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, 2018 (P.L. 115-141)

United States Department of the Treasury
August 2018

Report of the U.S. Department of the Treasury Pursuant to Section 7029(a) of the Consolidated Appropriations Act, 2018 (P.L. 115-141)

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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 seeks further strengthening of the MDBs' already robust evaluation functions, while utilizing evaluation lessons to improve projects, strategies, and operations in its position on the MDBs' Boards of Directors.

Section 7029(a) of the Consolidated Appropriations Act, 2018 (the "FY 18 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 17 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 17.[2, 3] 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

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[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 17, as opposed to the U.S. government's FY 17. The World Bank's FY 17 ran from July 2016-June 2017; at the other four MDBs FY 17 was the 2017 calendar year.

[3] The focus on FY 17 in this year's reporting language means there is overlap between sections I(i), I(iv), and II of this report and last year's comparable report, which included data through October 2017 for the aforementioned sections.

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 17, as follows.

(i) Adoption and implementation of a publicly available evaluation policy. The World Bank began revising the mandate for its independent evaluation office (IEG) to better articulate the office's role and independence, and began developing a World Bank-wide evaluation framework.

(ii) Strategic use of peer reviews and external experts. In FY 17, almost all evaluations completed by the MDBs' independent evaluation offices underwent internal review, and, across the MDBs, an average of 59 percent underwent external review. The latter is 7 percentage points higher than FY 16.

(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 17, the average coverage ratio of independent, in-depth evaluations[4] across the MDBs was 43 percent. Four of the five MDBs maintained coverage levels distinctly above the 25 percent threshold, but EBRD's coverage fell below the threshold. While closer analysis indicates that the EBRD's FY 17 performance is an anomaly based on specific factors, Treasury is focused on ensuring it does not repeat in FY 18.

(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. For example, the World Bank continued to strengthen feedback loops from project beneficiaries; the AfDB, EBRD, IDB, and AsDB deployed or improved tracking systems to hold themselves accountable for implementing evaluation recommendations; and the AsDB took a holistic approach to enhancing communication of evaluation knowledge.

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

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

Overview. Each MDB has an 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.[5] These policies are publicly available for all MDBs other than the IDB.

Actions in FY 17. The World Bank was the only MDB that revised its evaluation policy in FY 17. Specifically, the World Bank began revising the mandate for its independent evaluation

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[4] 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.

[5] 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.

office (IEG) – which serves as the office's policy – and developing a World Bank-wide evaluation framework. Among other things, the revised mandate seeks to better articulate IEG's independence and dual accountability and learning role. Key objectives of the evaluation framework include providing common principles for evaluations conducted by different actors across the World Bank Group, and clarifying the roles and responsibilities of these actors.

Priorities for FY 18. Treasury's top priorities in this area include advocating for the IDB's independent evaluation office (OVE) to publish its evaluation policy on its website, and working with the World Bank to finalize development of its new evaluation framework.

(ii) Strategic Use of Peer Reviews and External Experts

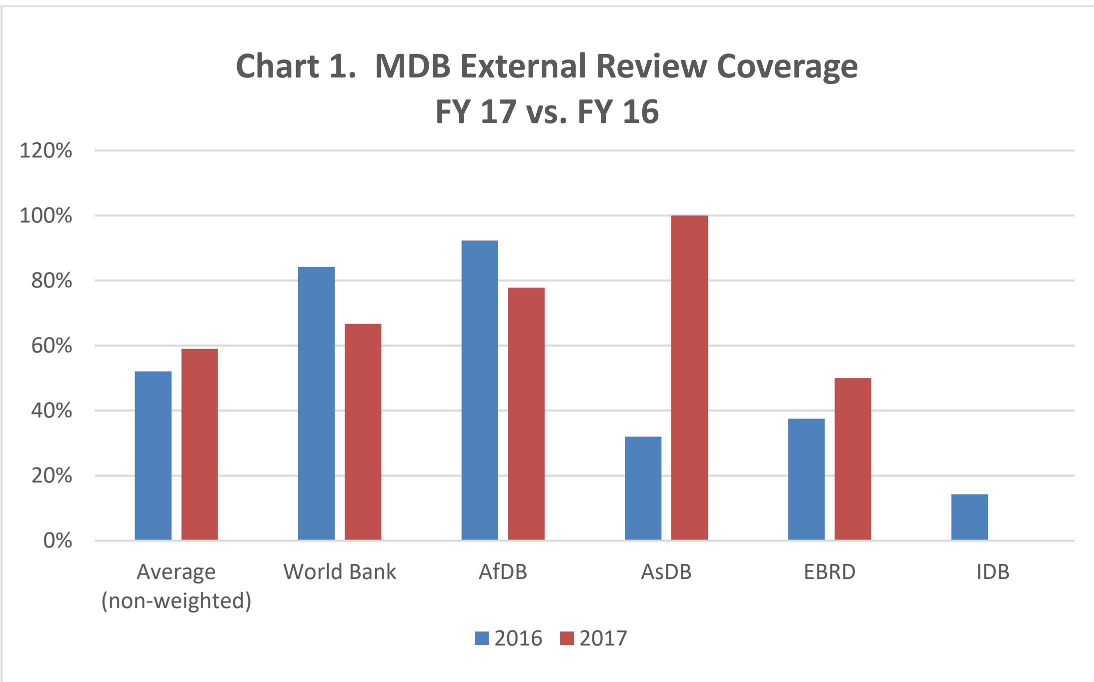
Overview. MDB evaluation products receive two types of peer review: (i) internal review by peer reviewers from the evaluation office as well as management and operational staff from the MDB; and (ii) external review by peers from the evaluation offices of other MDBs, stakeholders from shareholder governments, 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 significant evaluations[6] that the MDBs' independent evaluation offices completed in FY 17 underwent internal review, and across the MDBs, an average of 59 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. IDB staff indicate that they use external reviews selectively – while they did not use external reviews for evaluations completed in FY 17, they intend to use them in the years ahead. 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.

[6] 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.

Table 1. Evaluations Subject to Peer Review *(FY 17 Coverage Ratio)*		
MDB	**Internal Reviews**	**External Reviews**
World Bank	100%	67%
AfDB	56%	78%
AsDB	100%	100%
EBRD	100%	50%
IDB	100%	0%
MDB Average (non-weighted)	91%	59%

Chart 1, beneath Table 1, shows that external review coverage across the MDBs improved in FY 17, driven by a significant increase in external reviews at the AsDB.



Priorities for FY 18. Treasury will encourage IDB OVE to increase its 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.

(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.

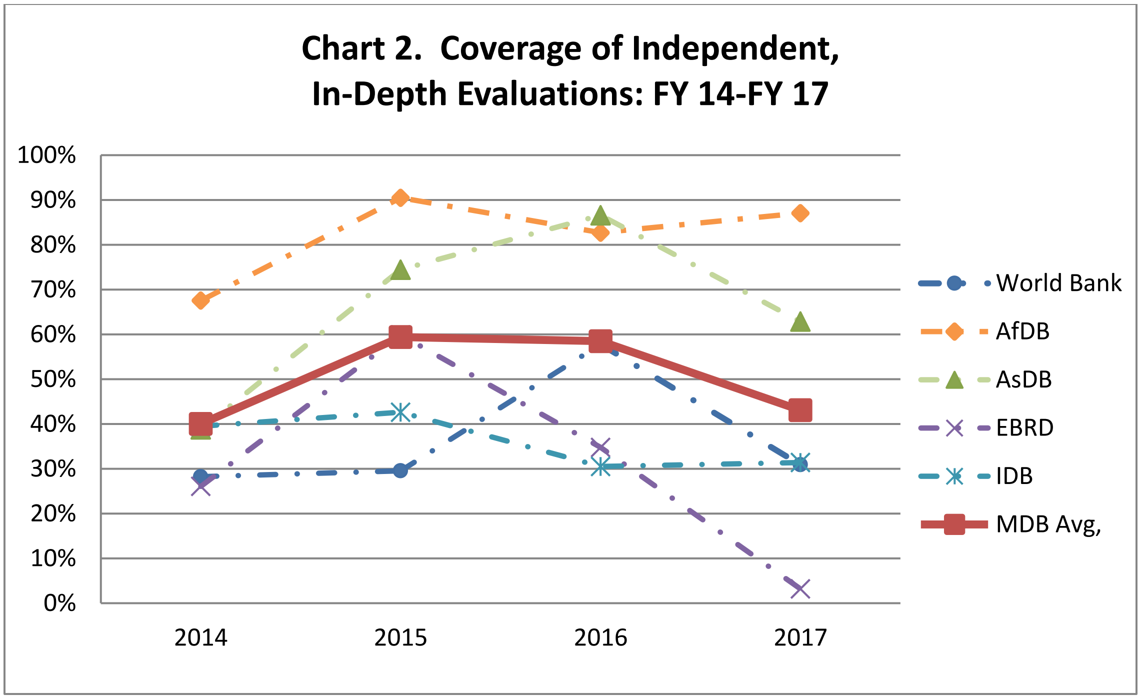
Coverage of Independent, In-Depth Evaluations. Calculating the coverage of independent, in-depth evaluations is complicated by the fact that the MDBs' independent evaluation offices produce both evaluations of individual projects and broader evaluations on country programs and specific themes and sectors (e.g., fragile states or infrastructure) that include multiple projects. 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 17 by the number of projects completed annually.

As Table 2 indicates, Treasury finds an average coverage ratio of 43 percent across the MDBs, with all MDBs other than the EBRD achieving a solid coverage ratio. Closer analysis, and discussions with staff from the EBRD's independent evaluation office (EvD), confirm that EBRD's FY 17 coverage ratio is an anomaly that does not capture EvD's commitment to "in-depth evaluations," as measured by project site visits. EvD reported a low number of site visits for FY 17 due to a confluence of factors, including the types of evaluations completed (e.g., corporate evaluations that do not require site visits) and the fact the Treasury's methodology only counts site visits for evaluations completed in FY 17 (during the year, EvD conducted a number of site visits for evaluations scheduled to be completed in FY 18). Treasury expects EBRD's coverage ratio to rise in 2018.

Table 2. Projects Subject to Independent, In-Depth Evaluation
(FY 17 Coverage Ratio)

MDB	Coverage Ratio
World Bank	31%
AfDB	87%
AsDB	63%
EBRD	3%
IDB	31%
MDB Average (non-weighted)	43%

Chart 2 shows that the MDB average coverage ratio of 43 percent average is lower than the average for 2016 and 2015, though higher than 2014. It illustrates the link between the decline in the overall coverage ratio and the fall off in coverage at the EBRD, while confirming that the EBRD's FY 17 coverage ratio is an outlier.



Priorities for FY 18. Treasury will work closely with EBRD EvD to ensure that its coverage ratio rises as expected, and will advocate for the independent evaluation offices at the other MDBs to continue to conduct a large number of in-depth evaluations. Treasury will also review its methodology for calculating the coverage of "independent in-depth, evaluations" due to the methodological challenges illustrated by the EBRD in FY 17 and the qualifying considerations below.

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 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 17. The MDBs continued to improve learning from evaluation results in FY 17. At the World Bank Group, among many other actions, the International Finance Corporation (IFC) developed a new framework for assessing and tracking project development impacts, and the World Bank continued to strengthen project beneficiary feedback mechanisms, so that project implementation can be adjusted in real-time based on beneficiary experience. The AfDB's independent evaluation office (BDEV) began evaluations of the AfDB's project quality and monitoring systems, and also implemented the Bank's new evaluation recommendation tracking system. EBRD EvD also deployed its new recommendation tracking system, and engaged in a range of activities to communicate evaluation lessons learned to project staff and the Board (e.g., training classes). Similarly, IDB OVE conducted its first validation of the data in IDB's recommendation tracking system, while continuing to use an array of tools to disseminate evaluation results. Finally, the AsDB's independent evaluation office (IED) developed an overarching strategic plan to improve how it shares evaluation knowledge, including events, publications, systems (including the AsDB's recommendation tracking system), and trainings.

Priorities for FY 18. Learning was a top priority in Treasury's engagement at the MDBs on evaluation in FY 17, and it will continue to be a priority in FY 18. In particular, Treasury will work closely with the MDBs as they refine their recommendation tracking systems to ensure they provide robust accountability over the longer-term, and continue its efforts to strengthen incentivizes and requirements to incorporate results from previous evaluations in project design.

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

Evaluation remained a key component of Treasury's engagement with the MDBs in FY 17. Treasury's 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 helped develop the revised IEG mandate, increasing the emphasis on learning in the mandate, and the World Bank-wide evaluation framework.

- AfDB – Treasury advocated for timely follow through on implementation on evaluation recommendations, most notably recommendations from the 2016 comprehensive evaluation of the AfDB's development results.
- AsDB – Treasury engaged heavily on evaluations of key institutional tools and lending instruments, and oversaw an external assessment of the AsDB's overall evaluation function (including IED).
- EBRD – Treasury guided and oversaw an external assessment at the EBRD, while also pushing for enhanced follow through on evaluation recommendations and dissemination of evaluation knowledge.
- IDB – Like at AsDB and EBRD, Treasury guided and oversaw an external assessment of IDB's evaluation function. Treasury also served on the selection panel for the new OVE Director, ensuring that a strong individual with an appropriate mandate was selected.

Looking ahead, the external assessments at the AsDB and IDB are now complete, the EBRD's is ongoing, and a fourth external assessment, at the AfDB, will be conducted in 2018. 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 engage closely in follow-up discussions to implement appropriate recommendations. Treasury will also engage in the process for selecting a new Director for the AfDB's evaluation office.