

**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, 2020 (P.L. 116-94)

United States Department of the Treasury
September 2020

Report of the U.S. Department of the Treasury Pursuant to Section 7029(a) of the Consolidated Appropriations Act, 2020 (P.L. 116-94)

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Executive Summary

As part of its focus on high-quality development projects that achieve tangible results, Treasury prioritizes evaluation issues in its engagement with the MDBs. Evaluation of development programs helps to a) provide accountability by assessing program performance and b) support learning by determining why a program performed as it did and how it can be improved. 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) – are widely viewed as standard-setters among development organizations in employing evaluation to assess and improve their programs.¹ Treasury, in its position on the MDBs’ Boards of Directors, aims to refine the MDBs’ already robust evaluation functions, while using evaluation lessons to improve projects, strategies, and operations.

Section 7029(a) of the Consolidated Appropriations Act, 2020 (the “FY 20 Act”) requires the Secretary of the Treasury to “instruct the United States executive director of each international financial institution to use the voice of the United States to encourage such institution to adopt and implement 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[.]” Section 7029(a) also requires the Secretary of the Treasury to submit a report on steps taken in FY 19 by the U.S. Executive Directors (USEDs) and the international financial institutions consistent with 7029(a) compared to the previous fiscal year.

In accordance with the above, this report details actions taken by Treasury, the USEDs, and the five aforementioned MDBs in FY 19.² Section I of the report reviews the MDBs’ performance on the four central components of section 7029(a). Section II provides an overview of Treasury and the USEDs’ (hereafter referred to collectively as Treasury) engagement with the MDBs on evaluation issues. The report finds that with input from Treasury, the MDBs maintained high standards on all of the four central components of section 7029(a) in FY 19, as follows.

(i) Adoption and implementation of a publicly available evaluation policy. The IDB completed the process of formalizing and publishing an evaluation policy for its independent evaluation

¹ For an overview of evaluation practices at the MDBs, and discussion of these practices relative to other development organizations, see Treasury’s 2014 report to Congress on MDB evaluation.

² When referring to a specific MDB, this report is based on data for that MDB’s FY 19, as opposed to the U.S. government’s FY 19. The World Bank’s FY 19 ran from July 2018-June 2019; at the other four MDBs, FY 19 was the 2019 calendar year.

office (OVE) to better articulate the office's role and independence, which an independent review panel had recommended in previous years. The AsDB also completed the first, analytical phase of its effort to update the Bank-wide evaluation policy instituted in 2008.

(ii) Strategic use of peer reviews and external experts. In FY 19, 100% of evaluations completed by the MDBs' independent evaluation offices underwent internal review, and, across the MDBs, an average of 65% underwent external review. The latter is 10 percentage points lower than FY 18, due to lower rates of external review at the EBRD and no external reviews conducted at the IDB in FY 19, but still demonstrates strong use of external reviews. The U.S. Executive Director's Office encouraged the IDB to expand its use of external peer reviews during the process of developing a new evaluation policy.

(iii) Conducting independent, in-depth evaluations of the effectiveness of at least 25% of all loans, grants, programs, and significant analytical non-lending activities. In FY 19, the average coverage ratio of independent, in-depth evaluations³ across the MDBs was 33%, holding steady from FY 18. Four of the five MDBs maintained coverage levels comfortably above 25%, but EBRD's coverage continued the trend of the last two years of remaining below the threshold, due in part to limited budget available for project evaluations, but also because of strategic decisions by shareholders regarding the best use of evaluation resources. The U.S. Executive Director's Office supported a moderate increase in budgetary resources to allow the EBRD's independent evaluation office (EvD) to implement the recommendations of the external report of the Bank's evaluation system, including to increase the effectiveness of project evaluations.

(iv) Ensuring that decisions to support such loans, grants, programs, and activities are based on accurate data and objective analysis. Treasury has made learning from evaluation results a priority in its engagement with the MDBs, and thus welcomes the MDBs' progress in this area. Notable in FY 19 was the EBRD's launch of working groups to design better learning processes; the AfDB's commitment to a new learning strategy; and the AsDB's implementation of its new strategic plan to improve knowledge sharing as well as its roll-out of its new project templates to explicitly require reference to lessons learned. The AfDB also made notable progress in improving the tracking of Management implementation of evaluation recommendations.

Although the operating environment has become more challenging in FY 20 due to COVID-19, Treasury continues to engage with the independent evaluation offices of the MDBs on their work plans, evaluations, and tools for learning and will use our voice at each institution to maintain focus on these four priorities and the effectiveness of each office to contribute to development objectives at the MDBs.

I. Assessment of the MDBs' Performance Consistent with Section 7029(a)

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

³ As explained in section I(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.

Overview. Every MDB now has a publicly-available evaluation policy that details the principal responsibilities and governance structure of its independent evaluation office, including its relationship with the MDB’s management and the Board of Directors.⁴

Actions in FY 19. The IDB completed the process (started in FY 18) of instituting a formal evaluation policy in FY 19. The Board of Directors endorsed that framework in June 2019. The framework describes the common principles for evaluation, the IDB evaluation system, evaluation use, evaluation and feedback loops, and evaluation capacity development. The AsDB also completed the first, analytical phase of its effort to update its new Bank-wide evaluation policy from 2008. This revision will improve the evaluation policy by: (i) covering both independent *and* self-evaluations, (ii) outlining the key principles for evaluation, and (iii) clarifying roles and accountability.

Priorities for FY 2020. Treasury will continue to engage with the AsDB on its new framework for the Bank-wide evaluation policy. Furthermore, an independent review of the EBRD evaluation system in FY 19 suggested a need for revisions to the EBRD evaluation policy; we will engage closely on these changes.

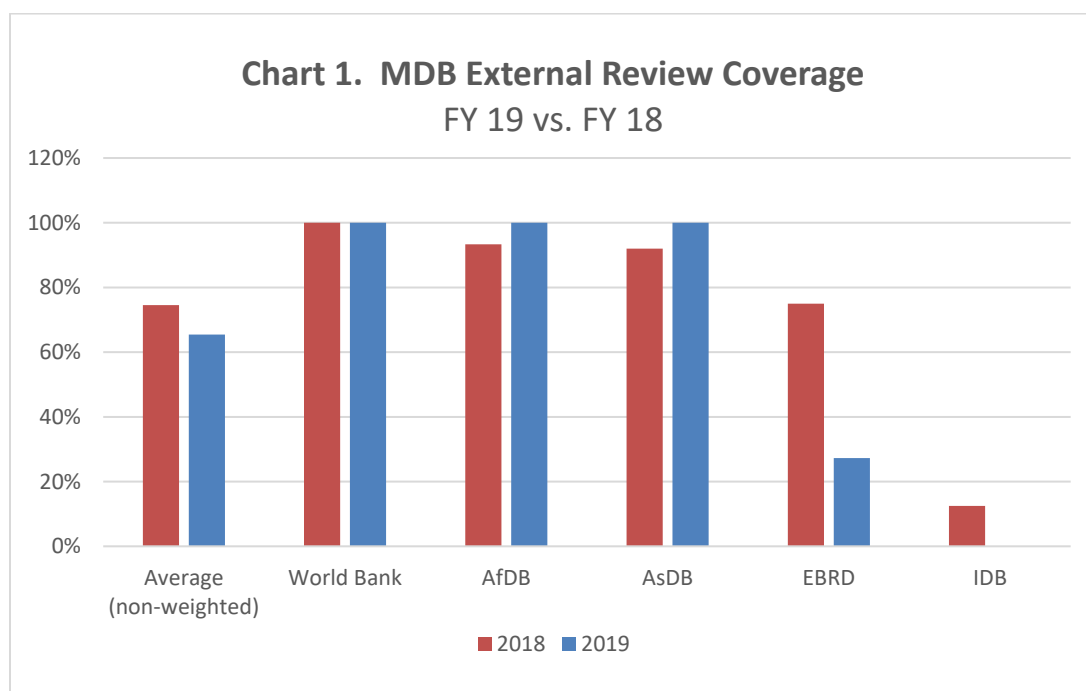
(ii) Strategic Use of Peer Reviews and External Experts

Overview. MDB evaluation products receive two types of peer review: (i) internal review by staff 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. Peer review is considered best practice in the industry and a valuable part of ensuring independence and integrity in the evaluation process. 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.

Table 1. Evaluations Subject to Peer Review <i>(FY 19 Coverage Ratio)</i>		
MDB	Internal Reviews	External Reviews
World Bank	100%	100%
AfDB	100%	100%
AsDB	100%	100%
EBRD	100%	27%
IDB	100%	0%
Average (non-weighted)	100%	65%

⁴ 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.

Coverage of Peer Reviews. Treasury finds that 100% of significant evaluations⁵ that the MDBs' independent evaluation offices completed in FY 19 underwent internal review, and across the MDBs, an average of 65% benefitted from external review, down from 75% in FY 18 but above the FY 17 level of 59%. As Table 1 indicates, there was wide variation in external review coverage. Three MDBs require external reviews for all major evaluation products, but the IDB continues to lag behind the other MDBs, with no external reviews completed in FY 19 after extremely low numbers in FY 18 and none in FY 17. The U.S. Executive Director's Office has engaged with the new Director of OVE at the IDB to reinforce that external peer review is in line with international standards. OVE intends to incorporate greater use of external reviews into internal OVE procedural guidelines, and it has already begun an effort in 2020 to increase its use of external peer reviewers. OVE also utilizes external reviews in a number of other ways – from conducting trainings to providing technical expertise on evaluations and even assessing the quality of IDB evaluations conducted by offices other than OVE. The EBRD's use of external reviews was reduced in FY 19 from six to three, due to the requirements and design of the specific evaluations conducted; the drop appears more significant than it is due to the low base. Chart 1 shows trends in external review coverage across the MDBs in FY 19.



Priorities for FY 20. Treasury will encourage the Director of IDB OVE to increase the use of external peer reviews. While Treasury does not believe it is necessary or cost-effective to conduct external reviews for all significant evaluations, they provide an important function and should be a priority for all the MDBs.

⁵ This includes project evaluations, sector and thematic reviews, country program evaluations, impact evaluations, corporate evaluations, and evaluation annual reports. It excludes the independent “validations” of self-evaluations of projects by MDB staff, which are typically only reviewed internally due to their large number.

(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 all of 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 can add an additional level of depth to an independent evaluation.

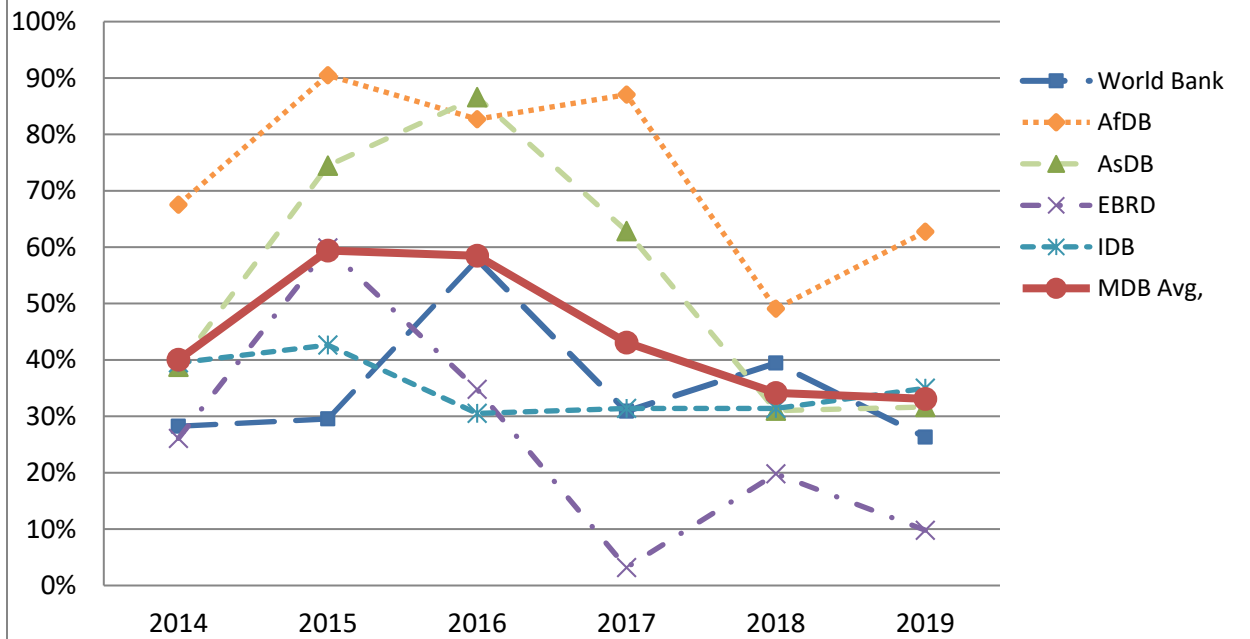
Coverage of Independent, In-Depth Evaluations. Calculating the coverage of independent, in-depth evaluations is complicated by the fact that the MDBs’ independent evaluation offices produce both evaluations of individual projects and broader evaluations on country programs and specific themes and sectors (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 19 by the number of projects completed and considered evaluation-ready annually. This methodology remains unchanged from last year’s report.

As Table 2 indicates, Treasury finds an average coverage ratio of 33% across the MDBs, with all MDBs other than the EBRD achieving a solid coverage ratio. The EBRD’s coverage ratio remains low for the third year in a row, with a declining travel budget particularly limiting EBRD EvD’s ability to conduct site visits. That has helped lead to greater focus on thematic evaluations over project evaluations. During an independent review of EvD in FY 19, the evaluators identified these budgetary drops as a weakness hampering EvD’s effectiveness, and the Board of Directors, with U.S. support, agreed that EvD should receive a moderate budget increase to allow it to more effectively cover a wider range of evaluations.

MDB	Coverage Ratio
World Bank	26%
AfDB	63%
AsDB	32%
EBRD	10%
IDB	35%
MDB Average (non-weighted)	33%

Chart 2 shows that the MDB average coverage ratio of 33% in 2019 held roughly flat from FY 18. It also demonstrates that most MDBs remain comfortably above 25%, although there is variation in the ratio from year to year due to the changing subject matter of the evaluations each department undertakes in a given year.

Chart 2. Coverage of Independent, In-Depth Evaluations FY 14-FY 19



Priorities for FY 20. Treasury will continue to engage with EBRD EvD to encourage focus on in-depth evaluations and will advocate for the independent evaluation offices at the other MDBs to continue to conduct a large number of in-depth evaluations.

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*, *thematic evaluations*, or *corporate evaluations*, which rarely involve project-level assessments and yet 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 evaluation components, such as results measurement frameworks and the identification of evidence from previous evaluations that was used to inform the design of the project, are included upfront in project proposals. The MDBs also have an array of feedback loops to improve projects' implementation in real-time, including regularized progress monitoring reports, and they prepare project completion reports. The MDBs have systems that track the implementation of recommendations from the independent evaluation offices, thereby holding themselves accountable for follow through.

Actions in FY 19. The MDBs continued to improve learning from evaluation results in FY 19.

- The World Bank continued to roll out use of a “knowledge package,” introduced in 2018, which is an automatically curated set of relevant lessons and evidence and other relevant knowledge, generated on demand for operational project task team leaders to use as they design new projects.
- At the AfDB, Management began preparing a new learning strategy and committed during the African Development Fund replenishment process that this will include consideration for how the Bank can more systematically incorporate project completion reports, evaluations, and knowledge from other MDBs into project design.
- The AsDB continued to implement the strategic plan to improve knowledge sharing (introduced in 2018). Knowledge management staff and Independent Evaluation Department (IED) staff now work together on a tailored outreach and communication plan on each evaluation, to improve recommendation uptake. The AsDB also introduced new templates for project documents to include a more explicit reference to lessons from prior relevant projects. When developing the rationale for a new project, staff now will need to reference lessons learned from prior AsDB projects, evaluations, or lessons from other development banks. The AsDB’s IED also made progress on its initiative to explore the use of an artificial intelligence engine called EVA to improve access and use of evaluation knowledge (from both self and independent evaluation) in real time, with the pilot scheduled to launch in FY 20.
- The EBRD created Results Management & Self-Evaluation and Knowledge Management Working Groups in 2019 to better incorporate evaluation results into project design and strengthen feedback loops in the self-evaluation function.
- At the IDB, OVE continues to disseminate evaluation results in various ways, including through events, newsletters, external blogs, and workshops. In the last two years, the IDB also has required staff to clearly identify knowledge gaps and include results from existing impact evaluations in 100% of the internal quality reviews of Sector Framework Documents. This helps Project Teams be aware of both existing evaluation results and knowledge gaps, to guide both project design and impact evaluation design.
- All the MDBs continue to promote robust usage of their recommendation tracking systems, and the AfDB maintains another system focused on project-relevant lessons learned for use in project design. AfDB Management, in particular, undertook a significant effort in 2019 to increase the data it provides its system on implementation of recommendations, increasing from 37% of recommendations having evidence in March 2019 to 89% in June 2019. The World Bank is also in the midst of a substantial reform of the entire Management Action Record (MAR) process of follow up to

recommendations by its Independent Evaluations Group (IEG), with the objective to move away from the current action plan-based system to one that is more strategic, thoughtful, and impactful, and develop a new online system to reflect the new process.

Priorities for FY 20. Learning will continue to be a top priority in Treasury’s engagement at the MDBs on evaluation in FY 20. In particular, Treasury will work closely with the AfDB on the development of its learning strategy and the EBRD on revisions to its learning ecosystem, including a planned evaluation of learning at EBRD. We will engage via the World Bank Board’s Committee on Development Effectiveness on the overhaul of the World Bank’s recommendation tracking process. Finally, we will closely monitor the AsDB’s artificial intelligence pilot to engage in real-time rapid learning innovations, which will be an important tool in the context of interventions to address the ongoing rapidly evolving pandemic.

II. Summary of Treasury’s Engagement with the MDBs on Evaluation

Evaluation remained a key component of Treasury’s (and our U.S. Executive Directors’) engagement with the MDBs in FY 19. Our approach was guided by the four components of section 7029(a), with a special focus, as mentioned above, on learning. Other key priorities included helping the independent evaluation offices develop highly strategic work plans—e.g., focusing on evaluations in priority areas and that are timed to influence key Board decisions—and working to ensure the offices retain their independence and are well-resourced.

Treasury also honed in on specific priorities at each of the MDBs, including the following:

- **World Bank** - Following the on-boarding of the new head of the IEG, Treasury engaged on how to improve the system for operationalizing lessons learned from major evaluations for quicker and more efficient incorporation of best practices. Treasury supported efforts to improve feedback loops throughout the evaluation process for better project design and outcomes. Treasury also continued to advocate for strong independence of the IEG, while also supporting a constructive relationship between the IEG and World Bank Management.
- **AfDB** – Treasury advocated for timely follow through on implementation of evaluation recommendations, most notably recommendations on quality assurance, policy dialogue, and the review of the decentralization agenda presented as part of the General Capital Increase negotiations in FY 19. Treasury also advocated to maintain the independence of the AfDB’s Independent Development Evaluation (IDEV) department after the hiring of a new Evaluator General. Finally, Treasury urged Management to include commitments in the general capital increase and African Development Fund replenishment negotiations to improve learning at the Bank.
- **AsDB** – Treasury strongly supported IED’s mandate to evaluate the relevance and results of the Tenth and Eleventh Replenishments of the Asian Development Fund (AsDF). The findings and recommendations of this evaluation will play an important role in ensuring the next replenishment, AsDF-13, incorporates lessons learned. Treasury also pressed Management to implement the recommendations in IED’s comprehensive review of AsDB’s support to Pakistan’s energy sector, where AsDB has been, and will continue to be, the leading development partner. Lastly, AsDB fully mainstreamed its Results Based

Lending modality in FY 19, with IED's results-based lending evaluation shaping key elements of the final proposal.

- EBRD – With the completion of the external assessment of the EvD, Treasury enabled increased budget resources to improve evaluation effectiveness and lead to better performance on in-depth evaluations. Treasury continued to push for better EBRD Management follow-up on EvD recommendations as well as adequate emphasis on learning and performance improvement, as outlined in the Evaluation Policy.
- IDB – Treasury encouraged greater use of external peer reviews and supported the IDB Group's adoption of a public evaluation policy in line with its peer institutions. We also advocated for measures to strengthen the use of evaluation lessons internally.

Looking ahead, the AsDB, IDB, and EBRD recently completed external assessments of their evaluation departments. These external assessments, which are conducted from time to time, provide a valuable opportunity to enhance the effectiveness of the MDBs' evaluation functions. The assessments produce specific recommendations, and Treasury will continue to engage closely in follow-up discussions to implement appropriate recommendations. Among these recommendations are the strengthening of the evaluation policy frameworks at AsDB and EBRD, which will continue to be a top priority for Treasury in FY 20. At the EBRD, these recommendations also included strengthening the self-evaluation system and adjusting the budget to allow EvD to work more effectively.