

**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, 2019 (P.L. 116-6)

United States Department of the Treasury
October 2019

Report of the U.S. Department of the Treasury Pursuant to Section 7029(a) of the Consolidated Appropriations Act, 2019 (P.L. 116-6)

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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 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, 2019 (the “FY 19 Act”) 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[.]” Section 7029(a) also requires the Secretary of the Treasury to submit a report on steps taken in FY 18 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 18.² 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)’s engagement with the MDBs on evaluation issues. The report finds that with input from Treasury, the MDBs strengthened their performance on three of the four central components of section 7029(a) in FY 18, as follows.

(i) Adoption and implementation of a publicly available evaluation policy. The World Bank completed the process of revising the mandate for its independent evaluation office (IEG) to

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 18, as opposed to the U.S. government’s FY 18. The World Bank’s FY 18 ran from July 2017-June 2018; at the other four MDBs, FY 18 was the 2018 calendar year.

better articulate the office's role and independence, and finalized a World Bank-wide evaluation framework. The IDB also agreed to consider the recommendation of an independent review panel of the evaluation function of IDB to formalize and publish an evaluation policy.

(ii) Strategic use of peer reviews and external experts. In FY 18, 100% of evaluations completed by the MDBs' independent evaluation offices underwent internal review, and, across the MDBs, an average of 75% underwent external review. The latter is 16 percentage points higher than FY 17, due to mandatory external peer review implemented in FY 18 at the World Bank and AfDB.

(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 18, the average coverage ratio of independent, in-depth evaluations³ across the MDBs was 34%. Four of the five MDBs maintained coverage levels comfortably above 25%, but EBRD's coverage—while significantly improved from FY 17—hovered just below 25%. Treasury will work with the EBRD to encourage adequate focus on in-depth evaluations in FY 19.

(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 18 was the AsDB's completion and implementation of a strategic knowledge management plan, the World Bank's roll-out of on-demand "knowledge packages" to share relevant recommendations with project teams during the design phase, and greater use of learning events across the MDBs.

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

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

Overview. Each MDB, except the IDB, 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 The IDB does not yet have a formal evaluation policy, but its governing documents do include pronouncements governing its evaluation function.

Actions in FY 18. The World Bank completed the process (started in FY 17) of revising its evaluation policy in FY 18. Specifically, the World Bank revised the mandate for the IEG and developed a World Bank-wide evaluation framework. The Board of Directors' Committee on Development Effectiveness endorsed that framework in June 2018. The framework describes the common principles for evaluation, the WBG evaluation system, evaluation use, evaluation

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.

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.

and feedback loops, and evaluation capacity development. The framework will be operationalized through a mandatory Directive on Evaluation. In addition, in FY 18, the IDB began the process of responding to the independent panel recommendation that it adopt a comprehensive evaluation policy.

Priorities for FY 19. Treasury will advocate for the IDB to formalize a comprehensive evaluation policy, comparable to peer institutions, and publish it on the website of the independent evaluation office (OVE). Treasury will also engage with the AsDB as it undertakes an analytical effort to develop a new Bank-wide evaluation policy that will (i) cover both independent *and* self-evaluations, (ii) outline the key principles for evaluation, and (iii) clarify roles and accountability.

(ii) Strategic Use of Peer Reviews and External Experts

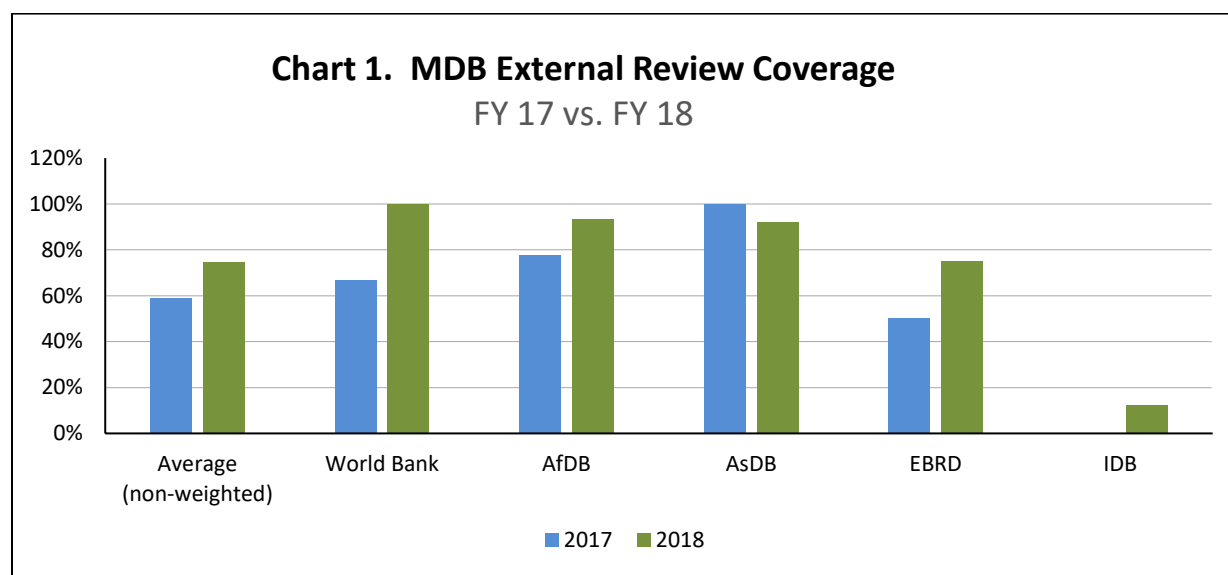
Overview. MDB evaluation products receive two types of peer review: (i) internal review by peer reviewers from the evaluation office as well as management and operational staff from the MDB; and (ii) external review by peers from the evaluation offices of other MDBs, stakeholders from shareholder governments,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

Coverage of Peer Reviews. Treasury finds that 100% of significant evaluations⁵ that the MDBs’ independent evaluation offices completed in FY 18 underwent internal review, and across the MDBs, an average of 75% benefitted from external review, up from 59% in FY 17. As Table 1 indicates, there was wide variation in external review coverage, with the IDB continuing to lag behind the other MDBs, although its performance, too, improved from FY 17. The new Director of OVE at the IDB recognizes that external peer review is in line with international standards and intends to incorporate greater use of external reviews into internal OVE procedural guidelines. 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.

Table 1. Evaluations Subject to Peer Review (FY 18 Coverage Ratio)		
MDB	Internal Reviews	External Reviews
World Bank	100%	100%
AfDB	100%	93%
AsDB	100%	92%
EBRD	100%	75%
IDB	100%	13%
Average (non-weighted)	100%	75%

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.

Chart 1 shows that external review coverage across the MDBs improved in FY 18, driven by increases in external reviews at nearly every MDB, and continued high coverage at AsDB. The AfDB’s Independent Development Evaluation office (IDEV) made it mandatory in FY 18 for all significant evaluations (but not comparative studies) to undergo external peer review, and the World Bank’s new guidelines also require external peer review for all major and meso⁶ evaluations.



Priorities for FY 19. 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.

(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 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.

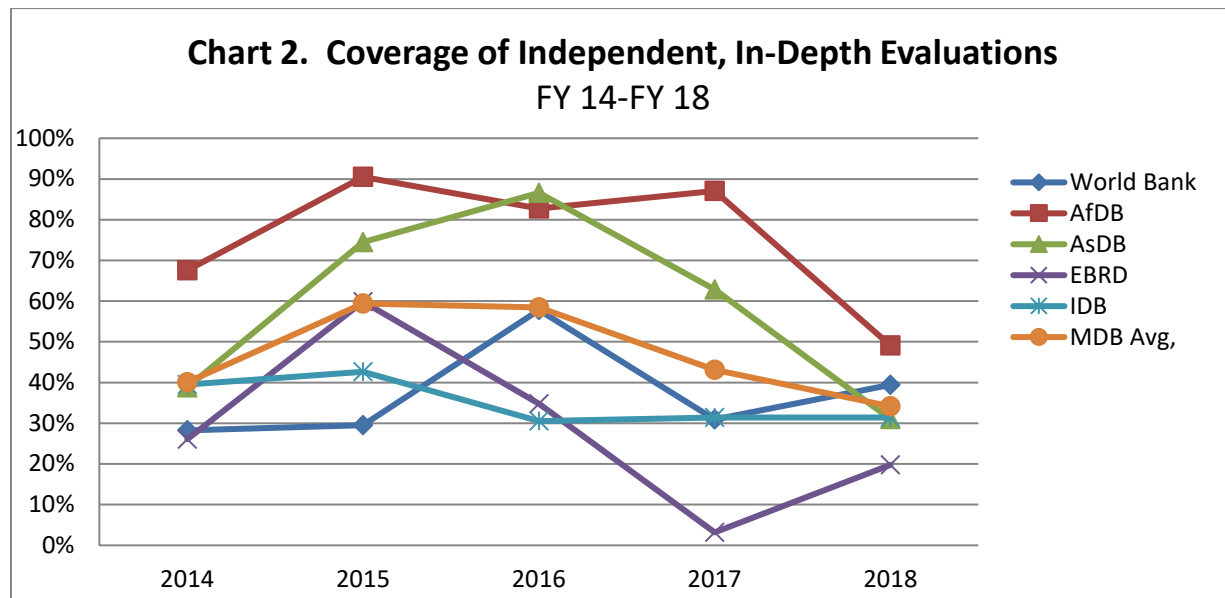
⁶ Meso evaluations address smaller, more focused, just-in-time evaluation issues than major evaluations.

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 18 by the number of projects completed and considered evaluation-ready annually. This methodology remains unchanged from the FY 18 report.

As Table 2 indicates, Treasury finds an average coverage ratio of 34% across the MDBs, with all MDBs other than the EBRD achieving a solid coverage ratio. As expected last year, the EBRD’s coverage ratio rose significantly from an anomalously low level of 3% in FY 17 that had been due to a confluence of factors, including the types of evaluations completed (e.g., corporate evaluations that do not require site visits) and timing of report issuance. However, while coming close, it still did not exceed 25%. From discussions with staff from the EBRD’s independent evaluation office (EvD), this reflects growth in the number of projects EBRD is undertaking relative to the small size of EvD. In addition, a declining travel budget for EvD has limited its ability to conduct site visits. As a result, it has focused more on thematic evaluations, which we believe to be a reasonable and valuable use of its scarce resources.

MDB	Coverage Ratio
World Bank	39%
AfDB	49%
AsDB	31%
EBRD	20%
IDB	31%
MDB Average (non-weighted)	34%

Chart 2 shows that the MDB average coverage ratio of 34% average declined slightly in 2018, from 43% in FY 17, due largely to declines from the extremely high rates of evaluation at AfDB and AsDB in previous years. 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.



Priorities for FY 19. 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 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 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 prepare project completion reports. And 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 18. The MDBs continued to improve learning from evaluation results in FY 18. The World Bank introduced a “knowledge package,” which is an automatically curated set of relevant lessons and evidence and other relevant knowledge, generated on demand for operational project task team leaders for use as input in the design of new projects. EBRD also created knowledge packages from a subset of lessons learned, increased the number of its consultations with management to incorporate evaluation results into sector strategies, and also developed a synthesis of evaluation results at the country level for Board of Directors’ use during consultation visits. At the AfDB, IDEV evaluated the Quality at Entry, and Quality of Supervision and Exit of Bank Group operations, and Quality Assurance across Project Cycle, and worked with AfDB Management so that its recommendations informed a new Quality Assurance Implementation Plan. IDEV also held five learning workshops for AfDB staff to promote awareness of gender-related, sector-relevant, and project-specific recommendations from completed evaluations. The AsDB’s independent evaluation office (IED) finalized and

worked to implement its overarching strategic plan to improve how it shares evaluation knowledge, with a dedicated team working with IED to engage on outreach and communication of recommendations. All the MDBs continued to broaden coverage of their recommendation tracking systems (recently deployed at AfDB and EBRD), and IDEV maintains another system focused on project-relevant lessons learned for use in the project design phase. The IDB, in particular, upgraded its recommendation tracking system and used this data to provide timely feedback to Management during the development of action plans and to validate progress.

Priorities for FY 19. Learning will continue to be a top priority in Treasury’s engagement at the MDBs on evaluation in FY 19. In particular, Treasury will work closely with the World Bank as it refines the recommendation tracking processes and systems to ensure robust accountability over the longer-term. Treasury will also continue its efforts to strengthen incentives and requirements to incorporate results from previous evaluations in project design. Treasury will engage with the AsDB’s IED on an innovative pilot project to explore the use of cognitive search to improve access and use of evaluation knowledge (from both self and independent evaluation). Finally, Treasury will continue to work with the AfDB’s IDEV to expand the scope of the studies whose recommendations are captured in the tracking system.

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 18. 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 -- Treasury supported the implementation of the new evaluations mandate and roll-out of the knowledge packages and engaged in the hiring process for the new Director General for Evaluation of the IEG.
- AfDB – Treasury advocated for timely follow through on implementation of evaluation recommendations, most notably recommendations on quality assurance and policy dialogue, and urged Management to prioritize hiring a new Evaluator General. Treasury provided significant guidance to IDEV in the design of an evaluation of the AfDB’s Development and Business Delivery Model, a key institutional reform initiative.
- AsDB – Treasury used its strong support of the Results-Based Lending evaluation to push reforms as AsDB mainstreams this instrument. Treasury also used the evaluation of Policy-Based Lending (PBL) to work with management to improve the use of PBLs to leverage reforms in recipient countries. In addition, Treasury has also closely monitored the implementation of the recommendations in IED’s evaluation on State-Owned Enterprise Engagement and Reform.
- EBRD – Through U.S. membership on the EBRD Audit Committee in 2018, Treasury participated in guiding the work for the external assessment of the EvD and engaged on in-depth project 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 advocated for the IDB Group to adopt 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 AfDB, AsDB, and IDB recently completed external assessments of their evaluation departments, while the EBRD's is ongoing. 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 IDB, which will be a top priority for Treasury in FY 19. Treasury will also work to maintain the independence of IDEV at the AfDB as the new Evaluator General takes the helm.