

# **Review of the Evaluation function of the IDBG**

Independent Review Panel

**FINAL REPORT**

April 2018



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## **Acknowledgments**

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The Independent Review Panel would like to express its gratitude to the Executive Directors and staff of the IDBG, who participated in various ways in this review and contributed to making it a success.

The Panel would like to thank members of the Policy and Evaluation Committee (PEC) of the Board for their guidance, and for the opportunity to have met and discussed with them the review's intermediate report.

The Panel would like to extend its sincere thanks to the Director and staff of the IDBG's Office of Evaluation and Oversight (OVE) for their collaboration and support over the course of this review, as well as for their openness and willingness to engage with the Panel on the range of questions that drove the review.

The Panel would like to thank the IDBG's executive and professional staff for their input to the review and, as well, for the significant professional and administrative support they provided for the administration of the survey questionnaire and for coordination of the review's logistics.

Finally, the Panel would like to thank the executive and professional staff from the evaluation offices of other multilateral development banks, for sharing with information on their evaluation related practices and for their perspectives on the challenges and opportunities facing evaluation in multilateral organisations.

The Independent Review Panel

Ian C Davies, Credentialed Evaluator (CE), Chair  
Vibecke Dixon, Member  
Roberto Laver, Member

## ***Executive Summary***

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This report presents the findings and recommendations of the Independent Review Panel (IRP) to review the Evaluation function of the Inter-American Development Bank Group (IDBG). The review was conducted over the period from November 2017 to March 2018.

This review focuses on the Office of Evaluation and Oversight (OVE) and its independent evaluation function, taking into account the IDBG's overall evaluation system, more specifically the interactions between OVE and the other key functions of the system such as governance, i.e. the Policy and Evaluation Committee of the IDB (PEC), and management, i.e. the Strategic Planning and Development Effectiveness Division of the IDB (SPD), together with their corresponding responsibilities in the overall system, i.e. oversight and self-evaluation respectively.

### **OVE**

The Panel examined the performance of OVE in terms of the relevance and quality of its work, including its outreach activities. The review focussed primarily on the quality of the processes by which OVE develops its workplans and engages with the PEC to discuss, among other things, the relevance of the evaluations that are proposed in these.

#### Relevance

The Panel finds that, although OVE's preparation of its workplans is based on explicit criteria that include relevance to IDBG and Latin America and Caribbean (LAC) countries, as well as to management decision-making, there are opportunities for improvement.

Accordingly, with respect to **relevance** of OVE's work, the Panel **recommends** that:

**OVE may wish to consider extending its workplan consultation approach to include management and to reach out to stakeholders outside of IDBG such as NGOs and relevant actors in different areas.**

**OVE should make explicit as appropriate and relevant, how the evaluations it envisages are intended to add value to IDBG and to contribute to sustainable development in the LAC region and globally.**

#### Quality

The Panel reviewed aspects of quality of OVE's work, consistent with norms and standards for evaluation quality that are applicable to IDBG.

The Panel finds that OVE draws on a range of documents to frame its evaluation practice. As well, OVE states that there are processes and practices internal to OVE to support quality evaluation, such as internal peer reviews, however, the Panel did not find evidence of an explicit, documented and comprehensive framework specific to OVE, for evaluation quality.

The Panel finds that, generally, there is a positive appreciation among its interviewees of the overall quality of OVE's evaluations. Furthermore, in comparison to the 2011 independent review survey, respondents to the 2018 survey are more positive about improvements in quality over the past years. The Panel finds that management at the technical level provides generally a more positive assessment of OVE's work, both in terms of quality of engagement and of the evaluation reports, than does the executive level. In the context of corporate evaluations, the executive level expressed reservations about the quality of engagement with OVE and of some evaluation recommendations.

### Outreach

The Panel took stock of OVE's outreach activities and considers that they are appropriate and managed with a view to their improvement.

Accordingly, with respect to **the quality** of OVE's work, the Panel **recommends** that:

**OVE should develop clearer and more specific guidance for its evaluation staff on principles, norms and standards, or equivalent, for evaluation quality in OVE.**

**OVE should consider including in its evaluation practice approaches that are well suited to different purposes such as supporting management decision-making and organisational learning in addition to its current accountability focus.**

The Chair of the Panel, a Credentialed Evaluator, reviewed a selection of OVE evaluation reports and presents his observations in Annex 1 to this report.

### Effectiveness of recommendations

To review the effectiveness of OVE recommendations, the Panel considered how, and to what extent, recommendations made in OVE evaluation reports are provided to, and discussed with, management and the PEC. The Panel received varying assessments from its interviewees, of the quality of OVE recommendations.

Interviewees at management level stated that they did not always see systematic linkages between the recommendations made in the evaluation report and the content that precedes them. However, management interviewees, particularly at technical level, also stated that recommendations could be practical, actionable and useful. On average, survey respondents "partially agree" that each of the OVE products (country evaluations, corporate evaluations, sector/thematic evaluations and project evaluations) produces useful recommendations.

While interviewees gave examples of use of OVE recommendations, the Panel was not able to obtain substantive and systematic evidence of material improvements to IDB's policies, practices and programs, from the systems and practices that IDB has in place.

To strengthen the **effectiveness of its recommendations**, the Panel **recommends** OVE consider a range of possible options:

**One would be for OVE to have substantial interaction, e.g. workshops, seminars, meetings, with relevant stakeholders to discuss potential recommendations in light of the evaluations' findings and conclusions before inclusion of recommendations in a draft report.**

**Another option would be for OVE to consider producing some evaluations without recommendations, but with highlighted issues, leaving it to management to make the recommendations together with action plans.**

**A third option would be for OVE to prioritize recommendations according to importance.**

### OVE management of its resources

The Panel was asked to examine the extent to which OVE makes efficient use of its resources in delivering on its mandate. Accordingly, the Panel requested from OVE information to assess the extent to which its resource allocations for evaluation are made with due regard for efficiency. In the absence of meaningful efficiency related information from OVE, the Panel considered aspects of OVE's management of its resources, that were identified as important

by OVE staff, i.e. allocation of staff to evaluations, training and organisational structure of OVE.

The Panel did not find the allocation process and its criteria clearly and formally documented for the benefit of OVE staff. The Panel considers that more transparency and clarity with respect to how and on what basis decisions are made when they concern staff, would help achieve a better balance between opportunities and risks.

Given the clearly expressed request from OVE staff for more evaluation related training, and that the discipline of evaluation is rapidly evolving, the Panel considers professional development a strategic lever for continuous improvement of OVE evaluation.

To strengthen the **management of OVE resources** the Panel **recommends** that:

**OVE should make clearer, more explicit and document those management processes and decisions that affect staff, particularly on allocation of staff to evaluations.**

**OVE should engage in strategic management based on a systematic and structured strategic planning process, so that, among other benefits, it can make clear its vision and mission over a 3 to 5-year period and establish priorities on a rolling 3-year basis.**

**OVE should review its organisational structure to assess the relative merits and risks of its current “flat” structure in light of its strategic direction and priorities, so that form follows function.**

## **IDBG Management**

### *IDBG Management – OVE relations*

The Panel finds that, in general, working relations are good between OVE and IDBG management staff at the technical level. On the other hand, working relations between OVE and IDBG management at the executive level tend to be more contentious and, according to some interviewees from both OVE and management, antagonistic at times.

While the overall relationship between OVE and IDBG management and staff in producing about 100 evaluations over the past seven years has been positive and cooperative, a few instances of non-collaboration have generated a negative atmosphere between OVE and some IDB senior management staff, resulting in unhealthy tensions and a concern among OVE staff for the independence of their work.

The Panel found that there has been an overall improvement in the relationship between OVE and IDBG management since 2011. However, there is also a general perception that the quality of the relationship has been declining over the last one to two years.

### *Self-evaluation system & validation*

IDB has been slow in developing a credible self-evaluation and validation system at project level, although OVE and SPD have collaborated to develop the system since 2010. IDB's system to ensure quality at entry (DEF/DEM) is well developed and is at the forefront compared to other MDB's, both in light of its content and its wide application within IDB. Survey respondents overall have a positive appreciation of the DEM, with a positive tendency on most aspects (except for relevance) between 2011 and 2018.

IDB produces relatively few Project Completion Reports (PCR) both in light of the number of projects with solid monitoring and evaluation plans from the outset and as compared to other MDBs. There is a strong disparity between the high-quality and wide application of the DEM,

i.e. high Quality at Entry, and the low numbers of end-of-project self-evaluations. The reasons for this may be many and multifaceted, but the Panel found indications that there may be a lack of balance in the incentives of the overall system as there are strong incentives for getting projects to the Board, and few incentives for good quality monitoring and completion of PCRs.

#### Recommendations Tracking System (ReTS)

Management's follow up of recommendations in ReTS can become a bureaucratic compliance exercise rather than a useful and meaningful one. The Panel found that because some of the recommendations are not perceived as relevant or useful by management, and seen to be imposed by Board endorsement, follow-up of recommendations in ReTS is reduced at times to procedural compliance with a checklist of bureaucratic requirements.

#### Impact evaluations

IDB is producing an increasing amount of impact evaluations (IE) per year. They are perceived by staff to provide useful information about what works and not in the interventions, and useful learning for individual staff members. There is, however, no single database or file gathering lessons learned from IEs.

**The Panel recommends that Executive Management communicate more effectively the value of accountability, transparency and learning to foster a more enabling environment for evaluation throughout the organization.**

**The Panel recommends that Executive Management issue guidelines for management staff on how to relate to and collaborate with OVE to ensure full and open sharing of information and collaboration on OVE evaluations.**

**Executive Management should consider re-assessing the incentive structure to encourage better monitoring and self-evaluations.**

**The Panel recommends that the Board requests from management regular reporting on project and program results based on the findings from PCRs and XSRs.**

**The Panel recommends that OVE should reconsider its approach to, and selection of, Country Programme Evaluations (CPEs) given the proportion of projects without adequate quality monitoring and end-of-project evaluations (PCRs).**

**The Panel recommends that the Board requests from management relevant and appropriate accountability information on follow up of recommendations, so that it can exercise its oversight role and to strengthen incentives for IDBG's documentation of, and reporting on, development results.**

**The Panel recommends that SPD make cross-searches of recommendations possible in the new IT solution for the ReTS.**

### **PEC/Board Oversight and OVE Independence**

#### Norms and standards

The Panel finds that, in general, IDB has formally adopted key principles and standards on governance and independence of OVE, independent leadership of OVE, independence of OVE staff, OVE work program and budget and independent reporting and disclosure.

While key elements of OVE's mandate and independence safeguards are reflected in existing Board approved documents, particularly the OVE's Director's terms of reference, the Panel considers that the policy framework could be strengthened in some respects.

#### Practice

The Panel finds that OVE operates generally in accordance with IDB policies and procedures on the independent evaluation function. For the most part, there exist in practice structural independence of OVE, independent leadership of OVE, independence of OVE staff, autonomy in its work program and budget, and independent reporting and disclosure.

The Panel's review highlights specifically the behavioural independence of OVE as demonstrated in its ability to issue evaluation reports that are impartial, free of undue influence and in which assessments are expressed candidly, including the critique of the institution's programs and activities.

The Panel's review, however, also identifies specific areas of risk, and concern, that require serious and immediate attention as IDB strives to strengthen its governance of the independent evaluation function.

#### Board oversight of OVE

In its analysis of the situation in 2011, the respective Independent Review Panel found that the Board had weak oversight over OVE. From the Panel's interview and survey data, it finds that the interaction between OVE and the Board has improved after 2011, and also that PEC scores better on oversight categories in the 2018 survey as compared to the 2011 survey. While recognizing this positive tendency, the Panel, however, finds that progress in the implementation of the 2011 recommendations has been limited and Board oversight remains a challenge.

#### Management cooperation with OVE's evaluations

The Panel finds that tensions that have developed between OVE, senior management and some Board members relative to recent corporate evaluations remain pervasive and affect negatively IDBG, its evaluation system and its independent evaluation function. These tensions have not been adequately addressed and resolved.

The Board is responsible for safeguarding OVE's independence when it is put at risk. In the IDBG there are tensions, misunderstandings and mistrust related to OVE which, if not addressed, will continue to undermine its independence and to limit its effectiveness.

The challenge for PEC and the Board is to oversee these relationships, to make sure that, as they come up, tensions are resolved in ways that do not undermine the essential elements of OVE's independence from management yet provide management with reasonable opportunity to make its voice heard fairly and constructively.

The Panel **recommends** that the Board:

**Strengthen the policy framework on the independent evaluation function by considering a comprehensive and coherent policy framework for the IDBG overall evaluation system; and that OVE and the Board should issue policies and guidelines in the specific areas detailed in this report.**

**Strengthen PEC/Board oversight of OVE by considering adjusting the terms of reference of the PEC to better define its role in helping the Board carry out a more strategic oversight of OVE; and by considering the changes in PEC organization and functioning as suggested in this report.**

## ***Abbreviations and acronyms***

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<b>CLEAR</b>	Centers for Learning on Evaluation and Results
<b>CPE</b>	Country Program Evaluation
<b>DEF</b>	Development Effectiveness Framework
<b>DEM</b>	Development Effectiveness Matrix
<b>ECB</b>	Evaluation Capacity Building
<b>ECG</b>	Evaluation Cooperation Group
<b>EDs</b>	Executive Directors
<b>EOM</b>	Early Operating Maturity
<b>IDB</b>	Inter-American Development Bank
<b>IDBG</b>	Inter-American Development Bank Group
<b>IE</b>	Impact Evaluation
<b>IEG</b>	Independent Evaluation Group of the World Bank Group
<b>IFAD</b>	International Fund for Agricultural Development
<b>IFI</b>	International Financial Institutions
<b>IIC</b>	Inter-American Investment Corporation
<b>IMF</b>	International Monetary Fund
<b>IRP</b>	Independent Review Panel
<b>IT</b>	Information Technology
<b>MDB</b>	Multilateral Development Bank
<b>MIF</b>	Multilateral Investment Fund
<b>M&amp;E</b>	Monitoring and Evaluation
<b>OECD-DAC</b>	Organisation for Economic Co-operation and Development – Development Assistance Committee
<b>OVE</b>	Office of Oversight and Evaluation of the IDBG
<b>PCR</b>	Project Completion Report of the IDB
<b>PEC</b>	Policy and Evaluation Committee of the IDB
<b>PMR</b>	Project Monitoring Report
<b>ReTS</b>	Recommendations Tracking System
<b>SCF</b>	Structured and Corporate Finance Department of the IDB
<b>SPD</b>	Strategic Planning and Development Effectiveness Division of the IDB
<b>XSR</b>	Expanded Supervision Report of IDB Invest



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## **1. Introduction**

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This report presents the findings and recommendations of the Independent Review Panel (IRP) to review the Evaluation function of the Inter-American Development Bank Group (IDBG). Its content is based on the Panel's interviews of, and meetings with, members of the IDB Board (the Board), PEC, counsellors, management staff at executive and technical levels, OVE staff, as well as Directors and staff of other multilateral development banks (MDB) including their independent evaluation units. It is also based on the review of relevant documentary data regarding the independent and self-evaluation functions and IDB Board oversight.

This report also draws on a survey that was administered with the support of the Boards and the Executives of the IDB and of IDB Invest, as well as the professional administration support of SPD. The survey was distributed to IDBG employees<sup>1</sup> to obtain their perspectives on its evaluation system and to provide a measure of progress since 2011. The survey, which had a response rate of 47%, was adapted from the survey administered by the external independent review of the evaluation function that was conducted in 2011

This review was conducted over the period from November 2017 to March 2018.

## **2. Purpose, context, scope**

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The Board commissioned an External Review of the Office of Evaluation and Oversight (OVE) to make important contributions to enhance the role of OVE, and to provide advice and guidance on the evaluation function throughout the IDBG.

This review was conducted in the context of the appointment of a new Director of OVE and is expected to provide the incoming Director with information useful to the undertaking of that position, in a manner that contributes to the enhancement of OVE and its independent evaluation function, as well as of the evaluation function generally in the IDBG<sup>2</sup>.

The review is also expected to provide the Board with advice and guidance to strengthen its oversight of OVE through its Policy and Evaluation Committee (PEC), and to management of the IDBG to strengthen its self-evaluation function.

An External Review that was conducted in 2011 served to inform the Board, management and the then incoming Director of OVE. The present review takes stock of progress on the recommendations that were made by the 2011 review.

This review focuses on OVE and its independent evaluation function, taking into account the IDBG's overall evaluation system, more specifically the interactions between OVE and the other key functions of the system such as governance, i.e. PEC, and management, i.e. SPD, together with their corresponding responsibilities in the overall system, i.e. oversight and self-evaluation respectively.

The review does not assess organisational units and functions of IDBG unrelated to evaluation nor does it assess individual performance of IDBG staff.

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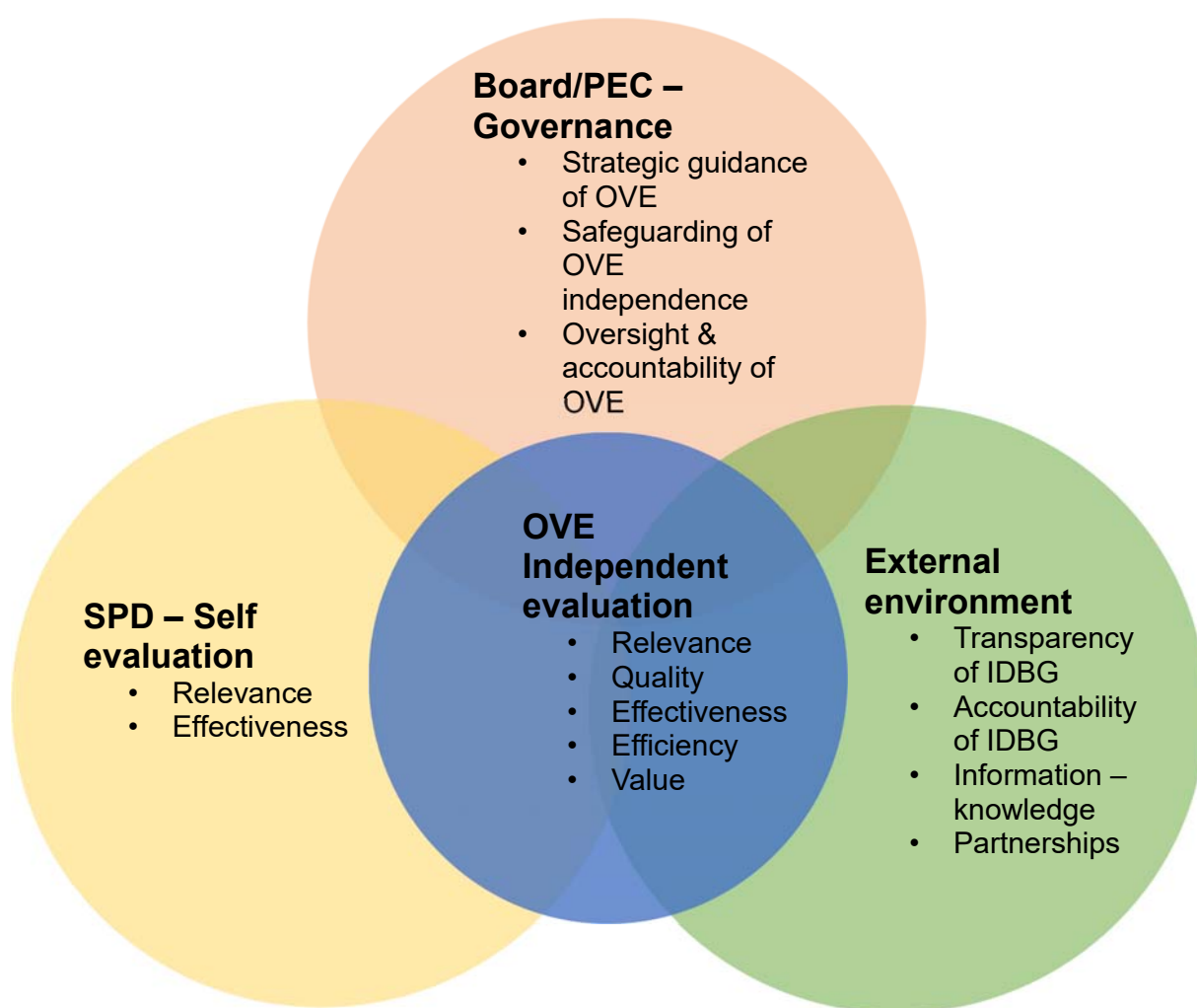
<sup>1</sup> Including staff, defined-term contractuels, and temporary-term contractuels

<sup>2</sup> While the Panel recognizes that the IDBG has two separate boards (IDB and IIC), the focus of this report is on the IDB Board's oversight of OVE.

### 3. Approach

The review is formative and forward looking. It used a systems approach, i.e. interdependent functions as part of a system, to conduct its organisational review of IDBG's independent evaluation function, i.e. OVE, and of its evaluation system overall.

The review draws on established organizational assessment approaches<sup>3,4</sup>, to identify aspects of performance based on roles, responsibilities & expectations of key functions in the system, and to understand the extent to which these are being fulfilled in a mutually beneficial and supportive manner, to optimise the functioning of the overall system and to support value creation for the IDBG.



<sup>3</sup> For a summary description of commonly used organizational frameworks please see <http://www.reflectlearn.org/discover/frameworks>

<sup>4</sup> Organizational Assessment: A Tool for Improving Performance – Inter-American Development Bank & International Development Research Center - 2002

#### **4. Board oversight**

During its meeting with the PEC on February 23, 2018, the Panel was asked to elaborate on a number of key issues related to Board oversight of the independent evaluation function. The following provides clarification on what the Panel considers to be key principles for effective oversight and provides considerations specific to the corresponding issues it identified over the course of its review.

##### **Principles**

<b><i>OVE responsibility</i></b>	OVE is responsible for managing IDB's independent evaluation function.
<b><i>OVE accountability</i></b>	<p>OVE is accountable to the Board for managing the independent evaluation function in a manner that contributes to IDB's mission and to sustainable development in the region served by IDB.</p> <p>OVE is accountable to the Board for managing the independent evaluation function economically, efficiently, effectively, and in a manner consistent with IDB administrative policies.</p>
<b><i>Board responsibility for OVE accountability</i></b>	<p>The Board's governance, due diligence and fiduciary responsibilities, among others, require it to seek and receive accountability information and assurance on the appropriate discharge by OVE of its responsibilities and obligations with respect to the management of IDB's independent evaluation function.</p> <p>The Board determines and makes clear the accountability information it must receive from OVE, and the modalities thereof, consistent with its governance remit, role and responsibilities.</p> <p>The Board is responsible for having a clear accountability policy, or equivalent, for the independent evaluation function of IDB.</p> <p>OVE has the obligation to account fully for the responsibilities that are conferred to it, and for the resources entrusted to it, by providing on a regular basis, e.g. annually, or on request by the Board, appropriate written accountability information, consistent with the accountability policy of the Board.</p> <p>The Board should receive formal written assurance from a qualified third party that is not part of IDB administration, on the adequacy, reliability, validity, meaningfulness, completeness, accuracy and timeliness of the accountability information provided to it by OVE.</p>

<p><b><i>Board responsibility for the independence of the independent evaluation function</i></b></p>	<p>IDB's independent evaluation function is independent from the administration of IDB. The independence of the evaluation function is meant to ensure that the administration cannot exert undue influence on the evaluation function, on its management and on evaluations. This includes safeguarding the independent evaluation function's unrestricted access to information.</p> <p>The Board has the responsibility for safeguarding the independence of the evaluation function, its management and its evaluations. This includes being, and being seen to be, independent from the administration, and, consistent with its governance remit and responsibilities, not involving itself directly in the management, by OVE, of the independent evaluation function.</p> <p>The Board seeks assurance on OVE management through independently audited OVE accountability reports and can also resort, at its discretion, to independent audits, independent reviews, independent peer reviews, independent evaluations and equivalent, of OVE's management of the independent evaluation function.</p>
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## Considerations

### *Strategic interactions between Board and OVE*

The role of the Board is to provide strategic direction and strategic priorities to OVE so that it can autonomously manage the independent evaluation function and carry out independent evaluations. The strategic direction and strategic priorities should be those of the IDB as approved by the Board, and as they apply more specifically to the independent evaluation function.

### *Workplan*

The Board's oversight of the OVE evaluation workplan should be based on an assessment of the extent to which the proposed portfolio of evaluations is likely to add value and be relevant to IDB's mission, corporate strategy and priorities, and to sustainable development in the region; and on the Board's judgement as to whether the intended value addition and relevance are worth the investment, i.e. the full cost of the evaluations. The Board can seek independent and qualified third-party advice to inform its deliberations and to support its decisions.

OVE must present clearly in its workplan the value that the proposed evaluation portfolio intends to generate, relative to IDB's mission and to sustainable development in the region, as well as its full cost.

The Board should avoid requesting and discussing operational information that is the purview of OVE's autonomy in managing the evaluation function. There are two main reasons for this:

The governance function exercised by the Board requires it to provide guidance rather than to involve itself in questions of management. Involving itself directly in management questions diminishes both governance and management effectiveness. The Board can, at any time, request assurance on questions of management consistent with its accountability policy.

If the Board involves itself directly in questions of management, it becomes de facto a part of administration or risks contributing to that perception. This puts at risk the independence from the administration of the independent evaluation function in as much as it blurs the lines between governance and administration, and makes it difficult for the Board to safeguard adequately the independence of the independent evaluation function and of its management by OVE.

### ***Consistency with IDB administrative policies***

The expectation is that OVE manage the independent evaluation function in a manner consistent with IDB's administrative policies. However, to protect the independence of the independent evaluation function and of its management, OVE must have full autonomy with respect to its management, which means not having to submit its management decisions in any way to IDB administration, including of those that are governed by IDB administrative policies.

OVE is accountable to the Board for its management in a manner that is consistent with IDB's administrative policies and it must provide to the Board appropriate accountability information in this respect. The Board can seek assurance from a qualified third party that is not part of IDB administration, that OVE is managing consistent with IDB administrative policies. The Board has the authority to sanction the Director of OVE to the extent that it finds OVE management practices inconsistent with IDB administrative policies.

## SECTION 1: OVE

### 1. *Relevance*

1. The Panel reviewed the relevance of OVE's work in terms of its consistency with the requirements of the Board as the primary stakeholder of OVE and in terms of its alignment with IDB's overall strategy and corporate goals. The Panel also considered the extent to which OVE's work is relevant to management decision-making.
2. The Panel found that there is a structured process in place between PEC and OVE to discuss and agree on a proposed program of independent evaluations, i.e. the workplan. OVE prepares its workplan by engaging in individual consultation meetings with each Executive Director to obtain input, feedback and to discuss individual priorities. The workplan presents annually to PEC, and on a two-year rolling basis, the topics for evaluations that OVE intends to undertake<sup>5</sup>. The approved workplans are publicly accessible on OVE's portal on the IDB website.
3. Previously, OVE provided a short description of each evaluation topic in the workplan for approval by the Board. Upon request from PEC, OVE is now submitting a one-pager for each evaluation. While PEC members generally find the OVE workplan suitable for its purpose, some members would prefer more clarity around the consultations OVE undertakes with Executive Directors in preparing its workplan. As well, some PEC members consider that the planning and organisation of the discussion on the workplan should have more of a strategic focus.
4. The Panel finds that the criteria used by OVE to select its proposed evaluations are clearly indicated in the workplan<sup>6</sup>, however, it appears that PEC members were unaware of these. Based on its understanding of the workplan preparation process, and a review of some of the recent workplans that have been presented by OVE to PEC, the Panel is of the view that the relevance of proposed evaluations to the IDBG should be made clearer.
5. Although more information is sought by some PEC members on OVE workplan consultations with Executive Directors, the Panel considers this to be a matter that should be addressed by PEC in the form of direct communication between its members. The Panel considers that it is not up to OVE to report on its consultations with Executive Directors as this puts at risk both the independence of PEC generally and vis-à-vis OVE, as well as the ability of EDs to engage in fulsome exchanges with OVE.

<sup>5</sup> "Each year OVE develops a work program that summarizes the current year's work, shows planned evaluations and the proposed budget for the coming year, and provides an indicative list of evaluations for the following year. A short description of each evaluation topic is included in the work program document, while a full description of the coverage and methodology for each evaluation is provided in the evaluation's Approach Paper, delivered to the Board at the start of the evaluation process. The work program and budget document cover evaluation activities carried out by OVE for both IDB and IDB Invest. Most OVE evaluations jointly address activities of both IDB and IDB Invest, while a few evaluations focus on only one of the two organizations." OVE'S PROPOSED 2017-18 WORK PROGRAM AND BUDGET – December 2016.

<sup>6</sup> "OVE's work program is designed with several important criteria in mind. First, OVE seeks to evaluate development topics and corporate issues likely to be of high relevance to IDBG and LAC countries in the future. Second, OVE seeks to ensure that evaluations are timed appropriately to be on the critical path of Bank and IDB Invest decision-making. For example, country program evaluations need to be available before new country strategies are finalized, and sector evaluations should ideally be timed to provide input to management's sector framework documents. Third, OVE seeks balance in its coverage of various sectors, themes, and geographic areas, considering also the evaluation work that it has undertaken over the past five years. Fourth, OVE seeks to serve both the Board as the primary stakeholder and other stakeholder groups, including senior management, operational staff, and country counterparts. In-depth comparative project evaluations and support for evaluation capacity development are particularly relevant, for example, to the latter two audiences. Finally, OVE seeks to promote learning by shedding light on new and complex areas of development and piloting innovative approaches to evaluation." OVE'S PROPOSED 2017-18 WORK PROGRAM AND BUDGET – December 2016.



6. The Panel also notes that the standards of practice for independent evaluation functions in International Financial Institutions (IFI) state unambiguously that the independent evaluation function "... develops its own work program, which may be endorsed by the governing Board."<sup>7</sup> The standards further state that the independent evaluation function "... may consult with IFI staff and Management, as well as the Board and outside organizations or experts, in constructing its work program, but Management does not exercise direct control over the work program."<sup>8</sup>
7. Requesting information from OVE on how it prepares its work program, beyond the criteria that OVE employs for topic selection, may be construed as an attempt at involvement in the development of the work program, whether intended as such or not. It is essential to the efficient and effective complementarity of roles and responsibilities of key actors that distinctions be respected between consultations intended for OVE to obtain input, the organisation and management of which are OVE's independent purview, and the responsibility for improving the planning and organisation of Board level discussions on the proposed OVE workplan, which rests with PEC.

## 2. Quality

8. The Panel reviewed aspects of quality of OVE's work, consistent with norms and standards for evaluation quality that are applicable to IDBG.
9. The Panel found that OVE draws on a range of documents to frame its evaluation practice, such as the "Protocol for Country Program Evaluation"<sup>9</sup>, the "Procedures on how to review, respond and follow-up to the evaluations prepared by the Office of Evaluation and Oversight (OVE)"<sup>10</sup>, the ECG Evaluation Good Practice Standards<sup>11</sup> as well as the "OECD DAC Quality Standards for Development Evaluation"<sup>12</sup>. As well, OVE states that there are processes and practices internal to OVE to support quality evaluation, such as internal peer reviews, however, the Panel did not find evidence of an explicit, documented and comprehensive framework specific to OVE, for evaluation quality. A quality framework or equivalent addresses typically, conceptualisation and definitions of quality, principles, norms, standards, processes, practices and procedures, as these apply to the specific evaluation function of a specific organisation. Examples can be found in other MDBs as well as in other multilateral organisations<sup>13</sup>.
10. The Panel found resistance among a number of OVE interviewees to the idea of developing documentation to address evaluation quality such as principles, norms and standards, systems and processes for evaluation. Reasons given included the views that: the organisation, i.e. IDBG, was already too "bureaucratic" and "procedure bound", and that additional documentation would exacerbate this condition; this would standardize evaluation in a manner such that it could not apply appropriately to the different purposes, evaluands and contexts that OVE evaluation addresses, i.e. no one size fits all.

<sup>7</sup> ECG Good practice standards – page 12 – 4.1

<sup>8</sup> Ibid

<sup>9</sup> IDB document RE-348-3 - New revised version – 15 May 2009

<http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=39458577>

<sup>10</sup> IDB document AM-140-1

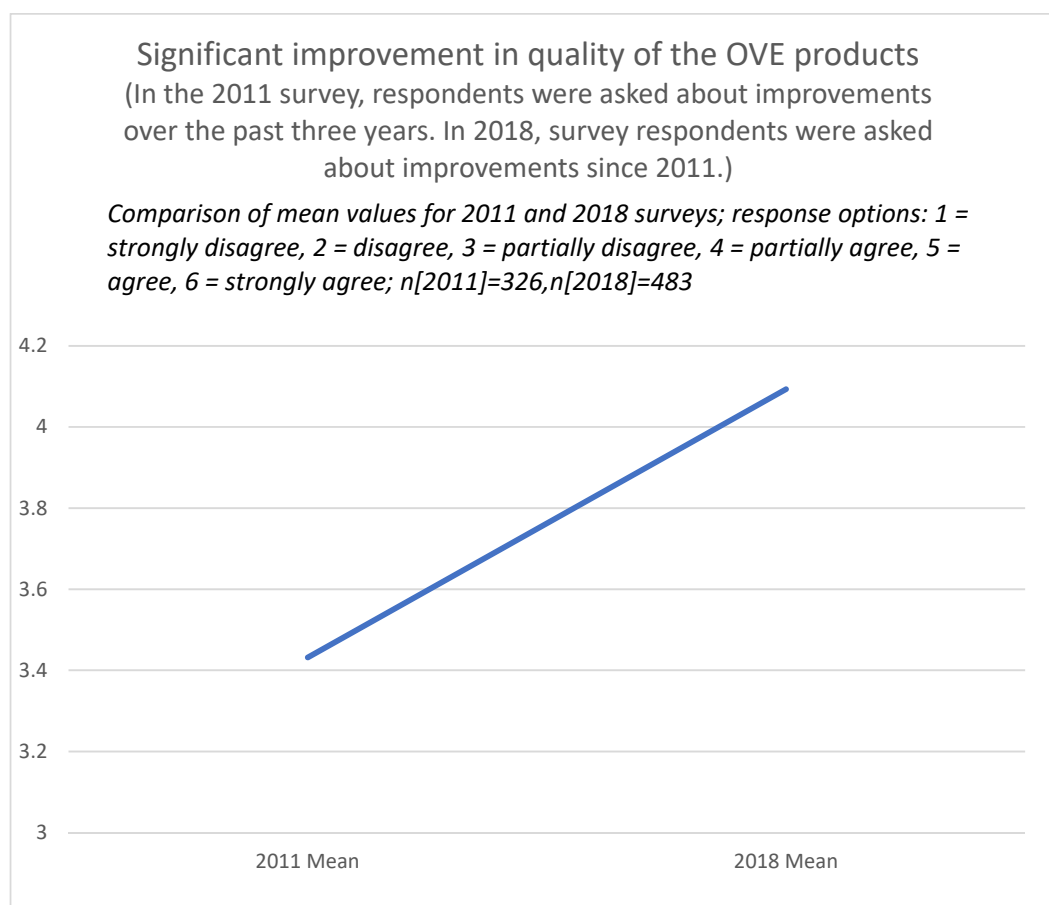
<sup>11</sup> Evaluation Cooperation Group (ECG) Big Book on Evaluation Good Practice Standards – November 2012

<https://www.ecgnet.org/document/ecg-big-book-good-practice-standards>

<sup>12</sup> <https://www.oecd.org/development/evaluation/qualitystandards.pdf>

<sup>13</sup> IFAD, EC, WB, UNICEF, ILO, etc.

11. The Panel understands and appreciates the concerns expressed by some staff about the risk of creating additional bureaucratic procedures, however it considers important for OVE to have some measure of documented, yet flexible and responsive, guidance. Such guidance exists in various forms and frameworks in institutions comparable to IDB such as IFAD, WB as well as in other multilateral organisations.
12. The Panel found that, generally, there is a positive appreciation among its interviewees of the overall quality of OVE's evaluations. Respondents to the survey mostly agree that "there has been a significant improvement in quality of the OVE products since 2011" (among those who expressed an opinion, 8.28% strongly agree, 37.06% agree, and 31.68% partially agree). In comparison to the 2011 survey, respondents to the 2018 survey were more positive about improvements in quality over the past years.



13. The Panel notes, however, that for management interviewees, there is a marked difference between the technical level's and the executive level's assessments of the quality of OVE's evaluations. The technical level considers a broader portfolio of OVE products while the executive level is focused on a few corporate evaluations. The Panel found that management at the technical level provided generally a more positive assessment of OVE's work, both in terms of quality of engagement and of the evaluation reports, than did the executive level. In the context of corporate evaluations, the executive level expressed reservations about the quality of engagement with OVE and of some evaluation recommendations.
14. The Panel found that, with a couple of exceptions, interviewees do not question the quality of the methodologies used for evaluation. However, they do note variability in the quality of

evaluation, that they attribute often to the level of knowledge of the evaluator, including the external consultants that may have been retained for the evaluation, of the topic that is evaluated. The positive appreciation among interviewees of the overall quality of OVE evaluation includes the evaluation reports, as well as reservations expressed about their variability. Open-ended responses to the survey echoed the concern about evaluation reports being of variable quality and noted among others a lack of attention to context and real-world constraints in some evaluations. Views were also conveyed in the survey that evaluation reports could be overly negative or unfair.

### **3. Outreach**

15. The Panel took stock of OVE's outreach activities through meetings with relevant staff in OVE and through the examination of OVE working documentation for its outreach and communication activities.
16. The Panel found that OVE documents its outreach activities through its communication strategy outline for 2017-2019, the report on 2017 OVE outreach activities and results, annual reports on the outreach work program as well as communication plans specific to its knowledge products such as OVE's annual report as well as its evaluations. It also found that OVE supports capacity development in the region through its contribution to, and participation in the CLEAR Initiative<sup>14</sup>, "a joint program of multilateral and bilateral donors and foundations to support capacity-building centers for monitoring and evaluation in four world regions."<sup>15</sup>
17. From the information it gathered and examined, the Panel considers that OVE's outreach activities are appropriate and managed with a view to their improvement. As such the Panel does not have specific recommendations on this set of activities.

#### **→ Recommendations to strengthen relevance and quality**

18. OVE may wish to consider extending its workplan consultation approach to include management and to reach out to stakeholders outside of IDBG such as NGOs and relevant actors in different areas. For an example of this practice see the IMF Independent Evaluation Office website<sup>16</sup>.
19. OVE should make explicit as appropriate and relevant, how the evaluations it envisages are intended to add value to aspects such as, for example, IDBG knowledge, innovation, competitiveness, sustainability, strategy, policy, organisational and operational management performance, transparency and accountability; as well as contribute to sustainable development in the LAC region and globally.
20. OVE should develop clearer and more specific guidance for its evaluation staff on principles, norms and standards, or equivalent, for evaluation quality in OVE.
21. OVE should consider including in its evaluation practice approaches that are well suited to different purposes such as supporting management decision-making, e.g. formative approaches, and organisational learning, e.g. developmental approaches, in addition to its current accountability focus.

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<sup>14</sup> Centers for Learning on Evaluation and Results - [www.theclearinitiative.org](http://www.theclearinitiative.org)

<sup>15</sup> OVE annual report 2017

<sup>16</sup> <http://www.ieo-imf.org/ieo/pages/News.aspx>

#### **4. Effectiveness of OVE recommendations**

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22. The Panel considered how, and to what extent, recommendations made in OVE evaluation reports are provided to, and discussed with, management and the PEC. The Panel's main sources of information regarding the effectiveness of OVE recommendations were the Recommendations Tracking System (ReTS), which is addressed in section 6.4, OVE annual reports including background papers from OVE on management's implementation of OVE recommendations and, where applicable, the follow up, by an evaluation, of recommendations made in a previous evaluation.
23. OVE states that it tries to achieve a balance between the general and the specific in formulating recommendations in its evaluation reports. OVE also engages with management to discuss its draft evaluation report, including recommendations, before it is submitted to the Board through PEC. The Board considers recommendations with a view to either endorsing them or not. If endorsed, the recommendations are taken up by the ReTS.
24. The Panel received varying assessments from its interviewees, of the quality of OVE recommendations. A significant number of interviewees, primarily at management level, stated that they did not always see systematic linkages between the recommendations made in the evaluation report, and the content that precedes them. In other words, the reports did not always provide sufficient and appropriate evidence and analysis to support the recommendation. On average, survey respondents "partially agree" that each of the OVE products (country evaluations, corporate evaluations, sector/thematic evaluations and project evaluations) produces useful recommendations.
25. However, management interviewees, particularly at technical level, did state that recommendations could be practical, actionable and useful. Some provided concrete examples of a useful process of seminars and substantial interactions with OVE prior to the finalization of the draft report. In these instances, management staff stated that they learned in the process and ensuing recommendations became more relevant and useful.
26. A few interviewees at board and management levels, as well as in OVE, question whether recommendations should be made as part of the evaluation and in the evaluation report. Primary reasons given by these interviewees are that the evaluation does not have, and cannot acquire through its snapshot, sufficient knowledge of the dynamic contexts that management have to navigate in making decisions; and that the evaluation does not always have access to subject matter knowledge that is sufficient and appropriate to making meaningful recommendations.
27. While interviewees gave examples of use of OVE recommendations, the Panel was not able to obtain substantive and systematic evidence of material improvements to IDB's policies, practices and programs, from the systems and practices that IDB has in place.
28. The Panel examined the Recommendations Tracking System (ReTS) and its outputs, OVE annual reports including the including the Background Note on Management's Implementation of OVE recommendations (2017) and, where applicable, follow up to recommendations in evaluation reports. Notwithstanding the limitations of time and resources on the Panel's review, the fact that it was not able to obtain information on outcomes of implemented recommendations from IDB's systems and processes, begs the question of the extent to which stakeholders, such as the Board, are able to as well.
29. Indeed, a few Board-level interviewees expressed the need for better visibility on the results of evaluations and their recommendations on the overall performance of the IDB as well as

that of sectors. They also expressed concern that the Recommendations Tracking System did not provide them with an overall view of whether things were changing or not. They further indicated that they have difficulty appreciating the return on the investment in the Recommendations Tracking System.

30. More systematic treatment of context in OVE evaluations could contribute to strengthening the quality and credibility of its recommendations. This could address to some extent the concern expressed by some management interviewees, that recommendations do not always take into account sufficiently the realities and complexities of the contexts they navigate.

### → **Recommendations to strengthen effectiveness of OVE recommendations**

31. Building on the successful cases in which OVE and management engaged systematically to improve recommendations, and learning from successful approaches elsewhere, OVE, together with management, should consider a range of possible options<sup>17</sup>:
32. One option would be for OVE to have substantial interaction, e.g. workshops, seminars, meetings, with relevant stakeholders to discuss potential recommendations in light of the evaluations' findings and conclusions before inclusion of recommendations in a draft report.
33. Another option would be for OVE to consider producing some evaluations without recommendations, but with highlighted issues, leaving it to management to make the recommendations together with action plans.
34. A third option would be for OVE to prioritize recommendations according to importance.

## **5. OVE management of its resources**

35. The Panel was asked to examine the extent to which OVE makes efficient use of its resources in delivering on its mandate. Accordingly, the Panel requested from OVE information to assess the extent to which its resource allocations for evaluation are made with due regard for efficiency.
36. OVE responded that it did not yet have an IT system "that can consolidate all costs of an output under one code" and that, for this reason it "has not been able to assign comprehensive budgets to team leaders and track total spending on individual evaluations in real time". OVE states that its "costs per evaluation compare favourably to the costs of analogous evaluations and reports of other MDB evaluation units, such as the World Bank's".
37. Given the diversity of evaluation approaches and practices across comparable MDBs, the Panel does not consider comparisons of average costs of evaluations to be meaningful for assessments of efficiency. Instead, and in the absence of meaningful efficiency related information from OVE, the Panel considered aspects of OVE's management of its resources, that were identified as important by OVE staff, i.e. allocation of staff to evaluations, training and organisational structure of OVE.
38. The allocation by OVE of its staff to evaluations, is carried out under the supervision of the OVE Director and involves consultations and discussions with staff. According to the Director, one objective of the allocation process is to match staff and research fellows with seasoned

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<sup>17</sup> There is a range of processes that exists

[http://www.betterevaluation.org/en/plan/reportandsupportuse/develop\\_recommendations](http://www.betterevaluation.org/en/plan/reportandsupportuse/develop_recommendations) and that development organisations, including MDB, test and implement to varying degrees.

evaluators to promote development of skills, judgment and maturity. As well, attention is given to matching staff competencies to the nature and complexities of a specific evaluation, taking into account team coherence and workload related availabilities.

39. While recognising the Director's practice, the Panel did not find the allocation process and its criteria clearly and formally documented for the benefit of OVE staff.
40. The Panel found among OVE interviewees a desire for more transparency on, and understanding of how, staff allocations and assignments are made, as they consider the process to be somewhat of a black box.
41. Some OVE staff expressed the need for more evaluation related training. According to OVE, its budget contains a line item for staff development equivalent to one week per staff member. For 2017, the amount given for staff development came to 0.45% of OVE's total proposed budget.
42. The Panel considers that the way in which OVE is organised and managed, i.e. a relatively "flat" organisation structure and direct involvement of the Director in most operational activities, brings with it both opportunities and risks. Although there are variations in the management literature on the latter, there is general agreement that a flat organisation structure may cost less, allow for clearer communication, faster decision making, more responsibility for staff and less risk of micro-management by superiors, than a hierarchical one with management intermediaries. On the other hand, recognised challenges are risks to staff motivation, insufficient management control, inconsistency of practice particularly in the absence of explicit policies and procedures, less opportunity for recognition and for advancement.
43. Finding the right level of trade-offs between the opportunities and risks is very much a matter of judgment on the part of the Director, taking into account OVE's specific context. This said, the Panel considers that more transparency and clarity with respect to how and on what basis decisions are made when they concern staff, would help achieve a better balance between opportunities and risks.
44. Given the clearly expressed request from OVE staff for more evaluation related training, and that the discipline of evaluation is rapidly evolving, the Panel considers professional development a strategic lever for continuous improvement of OVE evaluation.
45. Consistent with the Panel's suggestion that OVE should consider a broader range of evaluation approaches, the knowledge, skills and abilities of evaluation staff should be developed accordingly. These considerations should be envisaged from a strategic perspective, i.e. based on how OVE plans the evolution of its evaluation portfolio over the mid to long term.

#### **→ Recommendations to strengthen management of OVE resources**

46. OVE should make clearer, more explicit and document those management processes and decisions that affect staff, particularly on allocation of staff to evaluations.
47. OVE should engage in strategic management based on a systematic and structured strategic planning process, so that, among other benefits, it can make clear its vision and mission over a 3 to 5-year period and establish priorities on a rolling 3-year basis. This would provide a basis for strategic human resource planning as well as an explicit frame of reference for operational decision-making. It would also serve to align OVE's work with IDB's corporate strategy and to provide a basis for OVE to enhance its performance monitoring and reporting.

48. OVE should review its organisational structure to assess the relative merits and risks of its current “flat” structure in light of its strategic direction and priorities, so that form follows function.



## SECTION 2: IDBG Management

49. The scope of the review for this section is mainly IDB management, its self-evaluation system, the Recommendations Tracking System (ReTS) and the production of impact evaluations. The Panel included IIC/IDB Invest when assessing IDBG managements' relationship with OVE and for their respective self-evaluation systems, as OVE validates both IDB's and IDB Invest's self-evaluations. Wherever the assessment includes IIC/IDB Invest, this is made clear in the text either by reference to IDBG or to IIC/IDB Invest.
50. The nature of the working relationship between IDBG management and OVE influences the quality, relevance and utility of OVE's work and products, as management is both a provider of inputs to OVE evaluations and is responsible for the management of OVE "evaluands"<sup>18</sup>.
51. SPD's work with IDB's self-evaluation system in ensuring Quality at Entry in project design through the Development Effectiveness Matrix (DEM), in supporting self-evaluations, i.e. the Project Completion Reports (PCR), and in increasing the number of impact evaluations, are all part of the IDB's overall evaluation function. The quality of each element in the system has an effect on how well the system works as a whole.

### **1. IDBG Management – OVE relations**

52. In general, working relations are good between OVE and IDBG management staff at the technical level. Staff from both OVE and IDBG management provided the Panel with concrete examples of constructive evaluation processes, with involvement and interactions that result in learning and contribute to making evaluations relevant and useful.
53. Working relations between OVE and IDBG management at the executive level tend to be more contentious and, according to some interviewees from both OVE and management, antagonistic at times. The Panel was made aware of concrete examples and gathered documentation of situations in which management did not provide documentation requested by OVE at all or in a timely fashion, and examples of attempts to stop an ongoing evaluation by representatives of executive management at a Board meeting. There was also a situation in which management staff received instructions not to interact with OVE, and although this situation was solved quickly, it nevertheless appears to have had a chilling effect on some staff who remained hesitant to collaborate fully and openly with OVE.
54. While the overall relationship between OVE and IDBG management and staff in producing about 100 evaluations over the past 7 years has been positive and cooperative, these few instances of non-collaboration have been unfortunate in that they generated a negative atmosphere between OVE and some IDB senior management staff, resulting in unhealthy tensions and a concern among OVE staff for the independence of their work.
55. The Panel found that there has been an overall improvement in the relationship between OVE and IDBG management since 2011. When asked about the present quality of the relationship between OVE and IDBG management compared to 2011 and before, all interviewees who have been in IDBG since before 2011, reported a notable improvement. However, there is also a general perception that the quality of the relationship has been declining over the last one to two years.

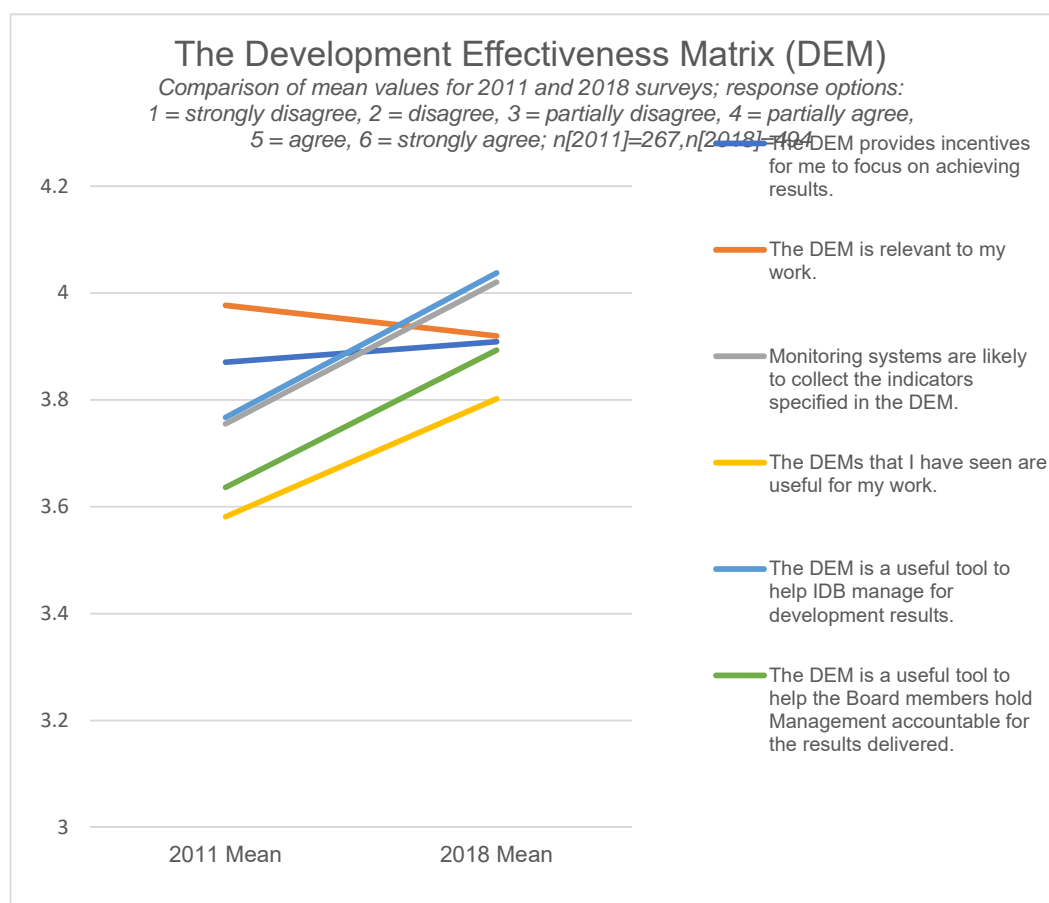
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<sup>18</sup> The subject of an evaluation, typically a program or system rather than a person.



## 2. Self-evaluation system & validation

56. IDB's system to ensure quality at entry (DEF/DEM) is well developed and is at the forefront compared to other MDB's, both in light of its content and its wide application within IDB. Other multilateral institutions are looking to IDB to learn from its experience in this regard, as evaluability assessments are known to have the potential to improve monitoring and evaluation. The Development Effectiveness Matrix (DEM) was developed and elaborated to support quality at entry and evaluability of projects at the planning stage, relevant and high-quality monitoring and end-of-project evaluation. Good quality at entry creates a potential for relevant and high-quality monitoring and end-of-project evaluations of investments.
57. OVE has found, however, that results frameworks developed for the DEM are frequently changed during implementation, and sometimes up until the last minute before project completion, and that impact evaluations that were included in project design to score high on the DEM are often dropped later<sup>19</sup>. This may be an indication that task teams have learned how to secure a high DEM score to guarantee prompt Board approval of an operation, but that the follow through is clearly inadequate.
58. Survey respondents overall have a positive appreciation of the DEM, with a positive tendency on most aspects (except for relevance) between 2011 and 2018.



<sup>19</sup> See: Office of Evaluation and Oversight (2017): "IDB and IIC Project Performance: OVE's Review of 2016 Project Completion Reports and Expanded Supervision Reports" and Office of Evaluation and Oversight (2017): "IDB's Impact Evaluations: Production Use and Influence".

59. There is a strong disparity between the high-quality and wide application of the DEM, i.e. high Quality at Entry, and the low numbers of end-of-project self-evaluations. In comparison to other MDBs, IDB's self-evaluation system produces relatively few Project Completion Reports (PCRs).
60. The Panel has not undertaken an independent assessment of the quality of IDBGs monitoring system and data, as this lies outside the scope of the review, but has reviewed relevant reports assessing parts of the self-evaluation system<sup>20</sup>. The nature and quality of project monitoring data is an important input to Project Completion Reports. During the preparation of the IDB-9 evaluation, OVE found that Project Monitoring Reports (PMRs) are produced for 100% of projects that require them. The main concern is, however, that the PMR information focuses on financial progress and output delivery, while producing less information that could help determine whether a project is on track towards achieving actual results and stated development objectives.
61. IDB has been slow in developing a credible project self-evaluation and validation system, although OVE and SPD have collaborated to develop the system since 2010. IDB produces relatively few Project Completion Reports (PCR) both in light of the number of projects with solid monitoring and evaluation plans from the outset and as compared to other MDBs. As pointed out in a recent OVE publication, i.e. "IDB and IIC project performance 2016", IDBG's partner MDBs use the final validated ratings of their respective independent evaluation offices as the final record of MDB project performance for corporate reporting"<sup>21</sup>.
62. The reasons for this strong disparity between the wide application of the DEM and the few PCRs produced may be many and multifaceted, but the Panel found indications that there may be a lack of balance in the incentives of the overall system as there are strong incentives for getting projects to the Board, and few for good quality monitoring and completion of PCRs. The lack of a clear request for the documentation of projects' results from higher level management may be a contributing factor.
63. OVE has elaborated one single validation system for Project Completion Reports (PCR) and Expanded Supervision Reports (XSR).
64. On the private sector side, IIC generally delivered all XSRs due for operations reaching Early Operating Maturity (EOM) between 2005 and 2013. Only a few XSRs for EOM 2014 operations were completed due to the piloting of new XSR guidelines and the merge-out transition. SCF lagged a year behind on the delivery of XSRs and, as a result, XSRs for operations reaching EOM in 2013 and 2014 were not delivered prior to the merge-out. Following the merge-out, IDB Invest delivered all XSRs for operations reaching EOM in 2015 and is working on delivering the full contingent of XSRs due for operations that reached EOM in 2016.
65. For IDB, the figures were increasing until 2013, with 74% of the PCRs due for projects closed in the previous year were produced in 2012, and 93% of due PCRs were produced in 2013<sup>22</sup>. Since then, the percentage of due PCRs that have actually been produced has been in sharp decline. In 2014, the figure fell to 63%, and it was 65% in 2015. In 2016, the percentage dropped to 16%. This very slow and low production of end-of-project evaluations is a

<sup>20</sup> Corral, Leonardo R. and Nancy McCarthy (2017): "Organizational Efficiency or Bureaucratic Quagmire: Do Quality at Entry Assessments Improve Project Performance?", IDB Working Paper Series, IDP-WP-787, under "Concluding Comments", unnumbered pages; and What Difference Does Good Monitoring & Evaluation Make to World Bank Project Performance? Estelle Raimondo - June 2016.

<sup>21</sup> Office of Evaluation and Oversight (2017): "IDB and IIC Project Performance: OVE's Review of 2016 Project Completion Reports and Expanded Supervision Reports".

<sup>22</sup> All figures related to number of produced PCRs are taken from management's Annual Business Review.

weakness in IDB's overall evaluation function. However, both OVE and SPD have informed the Panel that IDB is now on track to produce all due PCRs in 2018.

66. OVE did a first validation of a handful of PCRs that piloted the new PCR guidelines in 2015 and then did the first full validation of PCRs prepared under the 2014/2016 guidelines in 2017. Prior to that there was no systematic PCR validation by OVE. In 2017, OVE validated all 21 PCRs completed by end 2016 for operations that had a DEM at approval, of these, 4 projects had closed in 2014, 11 in 2015 and 6 in 2016.

### **3. Recommendations Tracking System (ReTS)**

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67. All OVE recommendations endorsed by the Board are registered in the Recommendations Tracking System (ReTS). Management produces an action plan for each recommendation which is assessed by OVE. Follow-up of recommendations are reported in the ReTS periodically. ReTS is currently recorded in Excel sheets, but a new digital platform is being developed.
68. According to the section responsible for IT support to the ReTS, there is no mechanism to enable cross-searches of recommendations, for example to find how many times similar recommendations have been given, such as "need for improved monitoring", and no plans to include the possibility for such cross-searches in the new platform. This feature could help in providing useful information on persistent weaknesses in the system and to enhance the effectiveness of Board oversight.
69. Management's follow up of recommendations in ReTS can become a bureaucratic compliance exercise rather than a useful and meaningful one. The Panel found that because some of the recommendations are not perceived as relevant or useful by management, and seen to be imposed by Board endorsement, follow-up of recommendations in ReTS is reduced at times to procedural compliance with a checklist of bureaucratic requirements. Such cases are costly and wasteful in terms of staff resources and costs, and they put the credibility of the system at risk.

### **4. Impact evaluations**

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70. IDB is producing an increasing amount of impact evaluations (IE) per year. OVE's evaluation of the IEs showed that the IDB had proposed 531 impact evaluations in loan documents from 2006 to 2016. Of these, 94 had been completed, 286 were ongoing and 151 were cancelled. IDB staff designed IEs for 60% of proposed projects on average during the decade and reached an 80% share of all proposed projects in 2016. OVE's evaluation of the IEs showed that the introduction of the DEM has provided significant impetus to the production and use of IEs. SPD has been catalytic in instigating the production of IEs, in providing training and high level technical support to project managers.
71. Impact Evaluations are perceived by staff to provide useful information about what works and not in the interventions, and useful learning for individual staff members. There is, however, no single database or file gathering lessons learned from IEs. IDB produces useful technical knowledge from its IEs, e.g. papers in peer reviewed journals, that are also disseminated as a "global common good".

## Discussion

72. There has been notable progress in the relationship between OVE and management staff at technical level since 2011, despite it having declined somewhat during the last one to two years. The Panel's findings show that the relationship between IDB Executive Management and OVE is more contentious, which weakens the enabling environment for evaluation. This may be due to, among other reasons, possible reluctance at executive level in IDB to more open accountability and transparency, as well as to acceptance of, and learning from, failures.
73. Despite the implementation of DEM, the quality of project monitoring is weak in terms of measuring actual project results at outcome level, including the relative achievement of development objectives, and relatively few PCRs are being produced. The lack of documentation of results at the outcome level from each individual project presents a risk to IDB's ability to document and show its institutional results, to account for its return on investments, and show how and to what extent the investments contribute effectively and sustainably to development effectiveness in the LAC region.
74. The reasons for the disparity observed between a strong DEM and weak self-evaluation system (project monitoring and end-evaluations) may be many and multifaceted. The Panel found two elements that may be of notable significance. First, if the institutional culture is not conducive to learning from mistakes, self-evaluation would not be valued, as there is a risk that one's mistakes could be exposed. Second, given the Panel's finding that overall incentives are strong for getting projects to, and approved by, the Board, but that few incentives exist for good quality monitoring of implementation and for reporting, i.e. completion of PCRs, there is a missed opportunity to learn from experience and to demonstrate contribution to development effectiveness.
75. In other words, the current incentive structure is geared towards increasing the loan portfolio and strengthening the position of the Bank in the LAC region, but much less on documenting results and learning from good and bad experience in order to more competently contribute to development effectiveness and to account fully to its stakeholders for its work. PCRs are not perceived as potentially important tools to provide learning for improved future project designs. Their value as learning tools may be recognized, but learning will not take place fully without a well-balanced incentive structure.
76. The lack of relevant and useful monitoring data to measure relative achievement of development objectives, and the lack of end-of-project evaluations (PCR) may also affect the quality of some of OVE's evaluation reports. Reliable monitoring data and sufficient end-of-project evaluations from management can be valuable inputs to OVE evaluations, particularly when assessing performance at an aggregate level, e.g. for country program evaluations, sector evaluations and comparative project evaluations. Although OVE collects data independently of IDB monitoring data for their evaluations, if relevant monitoring data does not exist due to irrelevant indicators, i.e. indicators that don't measure relevant outcomes, it becomes challenging to make an informed judgement about the relative achievement of development objectives as shown by some of OVE's Country Program Evaluations.
77. Impact Evaluations are increasingly undertaken in IDB, however, an overall database or equivalent to gather and draw out knowledge from IEs, would contribute to IDB's knowledge and learning processes.

## → Recommendations

78. The Panel recommends that Executive Management communicate more effectively the value of accountability, transparency and learning to foster a more enabling environment for evaluation throughout the organization. Accountable and transparent learning institutions that document and show results from investments and their contribution to development effectiveness, increase their credibility with stakeholders and funders.
79. The Panel recommends that Executive Management issue guidelines for management staff on how to relate to and collaborate with OVE to ensure full and open sharing of information and collaboration on OVE evaluations<sup>23</sup>.
80. Executive Management should consider re-assessing the incentive structure to encourage better monitoring and self-evaluations, like e.g. the following initiatives:
  - a. Introducing demands for production of relevant monitoring data and high-quality PCRs as part of staff's performance assessment/accreditation system. Make monitoring and end-evaluation work part of the assessment criteria of staff for promotions and career developments<sup>24</sup>. DfID has noteworthy experience introducing demands for monitoring and evaluation skills in their staff accreditation system<sup>25</sup>.
  - b. Develop an "evaluation cadre" or "evaluation focal points" in each relevant unit to support staff in producing relevant monitoring data and PCRs (project end-self-evaluations).
81. The Panel recommends that the Board requests from management regular reporting on project and program results based on the findings from PCRs and XSRs to create further incentives for the IDBG to document its relative achievement of project development objectives and the Bank's contribution to development effectiveness in the LAC region. At the moment, the Board approves each project at entry, but there is no mechanism in place for the Board to oversee project results after project approval.
82. The Panel recommends that OVE should consider, and adapt accordingly, its approach to, and selection of, Country Programme Evaluations (CPEs) given the proportion of projects without adequate quality monitoring and end-of-project evaluations (PCRs), as these provide a critical basis to OVE CPEs. OVE might want to consider not to do full CPEs for every cycle of a new country strategy, but rather to do CPE "updates" every other cycle.

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<sup>23</sup> A good example of such guidelines is the IMF Management Guidance to Staff on Cooperation with the IEO at <http://www.imo-imf.org/imo/pages/CooperationWithIMFStaff.aspx>

<sup>24</sup> The Chair of the Panel disagrees with this recommendation as intrinsic motivation, e.g. relevance and meaningfulness of monitoring for management, is typically more effective and sustainable than extrinsic motivation, e.g. pay for performance or equivalent. "The belief that the best way to motivate people within (these) organizations is by attaching rewards and penalties to their measured performance, rewards that are either monetary (pay-for-performance) or reputational (rankings)." (have) "unintended negative consequences when they are put into practice" in "The Tyranny of Metrics by Jerry Z Muller – Princeton University Press – 2018"

<sup>25</sup> As to what kind of incentives works and not, a vast number of academic publications within a wide range of professions (economics/psychology/sociology etc.) exist, and while there are different opinions on the topic, research has shown that for typical "knowledge professions" (like for physicians, academics and technical staff in organizations like the IDBG), *peer recognition* is one of the most effective incentives. For the same professions, pure monetary incentives may have perverse effect (i.e. direct monetary bonuses for completion of a PCR would therefore be discouraged). DfID's evaluation department took these research findings into account and designed an accreditation system that inspired substantial improvement in staff's evaluation- and results measurement skills by recognizing and awarding these.

See: <https://www.gov.uk/.../file/553170/Evaluation-Sept16.pdf> for DfID's Technical Competency Framework for Evaluation (which is part of their accreditation system for all staff), and <https://www.gov.uk/government/publications/dfid-evaluation-policy-2013> for DfID's evaluation policy and a more general description of how they have "embedded" evaluation throughout the organization. The introduction of DfID's evaluation cadre and their accreditation system have gone through both an internal and an external review. These may be found at: [www.oecd.org/.../unitedkingdom/DFID-Review-of-Embedding-Evaluation.pdf](http://www.oecd.org/.../unitedkingdom/DFID-Review-of-Embedding-Evaluation.pdf) and [icai.independent.gov.uk/wp-content/uploads/How-DFID-Learns-FINAL.pdf](http://icai.independent.gov.uk/wp-content/uploads/How-DFID-Learns-FINAL.pdf). The learning cultures in DfID and IDBG are quite different, so one may want to exercise a degree of caution in directly applying the same system in both organizations. However, given the similarities in the content of the professions (both are "knowledge based and producing knowledge"), DfID's experiences might be worth looking into for IDBG management.

83. The Panel considers it the responsibility of the Board to ensure that management follows up on recommendations, i.e. it should not be the responsibility of OVE. The Panel therefore recommends that the Board requests from management relevant and appropriate accountability information on follow up of recommendations, so that it can exercise its oversight role and to strengthen incentives for IDBG's documentation of, and reporting on, development results.
84. The Panel recommends that SPD make possible in the new IT solution for the ReTS, cross-searches of recommendations. This may allow for the identification of systemic weaknesses in project design and management, and for highlighting areas for learning and improvement.

## SECTION 3: PEC/Board Oversight and OVE Independence

85. The terms of reference of the IRP make it clear that in order to assess OVE's work, its own efforts at improvement since 2011, and its added value to the IDBG, it is essential to examine OVE within the larger, interdependent system in which it operates, including its relationship to the Board. This section considers the nature and quality of the relationship between OVE and the Board, with a focus on independence and oversight.
86. At the outset the Panel wishes to make two points of clarification on the scope of this section. First, the Panel's analysis, consistent with its terms of reference, concerns the oversight relationship between the Board (that is the IDB Board) and OVE, and not between the ICC Board and OVE. Thus, the observations made in this section concerning the oversight role of the Board pertain to PEC and the IDB Board, and not to the Committee of the Board of the ICC and the ICC Board. While the Panel acknowledges that there may be similarities in how the oversight is exercised by both committees and Boards, these have not been assessed in this exercise.

Second, as the Panel pointed out in its informal meeting with PEC on February 23, 2018, its observations regarding the relationship between the Board and OVE may indeed reflect, and result from, broader governance dynamics and issues at the IDB. The inquiry and appraisal of these broader governance concerns exceed the scope of this review and merit a deeper analysis. In this regard, the Board may wish to consider commissioning an independent review of its governance arrangements, including its institutional structure and the formal and informal relationships that govern the organization's decision-making processes and activities.<sup>26</sup>

87. This section analyses OVE independence and Board oversight from two perspectives: (a) norms and standards (the formal); and (b) actual practice (the informal). In the first perspective, the Panel examines the formal norms and standards adopted by the Board in regard to the independent evaluation function and in light of accepted evaluation principles and standards. In the second perspective, drawing from its interview data, the Panel assesses the actual implementation of the IDB norms and standards. In doing this analysis, the Panel refers to the evaluation principles and standards for the independence of evaluation units as reflected in the Evaluation Cooperation Group's (ECG) "Big Book on Evaluation Good Practice Standards"<sup>27</sup> as well as the OECD-DAC Quality Standards for Development Evaluation<sup>28</sup>. On the basis of the Panel's analysis of IDB norms and standards (or equivalent) and in light of referred principles and standards of ECG and OECD-DAC, the Panel offers recommendations to strengthen the IDBG policy framework on the independent evaluation function. From its review of actual practice, the Panel offers recommendations on practical steps to strengthen Board oversight and reaffirm Management commitment to independent evaluation.

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<sup>26</sup> In the case of the IMF, we note that a review of its governance was carried out by its own Independent Evaluation Office in 2008.

<sup>27</sup> <https://www.ecgnet.org/document/ecg-big-book-good-practice-standards>

<sup>28</sup> <https://www.oecd.org/development/evaluation/qualitystandards.pdf>

## 1. Norms and Standards

88. The key question the Panel addresses is the following: To what extent are IDB structures, policies and procedures consistent with established and accepted standards for the independence of evaluation units?
89. The Panel finds that, in general, IDB has formally adopted key principles and standards on governance and independence of OVE, independent leadership of OVE, independence of OVE staff, OVE work program and budget and independent reporting and disclosure. A description of IDB policy provisions reflecting established and accepted standards for OVE independence follows.<sup>29</sup>

### 1.1 Governance and Independence of OVE

<b>Mandate</b>	OVE was created as an independent evaluation office, per the recommendation of the 1999 Working Group Report (Final Report of the Working Group on Oversight and Evaluation entitled “Strengthening Oversight and Rebuilding Evaluation in the Bank”). OVE operates in accordance with a Board-approved mandate <sup>30</sup> .
<b>Structural independence</b>	OVE is independent of the Bank’s management. It does not report to Bank’s management, it is located organizationally outside the line and staff management function and is independent of the Bank’s operational, policy and strategy departments and related decision-making.
<b>Oversight and consultative framework</b>	OVE reports to the Board, through PEC as the main channel and through the Programming Committee for the Country Program Evaluations (CPEs). Formal reporting and communication responsibilities by OVE to PEC include: (a) submission of OVE’s proposed annual work programs and budgets, after formal and informal discussions by OVE with Board members, management and key stakeholders; (b) submission of approach papers for approved evaluation products; (c) submission of evaluation reports; (d) semi-annual reports on the execution of the respective workplans; and, (e) OVE annual reports.
<b>Scope of responsibility</b>	OVE’s scope of responsibility extends, without restriction, to all the determinants of the IDBG’s operational results. OVE undertakes independent and systematic evaluation of the IDBG’s strategies, policies, programs, operations, activities, and systems.

<sup>29</sup> See Resolutions 338 (1999), 366 (2011 and 2018), and AM 140-1.

<sup>30</sup> The Panel notes that the key policy provisions on OVE mandate, scope of responsibilities, reporting structure and operating principles are found in Board resolutions approving the Terms of Reference for the OVE Director and not, as would be more appropriate, in a Board resolution on OVE as an independent evaluation office including its Director.



<b><i>Rights of Access</i></b>	The OVE Director shall have unrestricted access to the staff, relevant meetings, and to operational and policy records of the Bank.
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## 1.2 Independent Leadership of OVE

<b><i>Appointment</i></b>	The OVE Director is selected and appointed by the Board through procedures approved by such board.
<b><i>Term</i></b>	The OVE Director is appointed for a fixed term.
<b><i>Termination</i></b>	Only the Board has the authority to dismiss the Director of OVE, following existing procedures, on the basis of either performance or issues of integrity. At the end of the term of service, the OVE Director will not be eligible for regular employment or reemployment in the Bank as a staff member or consultant.
<b><i>Authority and Remuneration</i></b>	The OVE Director has the equivalent rank of an E3 Executive at the Bank.
<b><i>Performance Assessment</i></b>	The PEC Chair undertakes annual performance reviews of the OVE Director.

## 1.3 Independence of OVE Staff

<b><i>Selection</i></b>	The OVE Director is to lead the OVE office including the management of OVE personnel in accordance with Bank policies, regulations and procedures.
<b><i>Skills</i></b>	The OVE Director is to lead and develop a high-performance independent evaluation office with relevant experience.
<b><i>Conflicts of Interest</i></b>	IDB policies and procedures on conflicts of interest apply to OVE staff but OVE has no specific conflict of interest policy.

## 1.4 OVE Work Program and Budget

<b>Work program and budget</b>	OVE is to develop its own work program and budget for approval by the Board.
<b>Accountability and Transparency</b>	The OVE Director is accountable for the use of its financial resources. OVE is subject to institutional auditing requirements of IDB.

## 1.5 Independent Reporting and Disclosure

<b>Reporting Line</b>	OVE submits its evaluation reports to the Board for consideration and endorsement of recommendations, without clearance of management. The OVE Director holds final authority and responsibility for the content and quality of OVE's outputs (their process, methodology, and recommendations), achievement of long-term goals, and annual objectives of the office.
<b>Stakeholders</b>	OVE's primary stakeholder is the Board to which it reports, but OVE also engages with other internal and external stakeholders.
<b>Recommendations</b>	OVE monitors and submits annual reports on the status of implementation of actions taken by management in response to Board-endorsed evaluation recommendations, according to the IDB's Evaluation Recommendation Tracking System.
<b>Disclosure and Dissemination</b>	OVE disseminates evaluation results of Bank operations within the institution, in borrowing member countries and the development community in accordance with the Bank's Access to Information Policy. OVE Approach Papers and evaluations and management responses, when necessary and as available, are disclosed to the public on OVE's website, in accordance with the Bank's Access to Information Policy.

90. While key elements of OVE's mandate and independence safeguards are reflected in existing Board approved documents, particularly the OVE's Director's terms of reference, the Panel considers that the policy framework could be strengthened in some respects. First, and consistent with the 2011 recommendations, and discussion earlier in this report, the Panel considers that IDBG would be well served by adopting a comprehensive and coherent policy framework for IDBG's independent and self-evaluation system. Such a framework should fully affirm and reflect the accepted principles and standards for independent evaluations. Examples can be found in other multilateral organizations such as IFAD and UNDP<sup>31</sup>.

<sup>31</sup> See EB 2011/102/R.7/Rev3, IFAD Revised Evaluation Policy, at <https://www.ifad.org/documents/10180/3360f12f-4750-4df4-93c3-7af62d8ee0e0>; and DP/2016/23, The UNDP evaluation policy, at [http://web.undp.org/evaluation/documents/policy/2016/Evaluation\\_policy\\_EN\\_2016.pdf](http://web.undp.org/evaluation/documents/policy/2016/Evaluation_policy_EN_2016.pdf)

91. Second, without prejudice to the above, the Panel considers there are areas that require specific policies and/or guidelines to be put in place concerning the independent evaluation function, including: (a) formal conflict of interest guidelines by OVE to codify its past practices so that provisions are in place to ensure that past, current, or immediate future employment and financial considerations—or prior professional or personal relationships and considerations—do not interfere with the objectivity, or perceived objectivity, of evaluators (this was suggested in the 2011 IRP report but as yet to be put in place); (b) policies to ensure that OVE staff are not disadvantaged, and protected from potential career limitations, because of findings and recommendations in their evaluations; (c) a specific policy on information disclosure for OVE, vesting in the respective IDBG Boards the final determination on whether an OVE report is confidential. Examples of such separate information disclosure policies can be found at IFAD and the World Bank Group.
92. The Panel considers that the appointment of the new OVE Director provides a timely opportunity to engage in the dialogue towards, and the development of, the above policy considerations. While clear rules of the game and formal safeguards are necessary, they are not sufficient. Central to the effective functioning of OVE is the degree of ownership and commitment by the whole institution to independent evaluation. IDBG is an institution with a strong presidency and senior management that set the tone for the respective organisations. For IDBG's norms and standards framework to be effective, they require strong commitment by senior management to fostering a culture of learning and a stronger recognition that independent evaluation can help transform the IDBG into a more effective institution as a whole. Management needs to seek ways to enhance and incentivize staff learning and the sustained attention to independent evaluation knowledge.

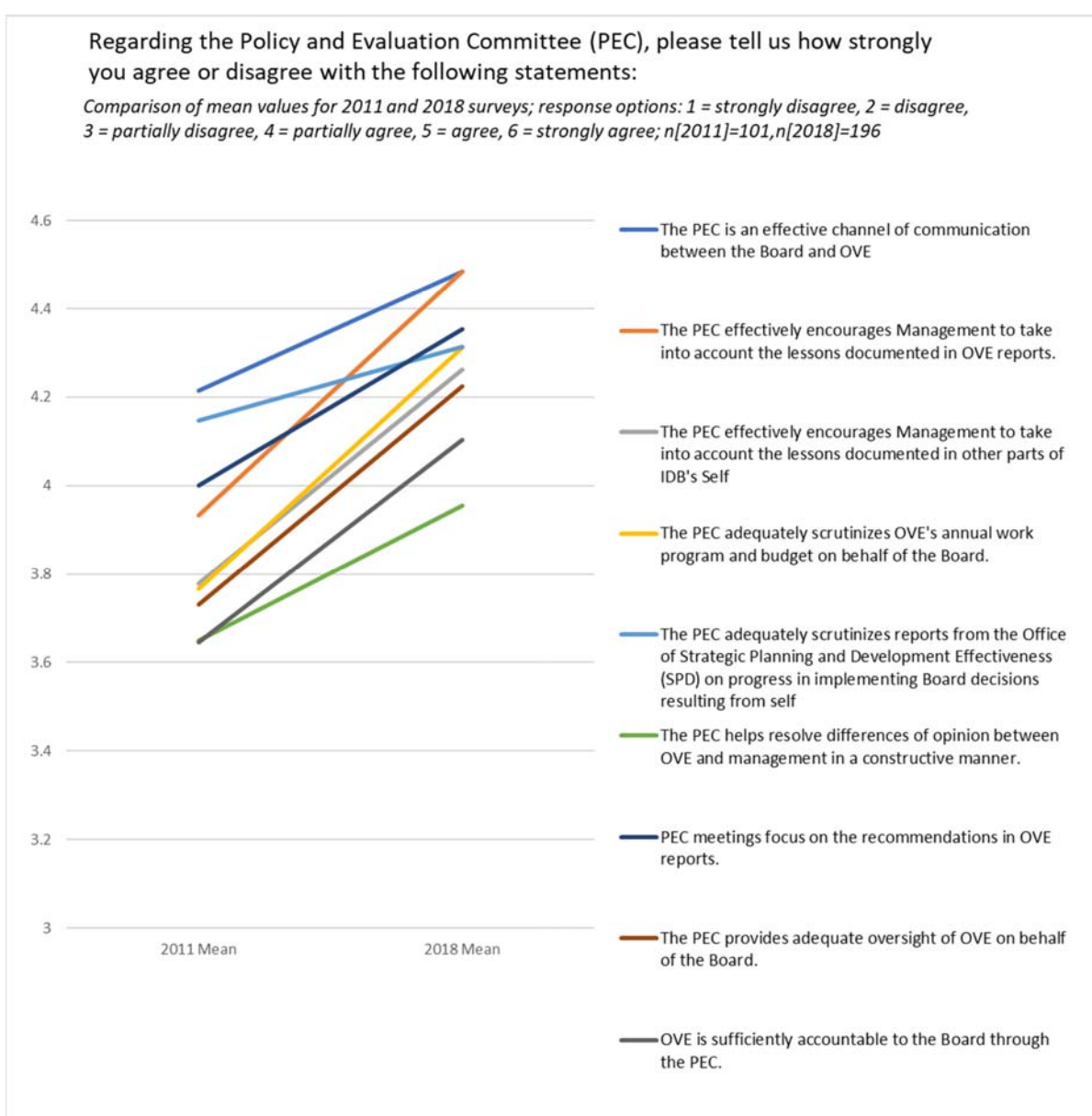
## **2. In Practice**

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93. The key question the Panel addresses is: how, and to what extent, are the existing IDB policies and procedures on the independent evaluation function respected and implemented in practice?
94. The Panel finds that OVE operates generally in accordance with said policies and procedures. For the most part, there exist in practice structural independence of OVE, independent leadership of OVE, independence of OVE staff, autonomy in its work program and budget, and independent reporting and disclosure.
95. The Panel's review highlights specifically the behavioural independence of OVE as demonstrated in its ability to issue evaluation reports that are impartial, free of undue influence and in which assessments are expressed candidly, including the critique of the institution's programs and activities.
96. The Panel's review, however, also identifies specific areas of risk, and concern, that require serious and immediate attention as IDB strives to strengthen its governance of the independent evaluation function.

### 3. Board oversight of OVE

97. The Board has the responsibility to oversee, among other things, the efficient use by the IDB of the resources entrusted to it and its achievement of development results and sustainable development impact. OVE serves as a critical independent function for the Board to carry out its role and responsibilities.
98. In its analysis of the situation in 2011, the respective Independent Review Panel found that the Board had weak oversight over OVE. From the Panel's interview and survey data, it finds that the interaction between OVE and the Board has improved after 2011, and also that PEC scores better on oversight categories in the 2018 survey as compared to the 2011 survey. While recognizing this positive tendency, the Panel, however, finds that progress in the implementation of the 2011 recommendations has been limited and Board oversight remains a challenge.



99. Indeed, the evidence shows shortcomings in the nature and quality of Board oversight. In interviews across different stakeholders, the Panel heard repeatedly that the approach to OVE's workplans is not strategic. It was described as "transactional" "very ad hoc", "lacking objective criteria", "not reflecting strategic priorities". The workplans "are not strategic documents" and "lack alignment with IDB's new institutional strategy". The PEC should provide more "strategic input", "more strategic direction" to OVE. The Panel's own assessment of PEC proceedings confirms this lack of a strategic approach to OVE's work by PEC and the Board. Other related concerns from the interview data about Board oversight are that:
- PEC discussions regarding OVE matters are not transparent enough, e.g. there is a lack of an open exchange and collective discourse on OVE's workplans.
  - Board oversight is not substantive enough, i.e. PEC meetings to discuss OVE evaluations focus more on form than substance; many interviewees remarked that there is too much emphasis on language in the reports while missing out on the more critical discussion of the key substantive points.
  - Board oversight is not outcome oriented. OVE is assessed on the basis of outputs, not outcomes. One respondent noted that "OVE needs to be evaluated on how they manage to influence behaviour".
  - Board oversight is unclear in its scope. There were mixed and divergent views from Board members on the reach of the oversight function. This was evident in respect of information requests made by some PEC members to the OVE Director concerning the annual workplan and particular approach papers. While some PEC members showed a strong propensity to request more information from the OVE Director, other PEC members were reluctant and perceived this as an encroachment on OVE independence.
  - Board oversight is marked by a contentious atmosphere. Many interviewees across all stakeholders stated that PEC meetings on OVE work tended to be antagonistic.
100. The Panel also notes that Board oversight with respect to the OVE Director has been neglectful. The first performance review of the Director, for the period 2016, was carried out by the PEC Chair in March 2017, despite prior requests from the OVE Director for annual performance assessments. A second performance review for the period 2017, was done in February 2018. This failure contributed to the deterioration of the relationships and deprived the OVE Director of timely, comprehensive and objective assessments of her performance to permit adjustments as required. There was also little PEC follow up of the recommendations made to the Board by the 2011 Independent External Review<sup>32</sup>.
101. Based on its assessment of the evidence, the Panel shares some thoughts on possible ways for improving PEC and Board oversight while safeguarding OVE independence.
102. An important aspect of OVE's independence is its ability to develop its own workplan, subject to ultimate approval by the Board. Consistent with good practice, it is important to note that OVE's remit extends, without restriction, to all the determinants of the IDBG's operational results. However, it is not clear how OVE's workplans fits within an overall strategy for its independent evaluation function. It appears that the engagements between the PEC and OVE are mostly process-driven with a narrow focus on individual products. There is not enough clarity and understanding on how OVE products fit into an overarching strategy that prioritizes the institutions' most pressing challenges and maximizes the value of OVE.

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<sup>32</sup> Please see the table in annex: Follow up to 2011 external review recommendations.

103. As one of its roles, the Board, as other multilateral boards, is expected to be a “strategic thinker”. The primary focus of PEC’s oversight over OVE should be at a strategic level and not at the managerial and operational level. PEC should not be interacting at the level of the content of approach papers and evaluation methodologies, which are part of OVE’s management autonomy. It should also maintain distance and afford great autonomy to OVE in the formulation of its annual workplans.
104. A strategic oversight would entail, among other things: (a) engaging with the OVE Director on “big picture” questions, with a longer-range focus, such as: is OVE doing the “right things” (not just doing the “things right”)? For example, is OVE producing the appropriate types of evaluations? Is it evaluating the most critical parts of IDBG’s portfolio? Which are the key strategic criteria and priorities that should inform and shape the development of OVE annual work programs? (b) create more space for collective and transparent discussions on OVE’s annual workplans; (c) agreeing on, and implementing, a results framework whereby OVE performance is assessed against outcomes, not just outputs; (d) be pro-active in resolving differences between management and OVE.
105. With the coming of a new OVE Director, and the expressed openness and willingness of many Board members to engage in a higher-level interaction with OVE, the Panel thinks this would be an opportune time to engage in a process of strategic dialogue and deliberations. This will certainly help the OVE Director to identify priorities essential to its mission and build commitment with the Board as its primary stakeholder.
106. To better achieve a more effective oversight, the Panel thinks that PEC and the Board would need to consider changes in their organization and functioning. The 2011 External Independent Review noted that PEC structure and mandate differed from similar board evaluation committees in other MDBs in ways that limited its institutional memory and capacity for strategic planning, thereby lessening the effectiveness of its evaluation oversight role. Indeed, the mentioned report highlighted the larger size of the PEC membership (14 members as compared to 7 or 8 in other MDBs); the more limited appointment terms for PEC members with its higher turnover (one year as compared to two years in other MDBs); the lack of PEC jurisdiction over CPEs which makes it more difficult for PEC to exercise adequate oversight of OVE; and the dual mandate of PEC covering both evaluation and policy matters with a considerable larger workload. The Panel finds that these observations made in the mentioned review remain generally valid and merit serious consideration by PEC as it enters this new phase of a new OVE Director.

#### **4. *Management cooperation with OVE’s evaluations***

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107. The establishment of an independent evaluation office within an organization can produce tensions that do not always subside easily. However, the Panel finds that tensions that have developed between OVE, senior management and some Board members relative to recent corporate evaluations remain pervasive and affect negatively IDBG, its evaluation system and its independent evaluation function. These tensions have not been adequately addressed and resolved.
108. The Board is responsible for safeguarding OVE’s independence when it is put at risk. In the IDBG there are tensions, misunderstandings and mistrust related to OVE which, if not addressed, will continue to undermine its independence and to limit its effectiveness.

109. The challenge for PEC and the Board is to oversee these relationships, to make sure that, as they come up, tensions are resolved in ways that do not undermine the essential elements of OVE's independence from management yet provide management with reasonable opportunity to make its voice heard fairly and constructively.

### → **Recommendations**

110. **Strengthen the policy framework on the independent evaluation function:**
- a. The Board should consider a comprehensive and coherent policy framework for the IDBG overall evaluation system that clearly lays out principles, operational policies and procedures, roles and responsibilities in accordance with established and accepted evaluation principles and standards for independent evaluation; and
  - b. OVE and the Board should issue policies and guidelines in the specific areas detailed in paragraph 91.
111. **Strengthen PEC/Board oversight of OVE:**
- a. The Board should consider adjusting the terms of reference of the PEC to better define its role in helping the Board carry out a more strategic oversight of OVE. The revised PEC terms of reference should include the following: (a) that PEC's oversight shall have a strategic focus, while fully respecting OVE's independence; (b) that PEC develop a more appropriate assessment approach, including adequate tools, to OVE's overall performance, and OVE Director's performance, in alignment with OVE's strategic framework ; (c) that PEC enhance its collective deliberations on OVE's workplans by focusing on strategic level considerations and priorities; (d) that PEC request regular external peer reviews of OVE; (e) that PEC request OVE that it provide information in its annual report to demonstrate progress against key performance indicators (as determined by PEC to assess OVE's overall performance) and any necessary corrective action ; (f) that PEC establish an efficient and effective mechanism for facilitating the resolution of differences between management and OVE; (g) provide induction for new PEC members to the independent evaluation function, in coordination with OVE.
  - b. The Board should consider the changes in PEC organization and functioning as suggested in paragraph 106.



## ***Annex 1 – Observations by the Chair of the Panel on reviewed evaluation reports***

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The Chair of the Panel, a Credentialed Evaluator<sup>33</sup>, read OVE evaluation reports and reviewed a selection of five OVE evaluation reports across the types of evaluations OVE conducts<sup>34</sup>, to familiarise himself with the nature of different types of OVE evaluation reports and to assess what he considers to be relative strengths and weaknesses of those reports he reviewed. The selection of reports was not intended to be a representative sample of all evaluation reports produced by OVE since 2011 and the Chair's review was not intended to provide for a systematic assessment of the overall quality of OVE's evaluation work.

The Chair finds that the reviewed reports<sup>35</sup> reflect an appreciable level of professional effort put into the evaluation, and of care in preparation of the report. In particular, the Chair found that the reports provided an extensive description of the context within which the IDB intervention took place.

The Chair found some variability in the quality of the reports that he examined and identified areas where reports may be amenable to improvement generally and that OVE may wish to consider. It is the Chair's view that these observations may provide an opportunity for OVE to harvest more fully, and to communicate more effectively in its reports, the full value of its evaluations.

- Fair and balanced reporting: Evaluation reports should highlight both weaknesses and strengths.
- Treatment of context: Evaluation methodology should include the systematic treatment of context, e.g. the analysis and assessment of the interactions between contextual variables, those of the intervention's management and those of observed outcomes, intended and unintended, positive and negative.
- Distinction between facts and judgment: Evaluation reports should distinguish clearly and systematically between data, findings of fact, analysis, evaluative reasoning<sup>36</sup> and conclusions.
- Addressing evaluation questions: Evaluation reports should address evaluation questions, including those proposed in the approach paper, fully and systematically. They should provide clear, reasoned and convincing causal relationships between inputs, outputs and outcomes, which are carried through to conclusions and recommendations.
- Evaluative reasoning: Evaluation reports should make clear and explicit the evaluative reasoning that serves as a basis for conclusions and for recommendations.

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<sup>33</sup> The professional evaluation designation of the Canadian Evaluation Society

<sup>34</sup> Country Program Evaluation – Brazil 2011-2014 – October 2015

Sector and Thematic Evaluation – Comparative Evaluation: Review of Bank Support to Tax Policy and Administration, 2007-2016 – August 2017

Comparative Evaluation – Land Regularization and Administration Projects – February 2014

Review of the Implementation to Date of the Private Sector Merge-Out – October 2017

<sup>35</sup> Country Program Evaluation – Brazil 2011-2014 – October 2015

Sector and Thematic Evaluation – Comparative Evaluation: Review of Bank Support to Tax Policy and Administration, 2007-2016 – August 2017

Comparative Evaluation – Land Regularization and Administration Projects – February 2014

Review of the Implementation to Date of the Private Sector Merge-Out – October 2017

<sup>36</sup> Please see for example Evaluative reasoning in public-sector evaluation in Aotearoa New Zealand: How are we doing? Heather Nunns, Robin Peace, and Karen Witten. Evaluation Matters. New Zealand Council for Educational Research 2015 [http://www.nzcer.org.nz/system/files/journals/evaluation-matters/downloads/EM2015\\_1\\_137.pdf](http://www.nzcer.org.nz/system/files/journals/evaluation-matters/downloads/EM2015_1_137.pdf)



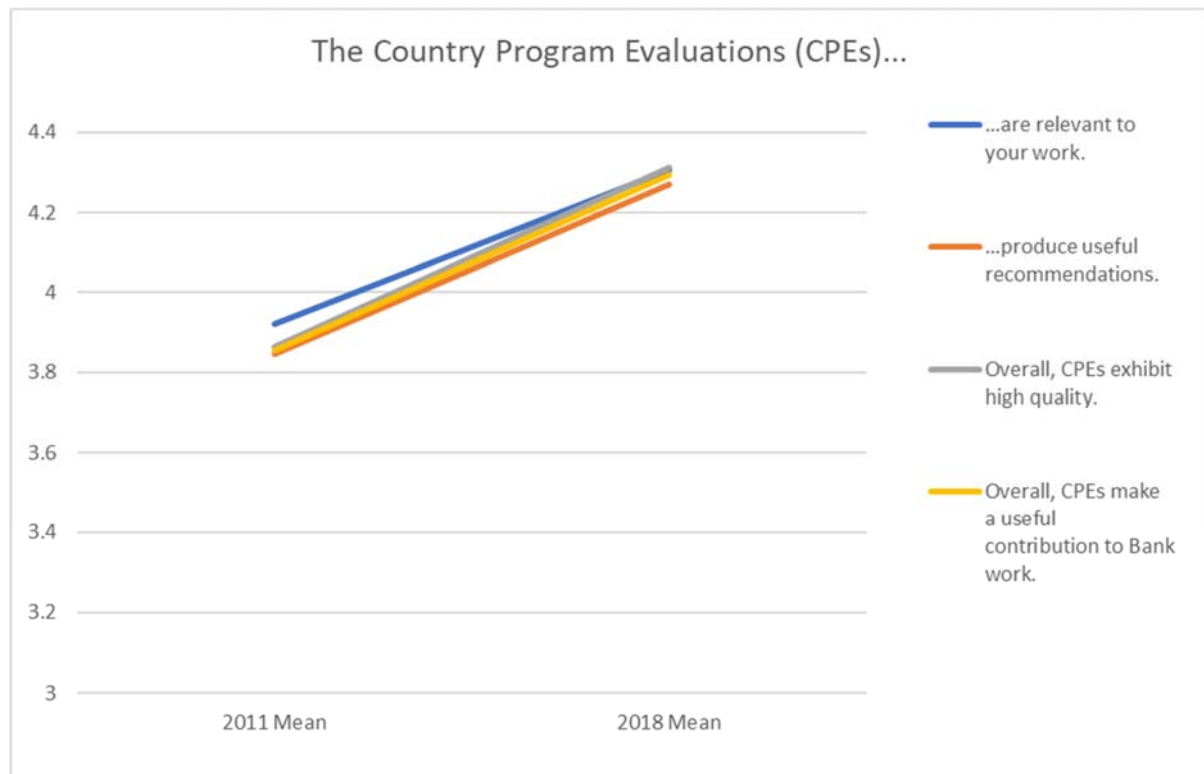
- Knowledge: Knowledge gained by the program and by the evaluation should be communicated in evaluation reports<sup>37</sup>.
- Statement of limitations: Evaluation reports should systematically contain a statement on the limitations of the evaluation and of the difficulties the evaluation may have encountered.

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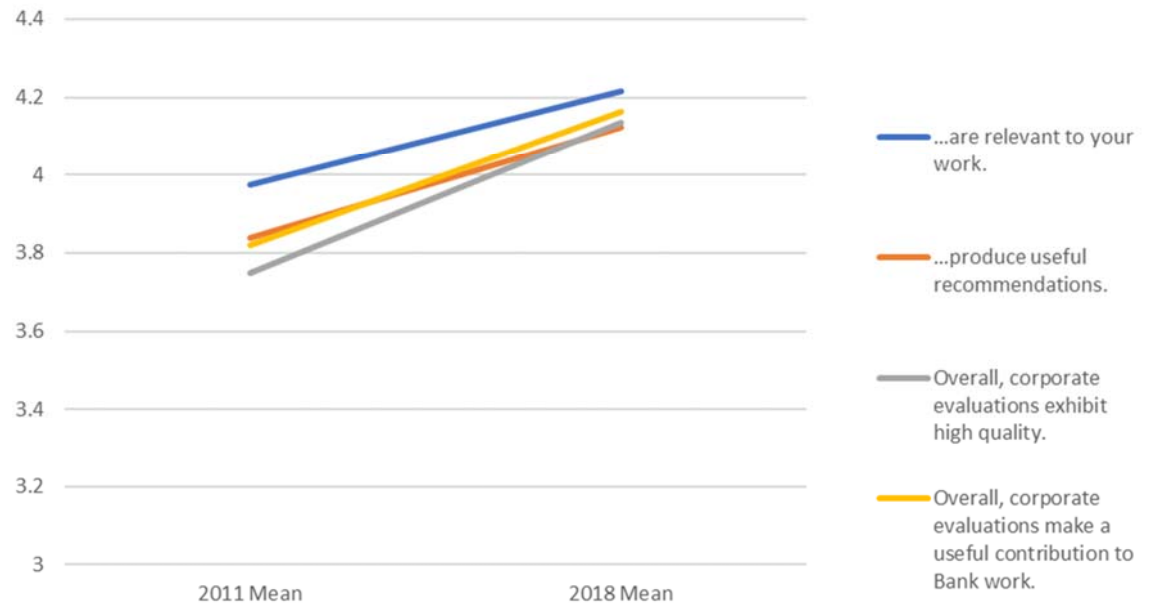
<sup>37</sup> Also referred to as « lessons learned »

## Annex 2 – Highlights from the survey

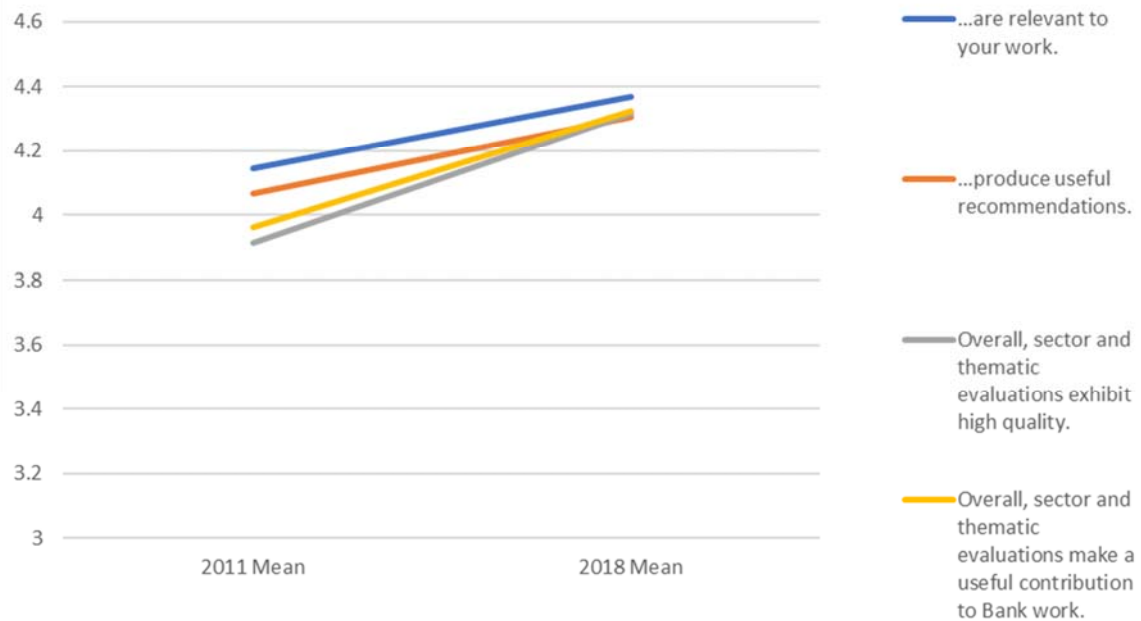
The following selected charts highlight changes in data collected through the surveys in 2011 and in 2018. The response options (unless otherwise indicated) were as follows: strongly disagree – 1; disagree – 2; partially disagree – 3; partially agree – 4; agree – 5; strongly agree – 6.



### The Corporate Evaluations...



### The Sector and Thematic Evaluations...

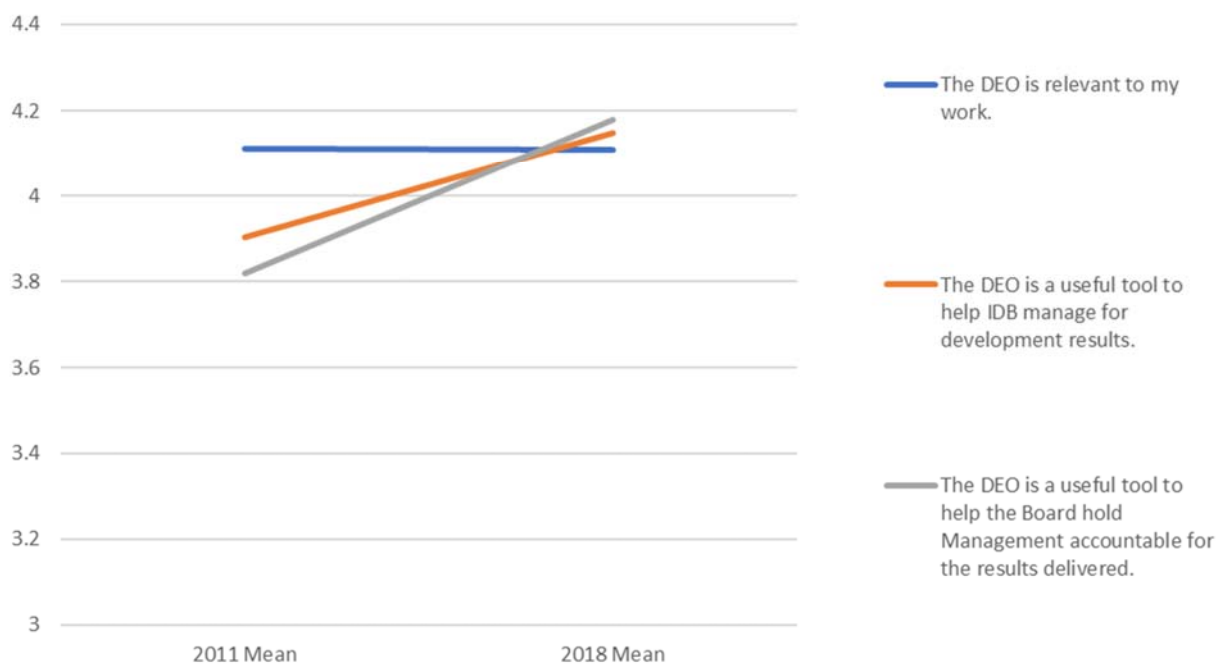


For the evaluation(s) for which you have interacted with OVE,  
please respond to the following statements:

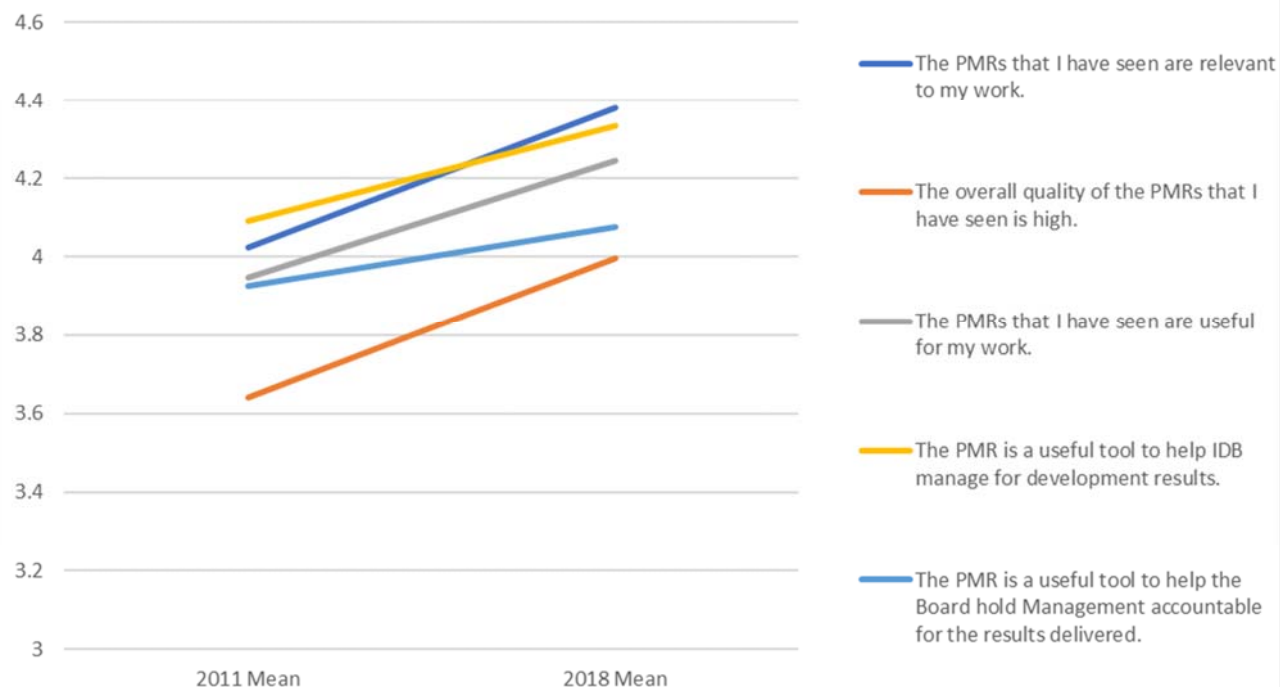
- My views were seriously considered during the finalization of the evaluation report.
- Overall I was satisfied with the interaction process with OVE



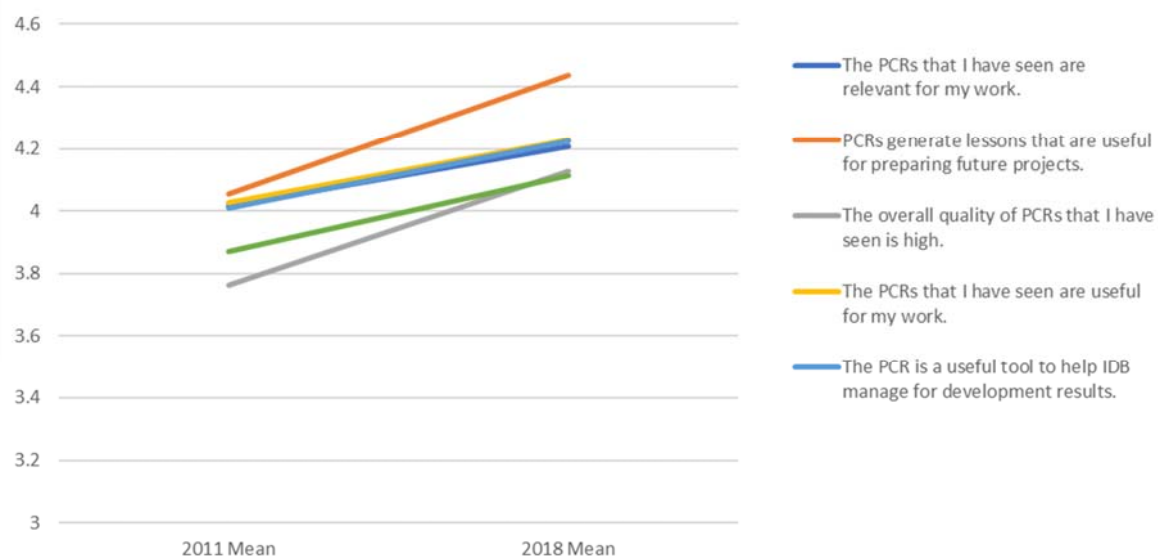
Regarding the Development Effectiveness Overview (DEO)...



### Regarding Progress Monitoring Reports (PMRs)...

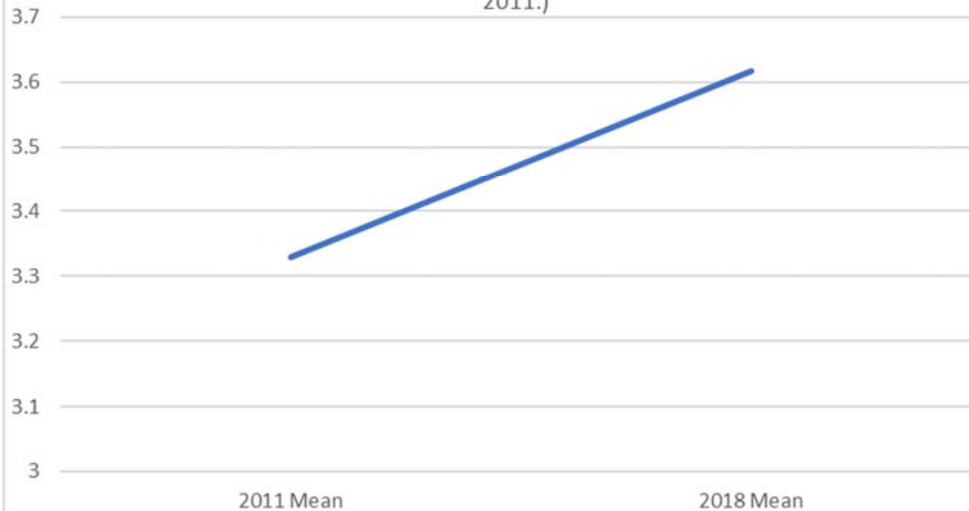


### Regarding the Project Completion Reports (PCRs)...



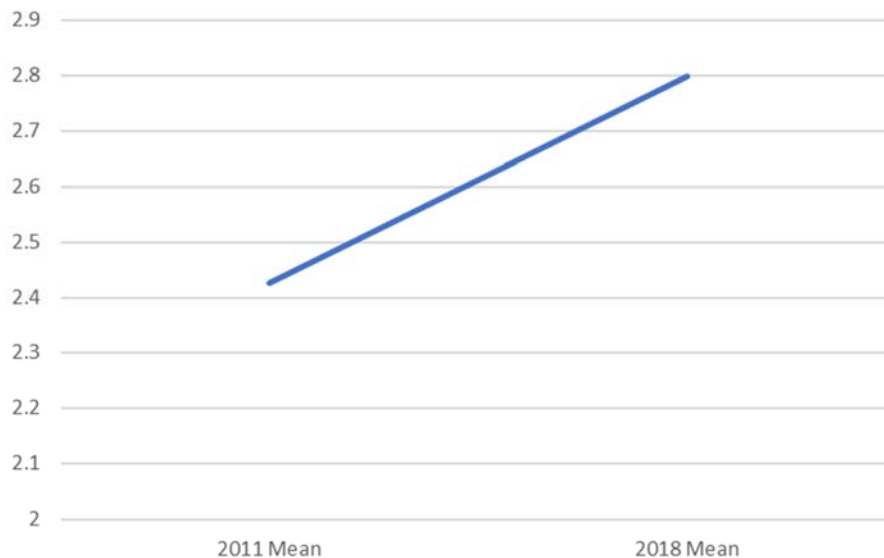
### Significant improvement in the quality of the Self-Evaluation System (the DEM/PCRs/PMRs)

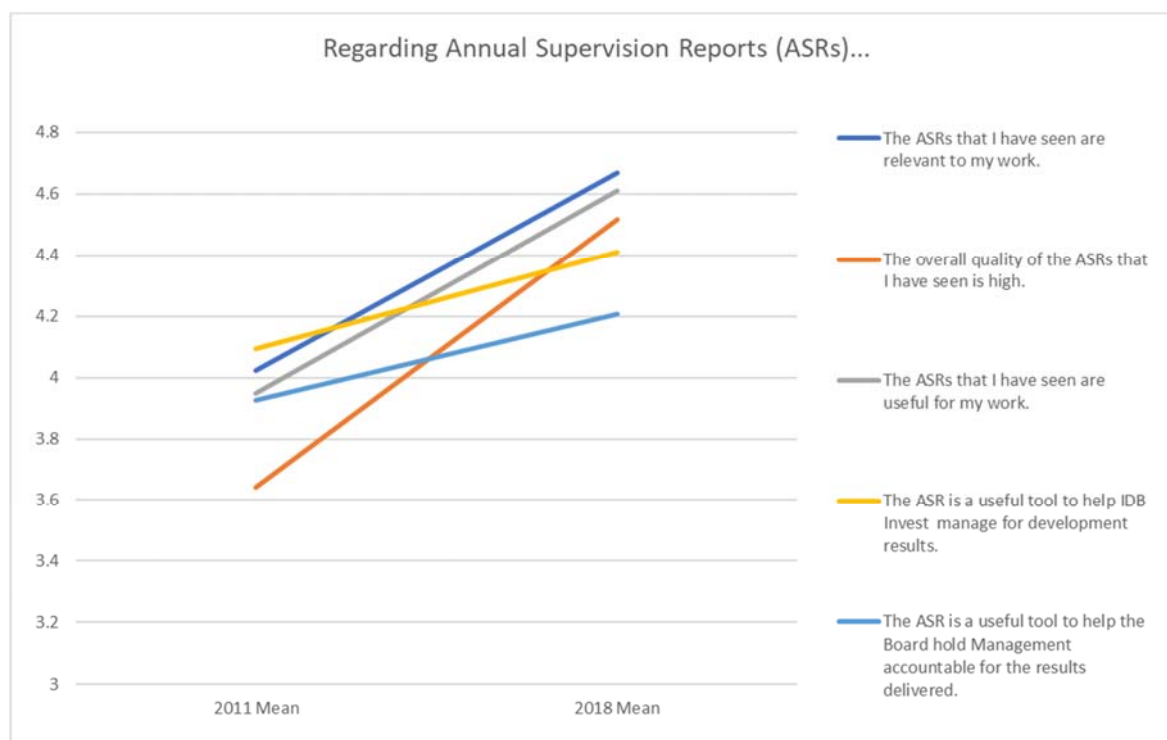
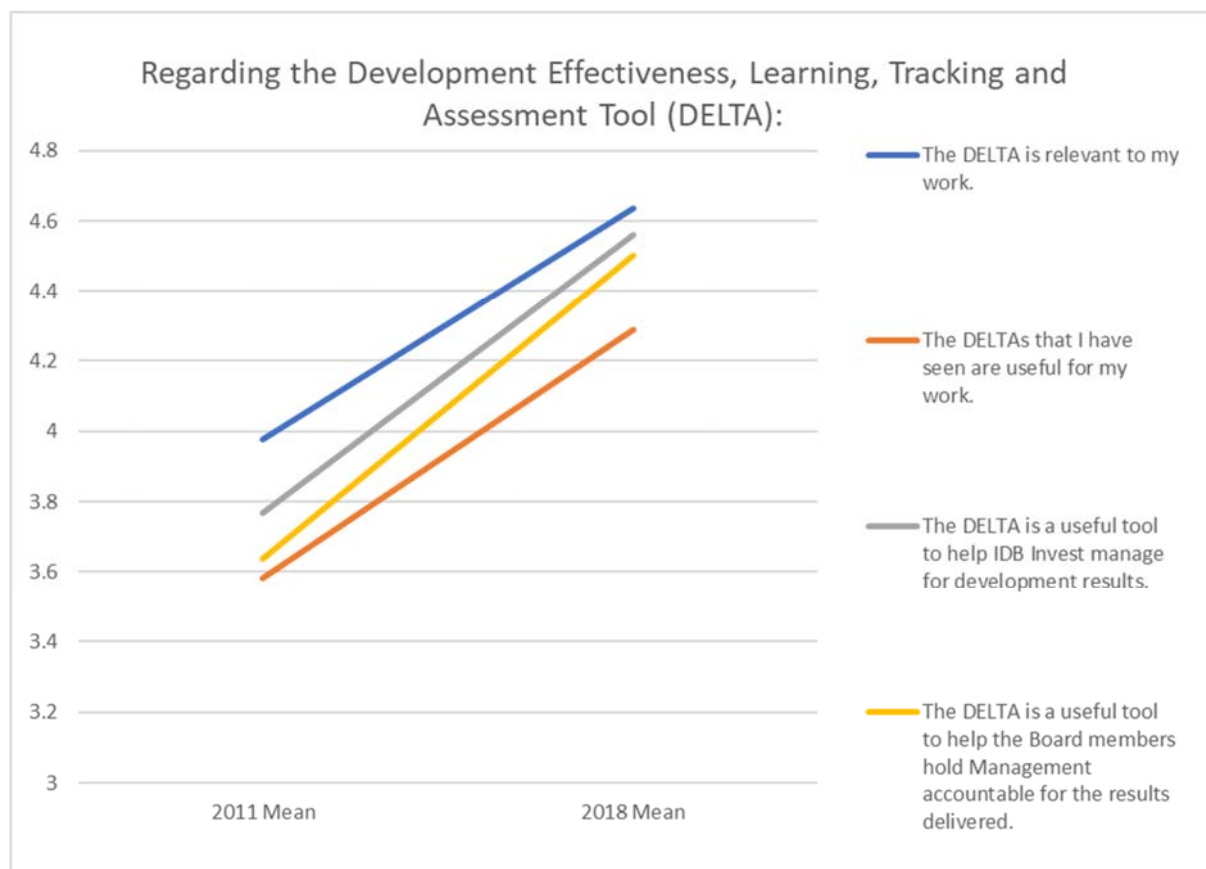
(In the 2011 survey, respondents were asked about improvements over the past three years. In 2018, respondents were asked about improvements since 2011.)



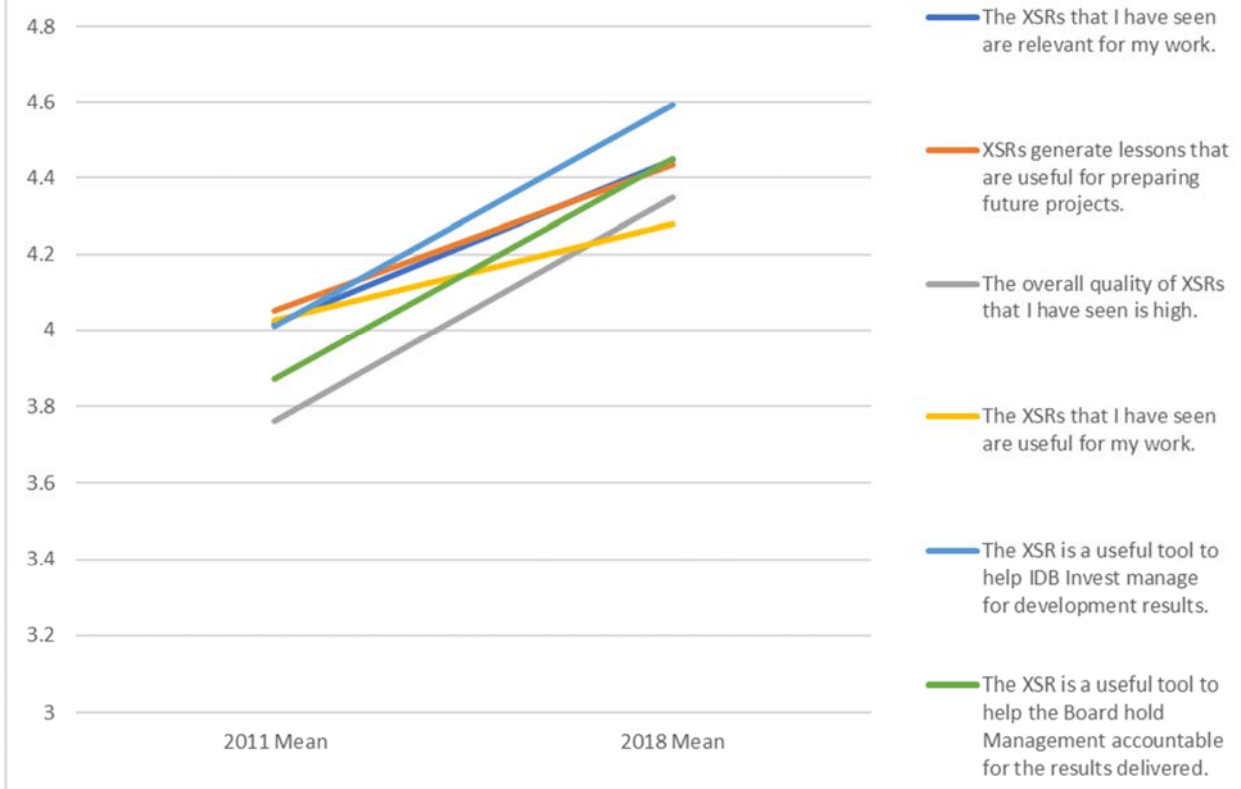
Please rate the extent of influence of the Self-Evaluation System by indicating the extent the products of the Self-Evaluation System influences:  
Improved decision-making in IDB.

*Response options: 1 = not at all, 2 = a little, 3 = somewhat, 4 = a great deal*



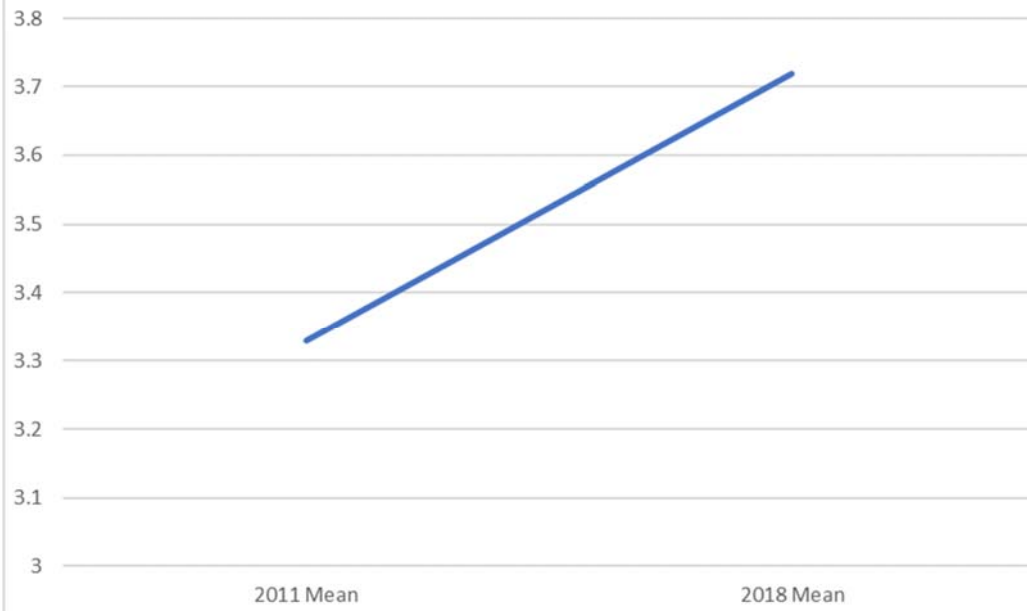


## Regarding the Extended Supervision Reports (XSRs)...
























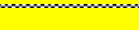









Please let us know how much you agree or disagree with this statement: "There has been a significant improvement in the quality of the Self-Evaluation System (the DELTA, the ASRs, and the XSRs) since 2011."



### Annex 3 – Table of follow up to 2011 recommendations

	<b>Excellent</b>	The recommendation was fully implemented (or exceeded) and there were no shortcomings.
	<b>Good</b>	The recommendation was implemented with only minor shortcomings.
	<b>Fair</b>	The recommendation was partially implemented with some shortcomings.
	<b>Unsatisfactory</b>	There were major shortcomings in implementing the recommendation.
	<b>N/A</b>	The recommendation was not considered applicable

Recommendation/Action	OVE	Management	Board
<b>Recommendation 1: Reduce tensions to create a more constructive relationship among the Board, OVE, and management</b>			
1a The incoming Director of OVE needs to improve communication with the Board and Management to increase trust and reduce tensions, an initiative that must be reciprocated by management			
1b Organize joint retreats, supported by a professional facilitator, to identify and suggest ways to resolve areas of disagreement			
1c Reactivate management's formal mechanism to consider corporate or strategic evaluations			
1d Use a more consultative approach to prepare OVE's work plan			
1e Develop a harmonization agreement for the independent and self-evaluation systems covering approaches, guidelines, and ratings systems			
1f Adopt a more inclusive evaluation process			
<b>Recommendation 2: Improve corporate knowledge management to strengthen learning and feedback loops in order to create a true learning culture</b>			
2a Invite the Director of OVE to attend relevant management committee meetings			
2b Recognize that creating an effective learning loop is a complex and evolutionary process that requires resources, leadership, and ongoing support at			
2c Establish a high-level task force to lead this effort			
2d Create a culture that prioritizes and rewards learning			
2e Learning from other multilateral development banks, some nongovernmental organizations, and development organizations to adopt practices that have been successful (such as building trust, taking a strategic approach, and focusing on leadership) and to avoid the mistakes of others (such as information overload, a lack of resources or buy-in, an attempt to disseminate everything, and a lack of			
2f Use knowledge from the self-evaluation system in a way that informs decision-making			
2g Create a small unit in OVE dedicated to developing, packaging, and disseminating lessons			
<b>Recommendation 3: Increase the use and influence of independent evaluation products</b>			
3a Reform OVE's culture so that the role of the evaluator does not end with the production of a report but continues to provide advice and support to help management make change happen as a result of evaluation reports			
3b Sharpen OVE's recommendations			
3c Put a system in place to track and hold management accountable for taking action on agreed recommendations			
3d Improve knowledge management and dissemination, produce more syntheses and knowledge products, move up stream, and improve timeliness			
3e Modify the OVE product mix, develop and use standard protocols, and produce approach papers for every evaluation			
3f Adopt a more inclusive evaluation process			
3g Improve transparency by adopting a rating system, issuing formal conflict of interest guidelines for evaluation work, and disclosing approach papers and raw			
3h Create the necessary budget space through a combination of reducing the number of OVE reports, improving efficiency, and possibly increasing the proportion of IDB's administrative budget to bring it closer into line with			

<b>Recommendation 4. Develop and implement a change management strategy</b>			
4a Demonstrate by actions as well as rhetoric that they value and use the information generated by the self-evaluation system			
4b Listen to staff feedback to fine-tune the system and introduce flexibility			
4c Pilot new approaches before introducing them on an IDB-wide scale			
4d Introduce incentives to motivate staff and building a system that holds staff accountable for completing their assigned self-evaluation tasks and using the knowledge gained through selfevaluation to help to improve the results achieved by IDB's interventions			
4e Reconsider the necessity to measure results in the same degree of detail for every operation		Not assessed	Not assessed
4f Have OVE undertake oversight reports on the self-evaluation system			
4g Develop integrated, seamless computer systems to support the self-evaluation system			
4h Provide adequate resources to complete the transition over a three year period for the full roll-out of the self-evaluation system—in addition to providing additional resources on a temporary basis, a rigorous exercise must be undertaken to identify low priority activities that can be cut to create necessary time and budget space			
<b>Recommendation 5. Strengthen the Board's oversight of the independent and self-evaluation systems</b>			
5a Strengthen PEC's terms of reference to clarify its roles related to oversight, accountability, and promoting learning and use of lessons from the independent and self-evaluation systems			
5b Give PEC responsibility for the oversight of all OVE products, including country program evaluations			
5c Have PEC focus on learning and the use of evaluation results			
5d Strengthen the annual end-of-term report of the PEC Chair to the Board to attest to the effectiveness and efficiency of the independent and self-evaluation systems, identifying strategic issues and making recommendations to the Board			
5e Create results frameworks, with quantified benchmarks and targets for key performance indicators, for both the independent and self-evaluation systems	See Chair comments	See Chair comments	
5f Strengthen PEC's oversight of OVE's work program and budget			
5g Introduce an annual performance review for the Director of OVE			
5h Develop dismissal procedures for the Director of OVE			
<b>Recommendation 6. Strengthen the role of client countries in the evaluation process</b>			
6a Sharpen the focus on clients participating, learning from, and using evaluations in their planning			
6b Increase use of country systems and tailor evaluation capacity-building efforts to fit country realities			
6c Reduce the costs that are being passed onto countries (donor harmonization; build data collection into regular surveys undertaken by statistical departments; reconsidering the need to measure everything for every project)		Not assessed	
6d Undertake joint evaluations on a pilot basis with countries that have the capacity and interest to do so			
<b>Recommendation 7. Prepare a new, consolidated evaluation policy</b>			
7a The new evaluation policy should reflect the experience with independent and self-evaluation systems since 2000, changes that have taken place in IDB, developments in good practice in the international evaluation community, the move toward shared accountability with countries, and the findings of the Independent Review Panel			
<b>Recommendation 8. Require management and OVE to prepare detailed action plans</b>			
8a After the report of the Independent Review Panel is discussed at PEC, OVE and management should modify the actions in this preliminary action plan that are agreed by PEC, specifying how and when they plan to take the necessary actions. These action plans should be submitted to PEC for discussion and			

Chair comments: The Chair does not agree with this recommendation – Quantified benchmarks and targets tend to create dysfunction. See Campbell's Law and Goodhart's Law.