evaluation policy includes IDEV's missions and core objectives, guiding principles (independence, credibility, impartiality, transparency, usefulness, and partnership), and governance structure, including the respective roles of the Board, the Board's Committee on Development Effectiveness, and Management. The policy establishes that operational activities will be guided by three-year rolling work programs and budgets approved by the Board. Treasury engaged extensively with IDEV and AfDB leadership while the policy was being drafted, and succeeded in strengthening key components such as establishing IDEV's full independence from AfDB Management.

The AsDB's Independent Evaluation Department (IED) issued a revised evaluation policy⁴ in 2009 as part of an independent review of the ASDB's evaluation system. The policy establishes IED's mandate, responsibilities, guiding principles (impartiality, independence, credibility, usefulness, partnership, and learning) and governance arrangements. The responsibilities of key stakeholders, including the Board, the Board's Committee on Development Effectiveness, IED's

² Available at http://ieg.worldbank.org/Data/dge_mandate_tor.pdf.

³ AfDB Evaluation Policy will be published online in fall 2015.

⁴ Available at <http://www.adb.org/site/evaluation/policy>.

Director General, Management, and AsDB staff are summarized, including principles around reporting, disclosure, and follow-up.

The EBRD's Board approved its most recent evaluation policy in 2013.⁵ The EBRD first issued an evaluation policy in 1992 and subsequently revised it several times to reflect changing organizational expectations and good practice. The policy sets out the evaluation-related activities and responsibilities of the EBRD's Evaluation Department (EvD), as well as those of EBRD Management and the Board of Directors. It provides an operational framework for evaluation procedures and methods, and directs EvD to submit work plans (with proposed evaluation activities) to the Board each year. It requires Management response, internal circulation, and external disclosure of all evaluation findings, and sets out specific provisions pertaining to EvD's chief evaluator, budget, and staff.

The IDB has terms of reference for the Director of Office of Evaluation and Oversight (OVE) and an operational and governance framework document, which together function as an evaluation policy⁶ and were developed through an independent review of the IDB's evaluation system in 2010. The terms of reference and framework document establish the purpose of evaluation at IDB, the responsibilities for OVE, its reporting relationship to the Board through the Board's Policy and Evaluation Committee, and its relationship with Management. The documents also confirm that OVE is responsible for its work plan, budget, and quarterly and annual reports.

Next Steps. Treasury will recommend that the IDB and the AsDB improve the transparency of their evaluation systems by publicly posting the documents mentioned above as standalone evaluation policies on their websites. We will also continue to work with USED offices and MDB management and staff to identify opportunities to strengthen each MDB's ability to strategically guide the deployment of evaluation resources, including enhanced risk-based criteria for selecting when to evaluate different parts of each MDB's portfolio and in what order.

(ii) Strategic Use of Peer Reviews and External Experts

Overview. Peer reviews strengthen the independence and quality of MDB evaluations. A key recommendation of Treasury's 2014 report, in line with section 7029(a)'s language, was for the MDBs to increase the strategic use of peer reviews as part of the overall evaluation process. Each MDB's independent evaluation office conducts two types of peer reviews on its evaluation products: (i) internal review by internal peer reviewers from the evaluation unit and from MDB management and operational staff, and (ii) external review by external evaluation experts, peers from the evaluation units of other MDBs, and stakeholders from client country governments.

Review activities are typically conducted at two different stages: the inception report stage (e.g., terms of reference for the evaluation) and the draft summary stage (e.g., prior to delivery of the evaluation report to MDB management for its review and response). Typically, each significant evaluation product is independently reviewed by at least one to three external reviewers, including technical experts or evaluation experts, depending on the complexity of the evaluation product and its topic. The number and types of external reviewers needed are specified in each

⁵ Available at <http://www.ebrd.com/documents/evaluation/evaluation-policy-2013.pdf>.

⁶ Not available online. Treasury has requested public disclosure of these documents.

evaluation product’s terms of reference, which are typically available for review by the MDBs’ Boards of Directors. During Treasury’s consultations, some MDB evaluation units reported that more than three dozen different external reviewers were consulted for various evaluation activities in 2014.

Coverage of Peer Reviews. Treasury’s assessment found that all evaluations completed in 2014 by the MDBs’ independent evaluation offices underwent internal review, and an average of 56 percent underwent external review (see table below for coverage at each MDB). This coverage ratio applies to all significant evaluation types: in-depth evaluations, including country program and strategy evaluations, sector and thematic reviews, and impact evaluations; corporate evaluations; and evaluation annual reports. (See Treasury’s 2014 report for definitions and taxonomy of each evaluation type.) This coverage ratio excludes the independent “validations” of MDB self-evaluations, which are typically only internally reviewed due to their large number. Most independent evaluation units validate 100 percent of self-evaluations, the most complex of which can include site visits to the project site.⁷

| Evaluations Subject to Peer Review (2014) | | |
|--|-------------------------|-------------------------|
| MDB | Internal Reviews | External Reviews |
| World Bank | 100% | 77% |
| AfDB | 100% | 90% |
| AsDB | 100% | 47% |
| EBRD | 100% | 42% |
| IDB | 100% | 29% |

The evaluation units report that both internal and external reviews add tremendous value to their work and often substantially improve the final versions of evaluation products. The MDB evaluation units also engage with external evaluation experts for a range of other activities, including: providing input on annual work plans and future evaluation products; providing advice, guidance, and quality control on evaluation approaches, methods, and instruments; providing training and workshops for evaluation staff; making presentations and providing trainings to evaluation and MDB staff; and conducting assessments and training of member country governments’ national evaluation systems.

Some MDBs have established standing review committees of prominent academics and policymakers to provide advice to senior management (e.g., the Economic Policy Research Advisor Council at the EBRD commissions in-depth reports and evaluations of EBRD activities in particular sectors).

⁷ Some MDBs’ evaluation units conduct project site visits for validations of self-evaluations, particularly for private sector projects that pose significant risks. The World Bank’s IEG, for example, seeks to visit approximately 10 percent of the projects that it validates for the IFC and MIGA. These site visits are selected based on risk-based criteria, including any projects rated as having significant environmental or social impacts (i.e., “Category A” projects).

Next Steps. Each of the evaluation units consulted indicated its support for further formalizing the role of the peer review function, and this will be a key area of future Treasury engagement. Treasury will encourage the establishment of standard procedures and criteria to guide decisions on when to use internal and external peer review. Treasury will also continue to advocate for increased usage of external reviews at all MDBs, with a special focus on the IDB, which currently conducts external peer reviews on less than a third of its evaluations.

(iii) Conducting Independent, In-depth Evaluations of the Effectiveness of at Least 25 Percent of All Loans, Grants, Programs, and Significant Analytical Non-lending Activities

Overview. As noted in Treasury’s 2014 report, the MDBs’ independent evaluation offices produce a broad range of evaluation products, from project evaluations to assessments of internal corporate processes. The MDBs’ independent evaluation offices use different definitions for what constitutes an independent, in-depth evaluation. For the purposes of this report, Treasury defines an “independent, in-depth evaluation” as an evaluation conducted by the independent evaluation office that includes a field visit to the project. Such field visits provide an additional level of depth to an independent evaluation. During the course of the review, Treasury determined that this definition encompasses a wide range of evaluation types, and that these multiple types enhance the overall quality and rigor of the MDBs’ evaluation portfolios. There are two main categories of independent, in-depth evaluations:

- **Project Performance Assessments:** The most well-known type of in-depth evaluation is the *project performance assessment*, involving travel to the field site and interviews with project staff and beneficiaries following project completion. While useful from an accountability perspective (each project performance assessment is a lengthy report on the effectiveness of a single MDB project), they are time- and resource-intensive (costing \$35,000-\$45,000 each and requiring several months of work). Additionally, there is a perception that they are not the most effective learning tools, as MDB staff are unlikely to read lengthy reports on single projects from which it is difficult to generalize larger lessons. While Treasury believes that project performance assessments are an important element of the MDB evaluation ecosystem, they are not the only type of independent, in-depth evaluation conducted by the MDB evaluation units, and we do not advocate increased usage of any single type of evaluation product. Treasury believes that the MDB should prioritize evaluations with high learning value and cost efficiency.
- **Country Program Evaluations, and Thematic and Sector Reviews:** Other types of evaluations that include in-depth review and site visits are *country program evaluations* and *thematic and sector reviews*. For these evaluations, the MDB evaluation offices select specific themes (e.g., fragile states, safeguards), sectors (e.g., transport infrastructure, agriculture), or regions or countries (e.g., Central America, sub-Saharan Africa, Indonesia) and evaluate a group of projects under those subjects. For each of these evaluations, several projects are visited to conduct in-depth assessments of results, which provides the opportunity to draw cross-cutting lessons from different types of projects. Such evaluations are read widely by MDB staff and perceived to be more effective and actionable learning tools as they point to success and failure patterns, and are thus more likely to result in operational changes and increased development

effectiveness. Treasury believes that such evaluations leverage the MDBs’ independent evaluation offices to generate lessons and produce meaningful change, and do so in a more cost-effective manner.

Impact evaluations attempt to measure the causal effects of a project using a more experimental approach than other types of in-depth evaluations. Impact evaluations of MDB projects are not typically conducted by the MDBs’ independent evaluation offices and rely heavily on operational teams with specialized technical expertise. While very “in-depth” and useful for learning, impact evaluations are not always “independent,” and so they are not included in this report.

Coverage of Independent, In-Depth Evaluations. The overall coverage ratio was calculated by dividing the number of “independent, in-depth evaluations” (as described above) completed in 2014 by the number of projects completed annually. Treasury’s assessment found an overall average coverage ratio of about 38 percent across the MDBs (see table below for coverage at each MDB). A coverage ratio for project performance assessments, which provide the most project-level scrutiny, was calculated by dividing the number of project performance assessments conducted in 2014 by the total number of projects completed annually. Treasury’s assessment found an overall average project performance assessment coverage ratio of about 5.5 percent across the MDBs.⁸ Each independent evaluation office has its own criteria for selecting projects for in-depth evaluation, such as projects that are particularly risky, innovative, problematic, or relevant to institutional priorities.

| Independent, In-Depth Evaluations <i>(2014 Coverage Ratio)</i> | | |
|--|--|--|
| MDB | Project performance assessments | All independent, in-depth evaluations |
| World Bank ⁹ | 7.8% | 28.2% |
| AfDB | 18.2% ¹⁰ | 67.5% |
| AsDB | 13.7% | 56.1% |
| EBRD ¹¹ | 6.1% | 26.1% |
| IDB ¹² | 4.2% ¹³ | 39.5% |

⁸ If impact evaluations were to be included, the coverage would be slightly higher. For example, since 2007, the World Bank has completed 92 impact evaluations and 79 are ongoing (representing approximately 7 percent of all projects). In the same period, the IDB has completed 20 impact evaluations and 62 are ongoing (representing 11 percent of all projects).

⁹ World Bank data does not include non-lending activities of the World Bank, due to both their sheer volume (e.g., the World Bank completed 1,215 non-lending activities in 2014) and methodological difficulties around what constitutes a “significant” and “analytical” non-lending activity, as described in the FY 15 Act. The data do, however, include non-lending activities of IFC.

¹⁰ Rather than conduct project performance assessments of individual projects, the AfDB’s evaluation unit conducts in-depth evaluations on clusters of similar projects (e.g., projects in the same sector or region), which are perceived to be more relevant and useful for AfDB staff.

¹¹ The EBRD’s evaluation unit selects from a list of pre-identified “evaluation-ready” projects (e.g., projects that have been completed for at least 18-25 months and are not in corporate recovery). While the list does not include all completed projects (e.g., while the EBRD completed 251 projects in 2014, the list included 115), Treasury believes this is the appropriate approach for EBRD, where most projects are investment operations. If all completed projects were included, the EBRD’s coverage ratios in the table above would decrease to 2.8% and 12.0%.

Next Steps. Treasury will continue to urge the evaluation units to conduct a larger number of in-depth evaluations at all the MDBs, with a special focus on the World Bank, EBRD, and IDB. We will especially use Board reviews of annual evaluation work plans as an opportunity to seek such increases.

Qualifying Considerations. Treasury notes that a reliance on the use of “independent, in-depth evaluation” as the only criterion for assessing the effectiveness of MDB evaluation systems poses several issues.

- First, the criterion does not consider valuable monitoring and evaluation work that is not “independent,” such as MDB operational staff efforts to improve project implementation quality through rigorous monitoring, or impact evaluations that, as discussed, are rigorously in-depth but not always conducted by an independent entity. Moreover, strong monitoring is the foundation of any monitoring, evaluation, and learning system.
- Second, measuring the coverage of in-depth evaluations does not consider the influence of other types of institutional evaluations, such as *process evaluations* or *corporate evaluations*, which rarely involve project-level assessments and yet can have considerable impact on the MDBs’ activities and development effectiveness. For example, a 2014 IDEV evaluation of operational procurement at the AfDB provided key inputs to an ongoing procurement reform. Similarly, a 2012 IEG evaluation of the World Bank’s use of impact evaluations led to the adoption of a more streamlined approach to their use.
- Finally, calculating the coverage ratio of any type of evaluation over an entire MDB portfolio is complicated by the fact that MDB projects are active for long and variable periods of time. If MDB projects were more standard, well-defined, and cyclical, it would be easier and more effective to set – and hold MDBs accountable to – a target coverage ratio. However, the active life of an MDB loan can span decades and can vary considerably from one project to the next, which makes such standard-setting difficult and impractical.

(iv) Ensuring that Decisions to Support such Loans, Grants, Programs, and Activities are Based on Accurate Data and Objective Analysis

Overview. To keep the MDBs accountable to their shareholders, clients, and beneficiaries, Treasury has long sought to enhance the MDBs’ ability to determine whether development programs are delivering on their intended objectives. The fourth component of section 7029(a) is, thus, a core aspect of Treasury’s work on evaluation.

¹² For each evaluation, the IDB’s evaluation unit establishes a “universe” of evaluable projects, which can include a large number of projects completed over varying time periods. The entire IDB evaluation universe for 2014 comprised 2,327 projects, far more than were actually completed in 2014.

¹³ Similar to the AfDB, the IDB’s evaluation unit conducts in-depth evaluations on clusters of similar projects.

Coverage of Use of Evidence in Project Design and Feedback Loops. While the independent evaluation offices are integral to the overall MDB evaluation systems, the MDBs’ operational staff, results departments, and internal control units typically have front-line responsibility for ensuring that evidence is used in decision-making. Such efforts occur at all stages of the MDB project cycle.

- **Using Evidence in Project Design.** Each MDB has established standard requirements for integrating evaluation components upfront in project proposals. These standard requirements include: strong results measurement frameworks, with key performance indicators to measure and evaluate results during and after project implementation to determine whether specific and tangible results are achieved; evaluation plans, including ensuring that baseline data are collected at project inception; risk assessments; and “lessons learned” sections of the proposal documents that describe the evidence from previous evaluations that was used to inform the solutions being proposed, including assessments of the MDB’s prior experience in the topic/sector of the project.

The quality control on whether these requirements are effectively met is uneven across the MDBs, but each institution is making efforts to strengthen its results measurement frameworks. To help project designers make greater use of evidence, for example, the MDBs have developed project database systems with information on development outcomes and evaluation findings. Prior to Board approval, the MDBs’ internal control units conduct “readiness reviews,” rate the project’s “quality-at-entry” and anticipated development outcomes, and ensure that the project meets threshold standards of preparedness for ex-post evaluation. Project teams are expected to address deficiencies before the project can be brought to the Board for approval. Such up-front planning helps embed evaluation into the institutional culture of the MDBs. It is most effective when it is tied to employee performance management, which creates incentives for operational staff to take evaluation seriously and recognize its value in strengthening project quality.

- **Using Evidence to Improve Implementation: Strengthening Feedback Loops.** During project implementation, evidence can provide essential real-time data to improve a project’s efficacy. Each MDB has developed, and is seeking to strengthen and mainstream, a range of evidence-based monitoring and evaluation tools to improve the effectiveness of project implementation. A critical component of such efforts is finding ways to better incentivize project staff to enhance real-time results reporting and use mid-stream data to undertake mid-course corrections when and where appropriate.

Next Steps. Treasury believes that these aspects of MDB evaluation systems can be strengthened, including by: increasing staff training on managing for development results; linking the use of evaluation evidence to staff performance management and compensation; improving the quality and strategic use of impact evaluations; conducting a greater number of evaluations to build a more comprehensive evidence base for learning and knowledge; assessing the results and sustainability of projects several years after completion, in order to generate more useful learning on how to make future projects more sustainable; and upgrading existing learning and knowledge systems to strengthen feedback loops for project design.

Treasury and the USEDs will continue to advocate for these objectives through engagement with the MDBs' senior management and during Board review of major evaluation and results reports. Most recently, each MDB's Board reviewed the 2014 annual reports conducted by the independent evaluation units and results departments. Other recent opportunities for USED engagement on these topics included Board review of IEG's FY 2016 Work Plan, the World Bank FY 2014 Results and Performance Report, and the 2014 IEG Client Survey.

Treasury will continue to seek opportunities to urge the MDBs to strengthen evaluation feedback loops and enhance the use of evidence to inform decision-making, including by linking the use of evaluation evidence in MDB activities to staff performance management and compensation. We also recognize that recipient countries have an important role in the development of feedback loops. Therefore, Treasury is also working with the MDBs and other relevant stakeholders to encourage greater attention to data and statistical capacity building in developing countries, as part of the implementation of the Financing for Development outcomes and the Sustainable Development Goals.

III. Conclusion

Treasury's assessment has found that all MDBs meet the standards of section 7029(a), but work remains to be done to enhance the role of evaluation in MDB activities. Given our view of the evaluation function's importance at the MDBs, Treasury has welcomed the opportunity to redouble our commitment to strengthening standards and practices, and we are implementing a proactive agenda based on the four elements of section 7029(a) and the six priority areas identified in our September 2014 report. As explained in section I, Treasury has already enhanced its engagement with the MDBs on each of these priority areas, and will continue our efforts over the next year. The priority areas are:

- 1) Adopting risk-based, strategic portfolio approaches to evaluation.** Treasury highlighted this recommendation in consultations with senior management and during Board review of each MDB evaluation unit's 2015 work plan.
- 2) Increasing the use of external and peer reviews as part of the overall evaluation process.** As noted, Treasury is encouraging each MDB to increase the strategic use of external and peer reviews, particularly at institutions where current coverage lags behind others. For example, Treasury has received a commitment from the AfDB's IDEV to systematize the process for increasing the use of external reviews.
- 3) Instituting regular external evaluations of the MDBs' independent evaluation offices.** Treasury highlighted this recommendation during Board review of each MDB evaluation unit's work plan, underscoring that such external evaluations should be aligned with the tenure of the independent evaluation office's director. We consulted extensively with the panel conducting the recent external review of the World Bank's IEG, and the panel's findings were largely consistent with Treasury's six priority areas. In the coming year, the USED office at the World Bank will work with other shareholders to formalize several of the review's recommendations.

- 4) **Creating incentives and feedback loops to strengthen monitoring and evaluation (M&E) and the generation, access to, and use of learning and knowledge in MDB programming.** Treasury highlighted this recommendation with the evaluation units and managements of each MDB, underscoring that strengthening learning and creating institutional cultures around evaluation require joint efforts by multiple MDB units. Treasury is assessing the strengths and weaknesses of the current knowledge and learning ecosystems at each MDB, in order to identify institution-specific recommendations.
- 5) **Strengthening public disclosure of data in transparent and usable forms.** Treasury highlighted this recommendation at Board reviews and in consultations with management, and is focusing on opportunities to strengthen the user-friendliness of evaluation data and findings.
- 6) **Bolstering inter-MDB collaboration (and peer pressure) on evaluation.** Treasury presented our recommendations to the ECG and provided suggestions on how its role could be enhanced, especially to help those institutions that are lagging behind to catch up with best practices. Throughout 2015, Treasury will push forward this recommendation with current ECG Chair Caroline Heider, Director General of the World Bank's IEG. Treasury is also consulting with the MfDR Working Group on how its role can be bolstered to strengthen inter-MDB collaboration on results measurement and evidence-based decision-making.

Throughout 2015, Treasury and the USED's offices at each MDB will continue to advocate for stronger evaluation standards and practices.