

**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 Appropriations Act, 2017 (P.L. 115-31)

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 Appropriations Act, 2017 (P.L. 115-31)

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Executive Summary

This report has been prepared pursuant to section 7029(a) of the Consolidated Appropriations Act, 2017 (the “FY 17 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[.]” It also requires that Treasury submit a report to Congress.

This report details actions consistent with section 7029(a) taken by Treasury, the U.S. Executive Directors (USEDs), and the five major multilateral development banks (MDBs) of 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) – in the past year.¹ The first section of the report provides an overview of Treasury and the USEDs’ (hereafter referred to collectively as Treasury) engagement with the MDBs on the issue of evaluation. The second section reviews the MDBs’ performance on the four central components of section 7029(a). As set out below, Treasury finds that the MDBs have continued to strengthen their performance on section 7029(a) over the past year:

- (i) ***Adoption and implementation of a publicly available evaluation policy.*** Each MDB has an evaluation policy that details the principal responsibilities and governance structure of its independent evaluation office. In the past year, with strong Treasury support, the World Bank agreed to prepare an evaluation framework for the World Bank Group as a whole. Treasury will work closely with World Bank Management and other shareholders to finalize this framework this year. All the MDBs also developed strategic work programs for their independent evaluation offices to maximize the impact of evaluation resources.
- (ii) ***Strategic use of peer reviews and external experts.*** Almost all evaluations completed by the MDBs’ independent evaluation offices in FY 16 underwent internal review, and across the MDBs, an average of 52 percent underwent external review. This represents a strong overall level of coverage that is consistent with what the MDBs achieved in FY 15. Coverage of external peer reviews was relatively lower at

¹ Sections II(ii) and II(iii) are based on data for each MDB’s FY 2016 rather than data from the past 12 months.

the IDB, and Treasury will press the IDB to increase its external review coverage in the coming year.

- (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.*** In FY 16, the average coverage ratio of independent, in-depth evaluations² across the MDBs was 59 percent. This is a similar coverage ratio as FY 15, and 19 percentage points higher than FY 14. All MDBs exceeded the 25 percent threshold. Treasury will urge the MDBs' independent evaluation offices to continue to conduct a large number of in-depth evaluations moving forward.
- (iv) ***Ensuring that decisions to support such loans, grants, programs, and activities are based on accurate data and objective analysis.*** The MDBs have developed robust systems to facilitate the feedback of evaluation results into projects, strategies, and policies, and enhanced their systems in the past year. The World Bank undertook a number of efforts to better incorporate learning in project design. The AfDB, AsDB, EBRD, and IDB deployed or improved tracking systems to hold themselves accountable for implementing evaluation recommendations. Additionally, external third parties will review the independent evaluation offices and functions at the AsDB, IDB, and EBRD in the next two years. Treasury looks forward to using the results of these reviews to advocate for further strengthening of the offices.

I. Overview of Treasury's Engagement with the MDBs on Evaluation

Evaluation remained a high priority in Treasury's engagement with the MDBs over the past year. Treasury's approach was guided by the four components of section 7029(a). In particular, consistent with the fourth component and its emphasis on the quality and feedback of evaluation data, Treasury focused on institutional learning. Treasury used its engagement with the MDBs' independent evaluation offices, Management, and staff, as well as other relevant stakeholders, to strengthen the MDBs' systems for incorporating evaluation evidence and results into projects, strategies, and policies. Treasury also focused on: using evaluation resources strategically to maximize their impact; developing and maintaining robust institutional results frameworks; and maintaining strong and independent evaluation functions.

Below are key areas of Treasury's engagement at each MDB:

- **World Bank.** Treasury sought to secure outstanding reforms from the external assessment of the World Bank's Independent Evaluation Group (IEG), which was completed in August 2015. With strong Treasury support, the World Bank decided to move forward on our priority reform – development of a World Bank Group-wide evaluation framework that sets out evaluation principles, activities, and roles across the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). We are now focused on getting this

² As explained in section II(iii), Treasury defines an "independent, in-depth evaluation" as an evaluation conducted by the independent evaluation office that includes a field visit to the project site.

framework finalized in the coming year. Treasury also used the conclusion of the IDA-18 replenishment negotiations to secure commitments to strengthen institutional learning in IDA operations.

- **AfDB.** Treasury worked to address recommendations from the AfDB Independent Development Evaluation (IDEV) office's evaluation of the AfDB's 2004-2013 development results, which was completed in 2016. Addressing outstanding recommendations from this evaluation is a key Treasury policy priority at the AfDB moving forward. Treasury helped shape the AfDB's strong new results management framework and added a comparative evaluation of the MDBs' policies for sanctioning companies and individuals that engage in corrupt or fraudulent activity pertaining to MDB projects to the IDEV work plan. As with IDA-18, Treasury used the conclusion of the African Development Fund (AfDF)-14 replenishment negotiations to strengthen learning in AfDF operations.
- **AsDB.** Treasury's engagement at the AsDB centered on improving institutional learning. The AsDB Independent Evaluation Division (IED)'s annual report assessed and made recommendations to improve how the AsDB incorporates evaluation lessons into projects, strategies, and policies. We pushed for the development of a concrete and comprehensive action plan to address challenges highlighted in the report. Separately, Treasury worked with AsDB Management and other shareholders to fine-tune the process for the external assessment of IED, which is being conducted in 2017.
- **EBRD.** Treasury's engagement with the EBRD emphasized institutional learning as well. EBRD's independent Evaluation Department (EvD) is enacting a number of reforms to enhance learning from evaluation, including improving the design of evaluation products and enhancing EvD engagement with project staff. Treasury encouraged the EBRD to complement these reforms with stronger staff incentives for learning. Treasury also supported EvD's efforts to deploy its resources more strategically and helped fine-tune the process for the two-part assessment of EvD, comprising a self-assessment and an external assessment, which will be completed in 2018.
- **IDB.** The term of the Director of the independent Office of Evaluation and Oversight (OVE) ends in early 2018, and the Board is currently selecting a new Director. Treasury has provided significant input into the hiring process and terms of reference for the position, so as to ensure selection of a strong individual and provide that individual with an appropriate mandate. Treasury is one of five members of the Board selection panel so will be heavily involved moving forward. As at AsDB and EBRD, OVE is the subject of an independent review this year. Treasury has used this as an opportunity to review the adequacy of OVE's evaluation policy.

Treasury engagement on MDB evaluation issues went beyond the MDBs themselves. Treasury continued to work closely with interagency and external partners – for example, Treasury worked with USAID and the State Department to develop U.S. policies towards the Multilateral Organization Performance Assessment Network (MOPAN). The State Department sits on the Steering Committee of MOPAN, an organization which assesses the effectiveness of various

international organizations, including the MDBs. Treasury also retained its internal emphasis on the topic. Treasury staff reviewed the evaluation and results-related policies and strategies that were brought before the MDB Boards. Treasury staff also assessed each proposed MDB project for likely development impact, risks and proposed mitigants, conformity with U.S. legislative provisions, and inclusion of key evaluation components, such as strong results measurement frameworks.

II. Assessment of the MDBs' Performance on Section 7029(a)

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

Overview. The MDBs' evaluation policies detail the principal responsibilities and governance structures of the independent evaluation offices, including their relations with MDB Management and the Boards of Directors.³ The policies vary in the level of detail with which they address operational matters, such as specific evaluation practices or how evaluation resources are used, and 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. At all the MDBs, operational matters are addressed in the evaluation offices' annual work programs, which require Board approval.

Coverage of Evaluation Policies.

- **World Bank.** The World Bank has a mandate for the IEG Director General and terms of reference for the independent evaluation function that collectively operate as the evaluation policy.⁴ The World Bank Group is also working on a World Bank-wide evaluation framework.

The Board also approved IEG's 2018-2020 work program earlier this year. The work program takes a highly selective approach, focusing on evaluations that align with the World Bank's twin goals of ending extreme poverty and promoting shared prosperity and fill key information gaps. The work program also seeks to strengthen institutional learning, including by increasing IEG engagement with operational staff.

- **AfDB.** The AfDB Board approved IDEV's latest evaluation policy⁵ in September 2016. The Board reviewed IDEV's 2017 work program earlier this year. The work program employs a strategic approach to determine evaluations based on criteria such as timeliness, potential impact, stakeholder needs, and risk.

³ At each MDB, the independent evaluation office is under the oversight of the Board of Directors, to which it submits evaluation products, its annual budget and work program, and periodic reports on actions taken by the MDB in response to evaluation findings. The Board also appoints the head of the independent evaluation office and oversees performance review and remuneration.

⁴ Available at http://ieg.worldbank.org/Data/dge_mandate_tor.pdf.

⁵ Available at <http://idev.afdb.org/en/document/revise-independent-evaluation-policy>.

- **AsDB.** The AsDB Board approved IED’s revised evaluation policy⁶ in 2008. In 2016, the Board approved IED’s 2017-2019 work program. The work program determines evaluations based on criteria such as timeliness, relevance, and their ability to strengthen country and AsDB evaluation capacity. It also supports implementation of the AsDB’s new corporate structure, under which the balance sheets for concessional and non-concessional lending are merged, and the development of the AsDB’s new corporate strategy (Strategy 2030).
- **EBRD.** The EBRD Board approved its most recent evaluation policy in 2013.⁷ In 2016, the Board approved EVD’s 2017-2019 work program. The work program takes a more strategic approach than in years past, placing an increased emphasis on the most useful and impactful evaluations and seeking to improve communication of evaluation results.
- **IDB.** The IDB has terms of reference for the OVE Director and an operational and governance framework document, which together function as an evaluation policy⁸ and were developed in 2010. In 2016, the Board approved OVE’s 2017-2018 work program. The work program determines evaluations and capacity-building support based on criteria such as timeliness, relevance, innovation, and stakeholder needs.

Next Steps. Treasury will continue to encourage all the MDBs’ independent evaluation offices to develop highly strategic work programs that maximize the impact of their resources. At the World Bank, Treasury will continue to support the development of a World Bank Group-wide evaluation framework. At the IDB, Treasury will advocate for the creation and publication of a standalone evaluation policy.

(ii) Strategic Use of Peer Reviews and External Experts

Overview. MDB evaluation products receive two types of peer review: (i) internal review by peer reviewers from the evaluation office as well as Management and operational staff from the MDB; and (ii) external review by peers from the evaluation offices of other MDBs, stakeholders from shareholder governments, and other evaluation experts outside the MDB. The majority of significant evaluation products are 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.

Coverage of Peer Reviews. Treasury finds that almost all evaluations that the MDBs’ independent evaluation offices completed in FY 16 underwent internal review, and across the MDBs, an average of 52 percent benefitted from external review. As Table 1 indicates, there was wide variation in external review coverage, with the IDB lagging behind the other MDBs.

Note that the coverage ratios in Table 1 apply to all significant evaluation types (including project evaluations, sector and thematic reviews, country program evaluations, impact

⁶ Available at <https://www.adb.org/site/evaluation/policy>.

⁷ Available at <http://www.ebrd.com/documents/evaluation/evaluation-policy-2013.pdf>.

⁸ Not available online. Treasury has requested public disclosure of these documents.

evaluations, corporate evaluations, and evaluation annual reports) and exclude the independent “validations” of self-evaluations of projects by MDB staff, which are typically only reviewed internally due to their large number.⁹

Table 1. Evaluations Subject to Peer Review <i>(FY 16 Coverage Ratio)</i>		
MDB	Internal Reviews	External Reviews
World Bank	100%	84%
AfDB	100%	92%
AsDB	88%	32%
EBRD	100%	38%
IDB	100%	14%
MDB Average (non-weighted)	98%	52%

External experts also supported the MDBs’ evaluation work in a number of other ways in FY 16. Across the MDBs, external experts provided training to improve the effectiveness of independent evaluation office staff and substantive input on ongoing evaluation projects. At the World Bank, external experts helped design how IEG engages with operational staff to improve the feedback of evaluation lessons into World Bank projects, strategies, and policies.

Next Steps. Treasury will encourage the IDB OVE to increase its use of external peer reviews. While Treasury does not believe that it is necessary or cost-effective to conduct external peer reviews for all significant evaluations, we find the OVE’s coverage level to be low. Relatedly, we note that AsDB IED is developing a protocol for conducting peer reviews. Together with existing IED requirements that set out the number and type of peer reviews for different evaluation types, this demonstrates IED’s strategic approach to the peer review process. Treasury will encourage the other MDBs’ independent evaluation offices to follow IED’s lead in creating clear processes and criteria for using peer reviews.

(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. The MDBs’ independent evaluation offices produce a broad range of evaluation products, from project evaluations to assessments of internal corporate processes, and use different definitions for what constitutes an independent, in-depth evaluation. For the purposes of this report, as with Treasury’s previous reports, Treasury defines an “independent, in-depth evaluation” as an evaluation conducted by the independent evaluation office that includes a field visit to the project site. Field visits add an additional level of depth to an independent evaluation.

⁹ For example, the World Bank’s IEG completed 434 validations in FY 16, while it only completed 19 “significant evaluations.”

Coverage of Independent, In-Depth Evaluations. Calculating the coverage of independent, in-depth evaluations is complicated by the fact that the MDBs’ independent evaluation offices produce both evaluations of individual projects and broader evaluations on country programs and specific themes and sectors (e.g., fragile states or infrastructure) that include multiple projects. To account for this, Treasury calculates each MDB’s overall evaluation coverage ratio by dividing the number of projects that received a field visit during an evaluation completed in FY 16 by the number of projects completed annually. Treasury finds an average coverage ratio of 58 percent across the MDBs.

Table 2. Projects Subject to Independent, In-Depth Evaluation <i>(FY 16 Coverage Ratio)</i>	
MDB	Coverage Ratio
World Bank ¹⁰	58%
AfDB	83%
AsDB	87%
EBRD ¹¹	35%
IDB ¹²	31%
MDB Average (non-weighted)	58%

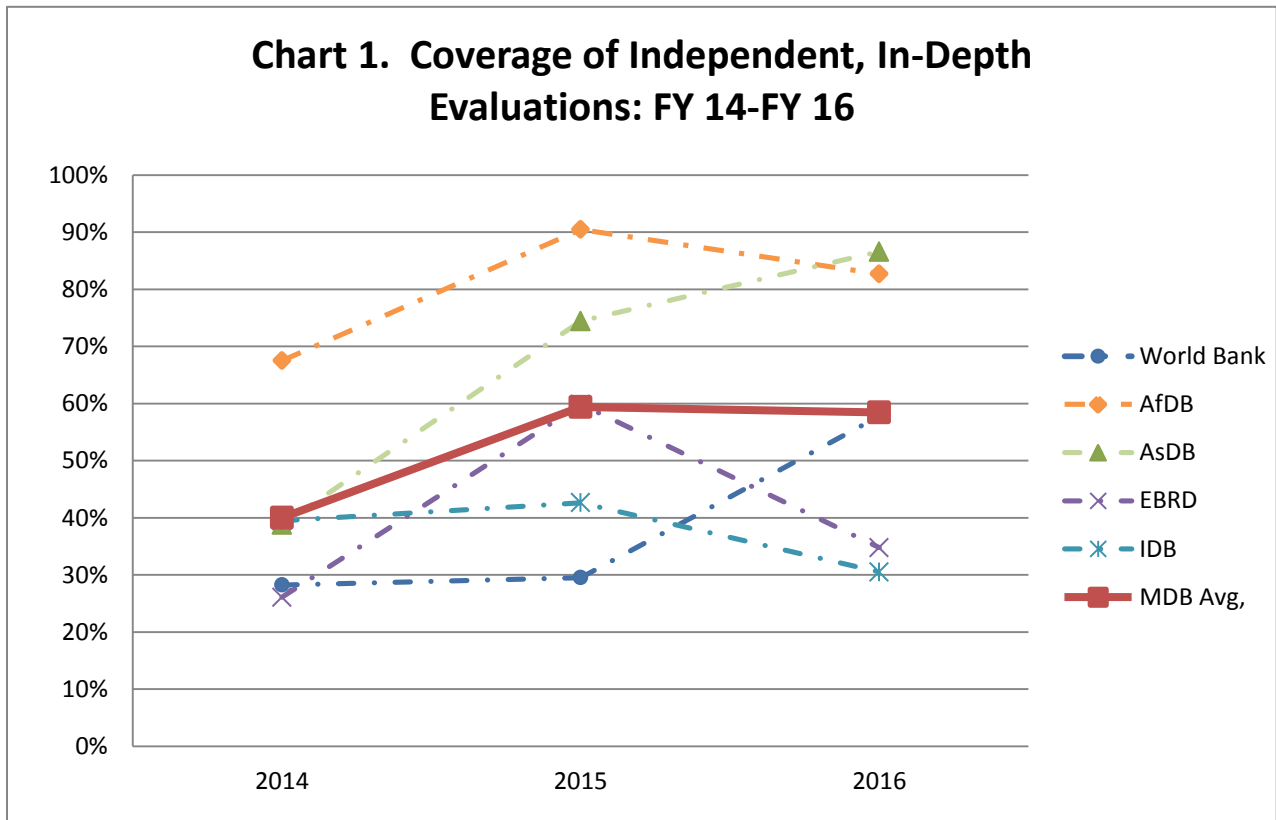
As reflected in Chart 1, the average coverage ratio across the MDBs for FY 16 is similar to the coverage ratio in FY 15, and well above the FY 14 ratio.

¹⁰ The World Bank denominator does not include non-lending activities (e.g., technical assistance) of IDA and IBRD, due to both their sheer volume (IDA and IBRD completed 1,859 non-lending activities in FY 16) and methodological difficulties in determining what constitutes a “significant” and “analytical” non-lending activity, as described in the FY 17 Act. It does, however, include non-lending activities of IFC.

¹¹ The EBRD denominator is the number of “evaluation-ready” projects (i.e., projects that have been completed for at least 18-25 months and are not in corporate recovery) identified annually by EvD. This does not include all completed projects (while the EBRD completed 267 projects in FY 16, the list included 161), but Treasury believes this is the most appropriate denominator.

¹² The IDB denominator is the “universe” of evaluable projects, which can include a large number of projects completed over varying time periods. The entire IDB evaluation universe for FY 16 comprised 1,019 projects, far more than were actually completed in FY 16.

Chart 1. Coverage of Independent, In-Depth Evaluations: FY 14-FY 16



Next Steps. Treasury will urge the MDBs’ independent evaluation offices to continue to conduct a large number of in-depth evaluations. In order to do so, the independent evaluation offices must be adequately resourced, and so Treasury will remain a strong supporter of the offices in MDB budget discussions.

Qualifying Considerations. Treasury notes that there are some issues with relying on the coverage ratio of “independent, in-depth evaluations” as the only or even the main criterion for assessing the effectiveness of MDB evaluation systems. First, the criterion does not consider valuable monitoring and evaluation work that may not be considered “independent.” For example, it excludes *impact evaluations*, such as randomized control trials, which attempt to measure the causal effects of projects using more experimental approaches than other types of in-depth evaluations. While rigorously “in-depth” and useful for learning, the independent evaluation offices do not conduct most impact evaluations at the MDBs. Second, it does not adequately consider 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. Third, the number of site visits involved in an independent, in-depth evaluation varies based on its subject and type. As the MDBs’ independent evaluation offices do different types of evaluations on different subjects each year, the number of site visits fluctuates on an annual basis. An MDB’s coverage ratio in a given year is thus less telling than the trend line over a longer period of time.

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

Overview. The MDBs have robust requirements and systems to facilitate the feedback of evaluation results into project design and implementation, strategies, and policies. For project design, the MDBs require that various evaluation components are included upfront in project proposals. These requirements can include results measurement frameworks, cost-benefit analyses, risk assessments, and the identification of evidence from previous evaluations that was used to inform the design of the project. For project implementation, the MDBs have an array of feedback loops to improve projects in real-time, including regularized progress monitoring reports. The MDBs also have systems that track the implementation of evaluation recommendations, thereby holding themselves accountable for follow through.

Improvements in the Past Year. The MDBs continued to strengthen their feedback systems in the past year. The World Bank undertook a number of efforts to enhance learning in project design, including refining how IEG engages with project staff; developing a new system to automatically provide project designers with custom-tailored “knowledge packages” of evaluation lessons; and conducting a stocktaking of impact evaluations, with the ultimate goal of creating a searchable impact evaluation database. AfDB IDEV fully deployed two evaluation databases: its public database of evaluation results, recommendations, and lessons – which currently houses over 4,000 recommendations and 2,000 lessons – and its new recommendation tracking system. EBRD EvD also deployed its new recommendation tracking system. AsDB IED and Management are working closely to refine the AsDB’s recommendation tracking system, and IDB OVE, which introduced its tracking system in 2013, conducted its first validation of tracking system results. It is also worth noting that the MDBs do not undertake these efforts in isolation – the Evaluation Cooperation Group, a network of MDB and other independent evaluation offices, is working on a project to improve accountability and feedback systems across its member institutions.

The MDBs also undertook a number of efforts to strengthen the quality of evaluation data. The EBRD is working on projects to refine and standardize evaluation indicators, standardize results management frameworks, and strengthen data collection processes. The World Bank revised the design of project completion reports to improve how lessons are captured, and World Bank IEG launched a new staff skills academy. As previously discussed, AsDB IED, EBRD EvD, and IDB OVE are subject to external assessments in 2017 and 2018. Treasury strongly supports regular external assessments of the MDBs’ independent evaluation offices to maximize their efficiency and effectiveness.

Next Steps. Treasury is pleased by the progress made by the MDBs in the past year, and will continue to prioritize this issue moving forward. In particular, Treasury will seek to strengthen real-time feedback during project implementation and incentives and requirements to incorporate results in project design. Recognizing that the availability and quality of evaluation data varies based on the country and implementing partner, and that statistical capacity building has significant long-term benefits, we will also work with the MDBs and other stakeholders to improve data capabilities in developing countries. Finally, we will use the results of the external

assessments of AsDB IED, EBRD EvD, and IDB OVE to seek further enhancements to the work of the independent evaluation offices.

III. Conclusion

As indicated above, the MDBs continued to strengthen their performance on evaluation over the past year. The MDBs developed revised policy guidance, improved how they strategically allocate evaluation resources, and enhanced their feedback systems for evaluation lessons. Concurrently, they maintained high average coverage levels for independent, in-depth evaluations and internal and external reviews. As discussed throughout this report, Treasury will seek additional strengthening of the MDBs' evaluation functions, policies, and performance.

Treasury's primary avenue for doing so will be the MDB Boards. The Boards will discuss and make decisions on a number of relevant items in coming year. This includes annual Board items, such as independent evaluation office work programs and institutional budgets, as well as less frequent or one-off items, such as the preparation of the World Bank evaluation framework or selection of the IDB OVE Director. As it does on other policy issues, Treasury will complement its engagement through the formal Board process with meetings with other shareholders and MDB Management and staff. This includes high-level meetings with MDB Senior Management and independent evaluation office directors at the MDB annual meetings. Finally, Treasury will maintain its close collaboration with the interagency and other external partners, such as MOPAN and the Evaluation Cooperation Group.