

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

DEVELOPMENT EFFECTIVENESS FRAMEWORK

August, 2008

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<http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=1777697>

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ABBREVIATIONS

| | |
|-------|---|
| ARPE | Annual Report on Projects in Execution |
| ARPRE | Annual Report on Portfolio Performance and Results |
| MTAP | Medium-Term Action Plan for Development Effectiveness |

GLOSSARY

| | |
|--------------------------|---|
| DEVELOPMENT INTERVENTION | An instrument for partner support aimed to promote development. |
| EFFECTIVENESS | The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance |
| EFFICIENCY | A measure of how economically resources/inputs (funds, expertise, time) are converted to results |
| EVALUABILITY | Extent to which an activity or a program can be valued in a reliable and credible fashion |
| EVALUATION | The systematic and objective assessment of an on-going or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process |
| MONITORING | A continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indicators of the extent of progress and achievement of objectives and progress in the use of allocated funds. |

Source: Development Assistance Committee (DAC), Glossary of Key Terms in Evaluation and Results Based Management.

I. INTRODUCTION

- 1.1 The purpose of this document is to provide the Bank with a Development Effectiveness Framework (DEF). Through the DEF, Management intends to increase the effectiveness of all of the Bank's products through: (i) setting clear standards and metrics for the evaluation of all development interventions (sovereign and non-sovereign guaranteed operations, country strategies and knowledge and capacity building products); (ii) providing clear guidance to staff about analytical requirements for meeting the standards; (iii) aligning governance structures to comply with those set out as good practice standards; (iv) establishing a results framework incorporated in the Corporate Performance Framework to monitor progress in key development effectiveness indicators; and (v) having an action plan for the successful implementation of this framework.
- 1.2 The proposal presented will provide the Bank with the tools needed to continuously assess its performance. It will promote discipline in thinking about how to achieve and measure results. It will allow the Bank to learn from past experience, which ultimately will lead to increased effectiveness of all its interventions. The proposal differs from previous efforts in that it adopts the international standards jointly developed by the Multilateral Development Banks in the past five years and organizes the activity of the Bank under a single framework focused on achieving results. It not only focuses on metrics but also on the Bank's incentive structure. By aligning performance incentives with the achievement of development results, the DEF establishes the means by which to recognize success and foster accountability.
- 1.3 During the last decade, the concept of development effectiveness has progressively gained strategic relevance within development institutions. It encompasses at least three broad concerns: (i) the need to align available resources with country priorities, including meeting the Millennium Development Goals; (ii) improving the impact of interventions in line with a results-based logic fully integrated into the management cycle; and (iii) the need to legitimate the use of resources for development policies, accounting for the results achieved. In this sense, the movement towards development effectiveness strengthens and complements the evaluation agenda that has always accompanied the efforts of development institutions.
- 1.4 This movement has materialized in an important agenda of the international community, of which a major milestone is the 2005 Paris Declaration on Aid Effectiveness, endorsed by the IDB. For the first time, it goes beyond a mere declaration of intentions, since it provides 'a practical, action-oriented roadmap with specific targets to be met by 2010', in seven areas (country ownership, alignment of agendas, harmonization, management for results and mutual

accountability)¹. At the same time, the harmonization efforts carried out by the Multilateral Development Banks (MDB) have been noteworthy. Through the Evaluation Cooperation Group (ECG), MDBs have formulated and agreed upon common standards and good practices for evaluation. Finally, the MDBs have also set in motion several initiatives to support management for results, like the Common Performance Assessment System (COMPAS), which establishes a common framework for MDBs to report results.

- 1.5 These initiatives have been progressively incorporated into the IDB work, as it will be later described. Nevertheless, there is still a long way to go if the IDB wants to have a leading position on development effectiveness. The present document, elaborated within the context of the New Operational Framework, complements other initiatives that will be formulated in it. It also represents a firm strategic decision to remedy the existing deficiencies and to generate a new agenda for development effectiveness consistent with the international standards and fully satisfactory for the IDB member countries.
- 1.6 Section II of the document introduces a brief conceptual discussion on some of the key development effectiveness issues. Section III gives a quick overview of the milestones underpinning the process towards a more results-oriented management culture and development-effective institution. Section IV concentrates on Good Practice Standards agreed by the international community and discusses the Bank's compliance and relative position with other MDBs. Sections V to VII respectively present the DEF's architecture, its governance structure with the distribution of roles and responsibilities for evaluation, and the instruments for its operationalization. A roadmap and the resources needed to implement the framework are presented under Section VIII. Finally, the four Appendices attached to this umbrella document respectively contain the Results Frameworks for Sovereign-Guaranteed Operations, Non-Sovereign Guaranteed Operations, Country Strategies, and Non-Financial Products.

II. DEVELOPMENT EFFECTIVENESS

- 2.1 Effectiveness, according to OECD-DAC² is 'the extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.'
- 2.2 This definition can be divided into two components: (i) *Doing the right things*. Any intervention is a choice that tells you what you prioritize in spite of the rest. Because it has an opportunity cost, choices must respond to a well-thought planning exercise that explains why certain actions are chosen. This requires a

¹ See 'Synthesis Report on the First Phase of the Evaluation of the Implementation of the Paris Declaration, Copenhagen', July 2008, p. iv.

² Development Assistance Committee (DAC), Glossary of Key Terms in Evaluation and Results Based Management.

programmatic approach by country and by sector based on a common understanding as a Bank of how development comes about, and how we can support the countries in this process as partners. To understand the scope of our contribution we need to know how our products (financial and non financial) relate to the larger priorities set by the countries. Consolidating a programmatic approach implies working on the links between sector analytic work, country analytic work, operations, and knowledge and capacity building services. These strategic choices issued from programming exercises are of the essence at this stage of decision-making.

- 2.3 (ii) *Doing things right*. At the end of the day, once strategic decisions have been made we need to have an idea of how much of the intended value was actually delivered. This is done through management, monitoring and evaluation. Management involves making sure that the intervention is rightly executed, the necessary inputs are provided in a timely manner, the process that transforms inputs in outputs is in place, and that these outputs are delivered within time and budget. Further to that, evaluations involve asking the right questions to know whether the planned outputs have produced the desired outcomes, rigorously applying evaluation methods to answer them, and producing conclusions that are relevant for policy and the program³.
- 2.4 The first step in managing development effectiveness is to ensure that we can evaluate Bank interventions to know if we are doing both the right things and things right. This is known as evaluability, which according to DAC is the ‘extent to which an activity or a program can be evaluated in a reliable and credible fashion’. It relies on: (i) a set of standards which are the reference base that frames the work; (ii) a basic set of dimensions we are going to report on at the different levels (corporate, country, sector, product), translated into indicators; (iii) adequate, timely and reliable monitoring systems and instruments; and (iv) the capacity and right incentives for management and staff to report and use the information produced. For the most part, these requirements have to do with making our products evaluable.
- 2.5 Along these lines, the DEF frames the Bank’s activities under a new logic that aligns the constituent parts of the Bank along the same basic direction: a greater focus on results, based on hard evidence, while improving the quality of the effort. At the same time, it moves development effectiveness away from ‘compliance activity –mere paperwork procedures- done to meet accountability mandates rather than to seriously support learning and decision-making’⁴.

³ See ‘NONIE Statement on Impact Evaluation’, DAC Network on Development Evaluation, Room Document 3/C. Prepared by the Chair of the Network of Networks (NONIE) for information at the 7th meeting of the DAC Network on Development Evaluation, 20 – 21 February 2008.

⁴ Patton, Michael Quinn (2008), ‘State of the Art in Measuring Development Assistance’. Presented at the Conference on Measuring Development Effectiveness: Progress and Constraints, World Bank, Washington DC.

III. INSTITUTIONAL BACKGROUND

- 3.1 In 1999, the Board of Executive Directors mandated a change in the Bank's governance structure of the evaluation system which was to affect both, the independent evaluation office and Management's self-evaluation system.⁵ As a result, the Office of Evaluation and Oversight (OVE) was created as an independent evaluation office reporting to the Board through its Policy and Evaluation Committee, while Management engaged in a continuous effort to strengthen its capacity to measure and report on results, and increase its development effectiveness.
- 3.2 In 2001, a Joint Board-Management Working Group on the Bank's Institutional Strategy presented a proposal for the Bank's Renewal of its Development Commitments (GN-2077-1). The purpose of the document was to provide a roadmap for the Bank to address the changes in the Region through increased effectiveness and responsiveness to country needs. It pointed out that the Bank did not have clearly established policies to ensure accountability for delivery of development results. In this context, it recommended that country programming concentrate on identifying expected development results of Bank interventions at the country level, and to take steps to enhance the focus of project execution on the achievement of results. In response to the greater emphasis on effectiveness, and to ensure a Bank-wide approach to the subject, the Office of Development Effectiveness was created as part of EVP in 2003.
- 3.3 In 2004, as part of the response to a mandate received from the Board of Executive Directors in 2003⁶, Management presented the Medium Term Action Plan for Development Effectiveness (MTAP)⁷. The MTAP was meant to establish a comprehensive system for development effectiveness at the Bank. The MTAP's Internal Pillar's objective was to strengthen the Bank's *performance so as to enable it to better help Borrowing Member Countries attain development results*. Among the mechanisms to improve effectiveness, the MTAP called for implementing review mechanisms that would strengthen self-evaluation of strategies and projects.
- 3.4 As a means to increase the relevance of results-based management, the Bank undertook a series of changes in its organizational structure in 2005, creating the Development Effectiveness and Strategic Planning Department (DEV)⁸. DEV's main task was to enhance the Bank's focus on measuring and monitoring

⁵ RE-238 Final report of the Working Group on Oversight and Evaluation entitled "Strengthening Oversight and Rebuilding Evaluation in the Bank".

⁶ "Development Effectiveness at the IDB. Progress and Future Actions". Report of the Chairman of the Policy and Evaluation Committee", Document GN-2186-3, March 4, 2003.

⁷ GN-2324. Medium-Term Action Plan for Development Effectiveness at the IDB.

⁸ DEV merged the Development Effectiveness Office, Strategic Planning and Operational Policy Division, and the Regional Operations Support Office.

development results, as well as facilitating the Bank's actions outlined in the MTAP. The new department would provide support to the operational areas by focusing on the Bank's and countries' ability to measure results and outcomes from the early programming and design stages, through corrective actions during executions and at mid-term, to the Project Completion Report stage.

- 3.5 Over the years, a number of initiatives have been adopted: the quality at entry exercise (GN-2262); the Portfolio Management Action Plan (GN-2215-1); the improvement of reporting instruments with new versions of the Project Performance Monitoring Report (PPMR) and the Project Completion Report (PCR), and the Development Effectiveness Overview⁹ (GN-2444-1) introduced in 2006, are also counted within Management's initiatives to improve the Bank's development effectiveness.
- 3.6 The review of the implementation of the Bank's 2002-2005 Lending Framework provided recommendations for adjustments to be incorporated in the 2005-2008 Lending Framework, under which the Bank is currently operating (GN-2200-13). Under its Recommendation 8, Management was encouraged to improve its systems at the different levels, strengthen its capacity and procedures, and consolidate development effectiveness into a results-focused corporate system. It also stressed the importance of public availability of the information produced particularly during project execution¹⁰.
- 3.7 The private sector windows of the IDB Groups (SCF, MIF, IIC & OMJ) have been progressively adopting the ECG-GPS as their evaluation framework. Pioneering this effort, the IIC adopted the ECG-GPS in 2001, completing since then five cycles of evaluation. Following OVE's recommendation, SCF started applying the international standards in 2006 and has completed its first round of evaluation¹¹.
- 3.8 Acknowledged by the Board and OVE, earlier efforts from Management have paved the way but have been insufficient. In November of 2007, the Policy and Evaluation Committee of the Board of Directors considered OVE's analysis of IDB's project evaluability levels for 2005, and concluded that Management should put forth a new proposal for increasing the evaluability of Bank operational products.¹²
- 3.9 Finally, the realignment that started in 2006¹³ aimed to establish that greater relevance for member countries should translate into a shift of emphasis towards results and development effectiveness, with enhanced cooperation and harmonization efforts realized with other donors and financial institutions (CC-

⁹ The Development Effectiveness Overview (DEO) replaced two reports: the Annual Report on Portfolio Management, Performance and Results (ARPRE) and the Medium Term Action Plan for Development Effectiveness (MTAP),

¹⁰ Under the parameters established in the Bank's disclosure policy.

¹¹ RE-332. First independent evaluation of the Expanded Project Supervision Report Exercise.

¹² Board of Executive Directors, RE-333-4. Analysis of Project Evaluability-Year 2005. Report of the Chairman of the Policy and Evaluation Committee. Revised version.

¹³ See the Realignment Proposal (GA-232) and the Implementation Plan (GA-232-12).

6152). The Realignment resulted in the revamping of the old structure, creating in July of 2007, the Office of Strategic Planning and Development Effectiveness (SPD). SPD, part of the Bank's Strategic Core, was charged with ensuring that the Bank's actions would be guided by the "*achievement of results and an efficient management of risks*". It was charged with developing and monitoring "*the implementation of the Bank's strategy and corporate plan, the key objective of which will be to promote development effectiveness in the institution's activities*"¹⁴.

- 3.10 These efforts reflect a common understanding between Management and the Board that the emphasis on results will have implications for the way the Bank operates, which 'will entail the adoption of methodologies for measuring results, redesigning the incentive structure in the Bank to reward results, and enhancing borrowers' capacity to evaluate results where appropriate' (PEA/03/4). The later implies, in turn, active communication with staff on development effectiveness issues; greater transparency and accountability for the results achieved by individual projects and programs; and responding to training needs in both sides: IDB staff and executing agencies (see also PEA/03/4).

IV. INTERNATIONAL EVALUATION STANDARDS

A. International Community and Good Practice Standards

- 4.1 In 1996, the Development Committee Task Force on Multilateral Development Banks (MDBs) issued a report that tasked the heads of the MDB evaluation units with "elaborating common evaluation standards, including performance indicators; exchange experience with evaluation techniques, share results; and become the repository of best evaluation practices. The immediate task would be to develop, within a specific time period, methodology and criteria for assessing and rating the MDB's operational performance and development effectiveness"¹⁵.
- 4.2 The Evaluation Cooperation Group (ECG) was formed in response to that report, to promote evaluation harmonization among MDBs. Since its formation, the ECG has elaborated and implemented Good Practice Standards (GPS) for evaluation of several types of development interventions. GPS for Private Sector Investment Operations were issued in 2001, and updated in 2003 and 2007¹⁶. GPS for public sector operations were issued in 2002¹⁷. Policy-based lending evaluation GPS were dealt with in an addendum to the public sector

¹⁴ Realignment Proposal (GA-232)

¹⁵ Development Committee, Task Force on Multilateral Development Banks. *Serving a Changing World-Report of the Task Force on Multilateral Banks*. March 15, 1996, p. 18

¹⁶ MDB-ECG. 2007. *Good Practice Standards for Evaluation of Private Sector Investment Operations*. Third Edition.

¹⁷ MDB-ECG. 2002. *Good Practice Standards for Evaluation of MDB Supported Public Sector Operations*.

GPS in 2005¹⁸. More recently, the ECG issued GPS for the evaluation of Country Strategy and Program¹⁹. Only GPS for the evaluation of nonlending services have not yet been developed. Although the IFC has taken the lead in developing GPS for the evaluation of technical assistance/technical cooperation since 2006²⁰.

- 4.3 ECG's Good Practice Standards for specific products were developed based on OECD-DAC's *Principles for Evaluation of Development Assistance*, of impartiality and independence, credibility and usefulness. Any evaluation should consider the following criteria:

Relevance The extent to which the aid activity is suited to the priorities and policies of the target group, recipient and donor.

Effectiveness A measure of the extent to which an aid activity attains its objectives.

Efficiency measures the outputs - qualitative and quantitative - in relation to the inputs. It is an economic term which signifies that the aid uses the least costly resources possible in order to achieve the desired results.

Impact The positive and negative changes produced by a development intervention, directly or indirectly, intended or unintended.

Sustainability is concerned with measuring whether the benefits of an activity are likely to continue after donor funding has been withdrawn. Projects need to be environmentally as well as financially sustainable.

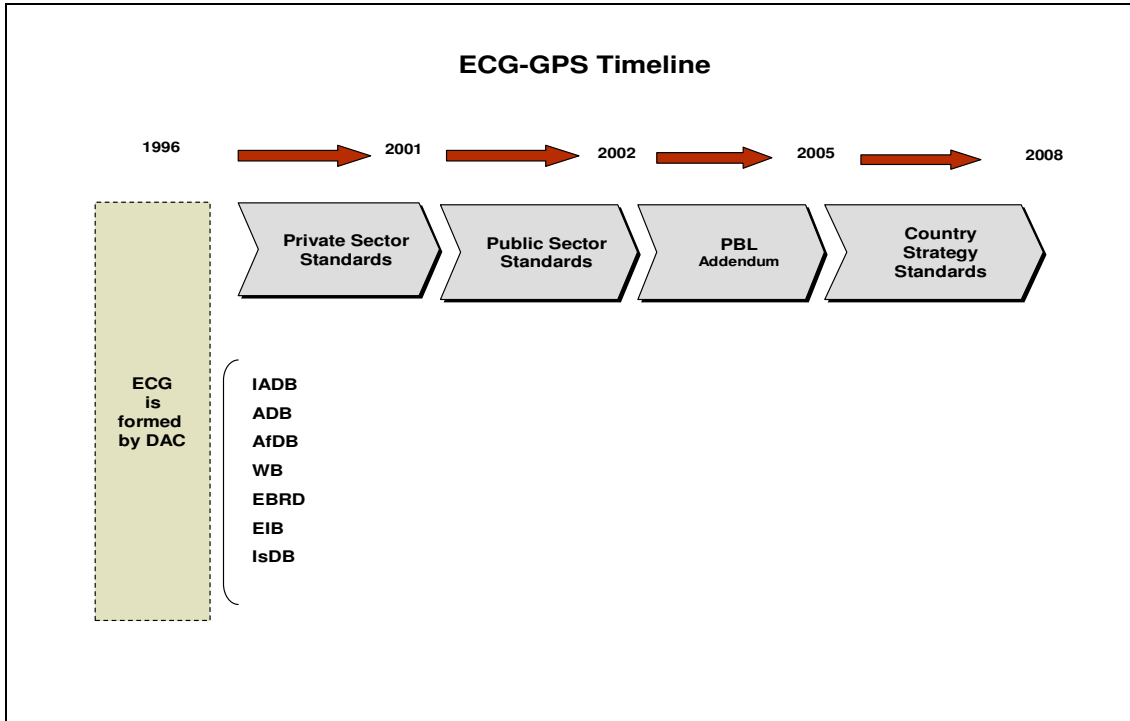
Source: www.oecd.dac.org/dac/evaluation

- 4.4 GPS contain **core** and **optional** standards. Core are those standards that establish key principles for evaluation and are necessary to permit comparability of results across MDBs. Optional GPS are not required for comparability but they contribute to increase accountability within a particular MDB. GPS are defined for **process** (conduct), **metrics**, and **dissemination** of products of evaluations.

¹⁸ MDB-ECG. 2005. *Evaluation of Policy Based Lending: An Addendum to the GPS for the Evaluation of MDB Supported Public Sector Operations*.

¹⁹ MDB-ECG. 2008. *Good Practice Standards for Country Strategy and Program Evaluation*.

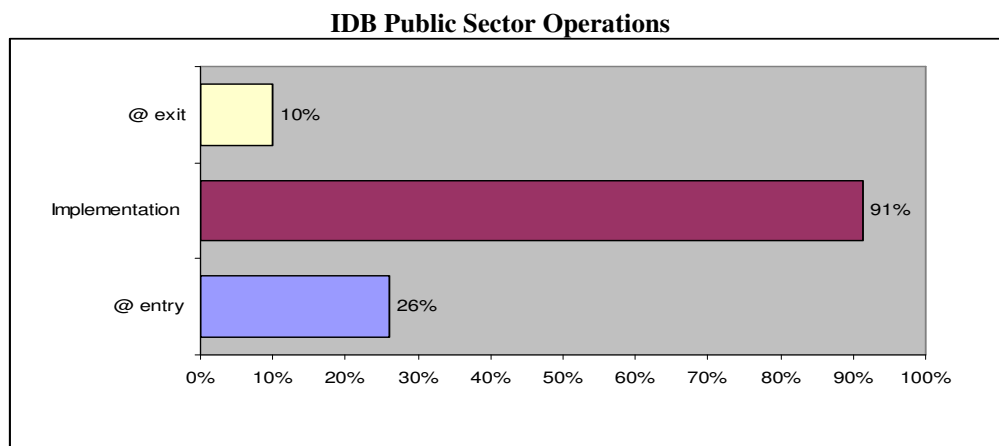
²⁰ MDB-ECG. 2006. *Presentation to the OECD DAC Evaluation Network*.



B. Where the IDB Group Stands

- 4.5 *Sovereign Operations.* There has been no MDB benchmarking of GPS compliance for public sector operations, evaluations carried out by OVE²¹, show that most public sector projects at the Bank are approved with low levels of evaluability, which in turn, impacts the capacity of the Bank to demonstrate development results at completion of a given development intervention.
- 4.6 While self-reporting indicators during the life of a loan show a high probability of achieving development outcomes; independent evaluations show that projects demonstrate weak evaluation frameworks at design and low levels of verifiable results at completion. The last review of evaluability-at-entry of public sector projects showed that only 26% of the projects proposals had satisfactory evaluation frameworks. OVE's evaluation of Project Completion Report (PCR) showed that only 10% of projects reviewed could demonstrate development results at completion.

²¹ See RE-275, RE-333, RE-315, RE-308 and sector evaluations such as RE-317, RE-324 and RE-336



Source: PISTA, 2007 for IDB, OVE RE-315, RE-333

- 4.7 While incentives for project teams are on project preparation, there is a clear indication that completion reports do not seem to be a very useful tool for either accountability or dissemination of findings and lessons learned. Most project completion reports (PCR) are not prepared on time, and most of them are not even prepared 6 months after their due date.

| PCR Completion Rates – 2007 | | | |
|-----------------------------|-------------------|---------------------------|----------------|
| Due date for completion | PCRs approved | No. of completed projects | PCR completion |
| 90 days after due date | 20 | 60 | 33.3% |
| 120 days after due date | +2 | 60 | 36.7% |
| 180 days after due date | +4 | 60 | 41.7% |
| More than 180 days | +8 (28 out of 60) | 60 | 46.7% |

Source: PISTA, PCR completed as of December 31, 2007

- 4.8 After the first evaluability review by OVE in 2003, the Administration followed the World Bank's Group model of Quality-at-entry, as the instrument to tackle the deficiencies in the evaluability of public sector projects. The intervention had yielded positive results at the sister institution, and as part of the newly launched MTAP, quality-at-entry was introduced in Bank's practice.
- 4.9 The quality-at-entry exercise did include most of MDG-ECG standards for public sector operations. However, it was not able to become an integral part of appraisal, monitoring and evaluation process of operations; and as a consequence did not yield the expected results, as evidenced by OVE's second evaluability exercise. Among some of the factors that may explain the lack of

success of the chosen intervention are: (i) staff members saw little or no value to the initiative, (ii) incentives structures remained: Q@E quality standards were never part of the process of project preparation and review cycle, and (iii) dissemination of standards was low.

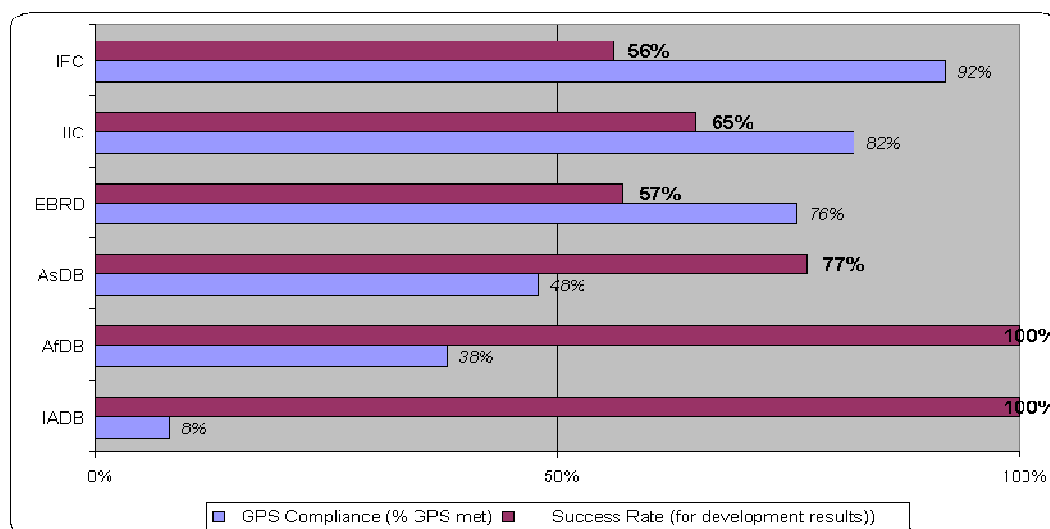
- 4.10 The common finding, in evaluations carried out by the OVE in the last five years, is that incentive structures, validation methods with little evidentiary data, and lack of common criteria (standards) to assess and evaluate our products are at the root of the problem of the Bank's inability to demonstrate positive results from its development interventions²². In 2005, OVEs evaluation of the new guidelines for project completion reports²³ found that the content of the instrument and its guidelines were not in compliance with what is required from the MDB-ECG core standards.
- 4.11 ***Non-Sovereign Operations***. Even though GPS have been developed for almost all the range of development interventions financed by MDBs, only private sector operations have been benchmarked to date.
- 4.12 The 2005 benchmarking study of private sector operations practices showed large variability among MDB, both in compliance with the ECG-GPS standards, and in the reported success rates for the achievement of development objectives. There was a clear inverse relation between compliance with GPS standards and the level of success reported. This relationship indicates that instruments and processes that have greater compliance with the GPS standards tend to reduce subjectivity in results reporting, rendering results more credible²⁴.

²² GN-2444-2 OVE comments on the 2006 Development Effectiveness Overview (DEO) and the 2006 Common Performance Assessment System (COMPAS)

²³ RE-315 Assessment of the 2004 Project Completion Reports (PCRs) produced under the Bank's New PCR Guidelines

²⁴ IDB's private sector window had 8% compliance rate at the time of the benchmarking exercise. PRI started evaluation activities based on ECG-GPS standards right after the benchmarking study.

Benchmarking of MDB Private Sector Windows



- 4.13 The MDB benchmarking of private sector operations, however, proved to be effective in establishing accountability for results and prompting changes in the way (instruments and processes) MDBs measured their development outcomes. As far as the IDB private sector windows, the graph above shows vast variance in GPS compliance between the IIC and the rest of the windows. These results have elicited VPP to move quickly to harmonize its practices and to increase GPS compliance across all its windows.
- 4.14 All of the private sector windows of the IDB Group (MIF, IIC, SCF and OMJ) have, as of this date, adopted the ECG-GPS as their evaluation framework. The IIC has been a pioneer in this process, applying the ECG-GPS since 2001 and completing five cycles of evaluation and validation done by the IDB's external evaluation office (OVE)²⁵, as mandated by the GPS.
- 4.15 MIF investment operations were evaluated in 2008²⁶, and it brought MIF in compliance with ECG-GPS, which requires that completion reports by evaluated by the independent evaluation office of the MDB. The Expanded Supervision Report (ESR) is MIF's self-evaluation tool and it has been designed, according to OVE, in compliance with the ECG-GPS for consistency, efficiency, transparency and ownership of findings.
- 4.16 SCF adopted the standards in 2006 and as a result of their first self-evaluation exercise, and OVE's 2007 review²⁷, proposed an overhaul of their practices in order to (i) harmonize with IIC, (ii) present expected development outcomes and additionality in a systematic way, and (iii) applying rigorous project screening criteria. The Board considered and approved SCFs proposal for

²⁵ CII/RE-8. *Fifth Independent Evaluation Report to the IIC Board of Executive Directors*

²⁶ MIF/RE-1. *First Independent Evaluation Report of the MIF*

²⁷ RE-332. *2007. First independent evaluation of the expanded project supervision report exercise.*

evaluating the development effectiveness of its operations in March 2008 (GN-2473-1). SCF will need to increase the completion of their Expanded Supervision Reports (XSPR) during 2008 in order for them to reach full ECG-GPS compliance.

- 4.17 **Country Strategies.** In 2005, OVE reported to the Board on the degree of evaluability of country strategies elaborated in 2003 and 2004²⁸. This review has been updated in 2008, as part of OVE's evaluation of the New Lending Framework. Preliminary results show that while evaluability remains low along the seven dimensions used by OVE, there has been a significant improvement along two dimensions: Diagnostics and Indicators. Areas that remain low are: self-evaluation, risk treatment and logical consistency.
- 4.18 Upon approving the New Country Strategy Guidelines, the Board requested that the administration present, as part of the Development Effectiveness Framework (DEF), a results framework and evaluation criteria for Country Strategies that follows Good Practice Standards (GPS) of the MDB-ECG. The DEF will complement the new Country Strategy guidelines by setting out the evaluation criteria, monitoring instruments and self-evaluation system for country strategies, with the purpose of providing evidence-based assessments of the results of the Bank's interventions at the country level. The ECG Country Strategies GPS include a benchmarking to be carried out in 2010.

| OVE Evaluability Dimension | Evaluation Round | | % Change |
|----------------------------------|------------------|--------------|--------------|
| | 2003-2005 | 2005-2008 | |
| Logical Consistency | 23.57 | 25.57 | 2.00 |
| Diagnostic | 33.24 | 43.43 | 10.19 |
| Indicators | 14.52 | 39.18 | 24.66 |
| Monitoring | 12.36 | 17.17 | 4.81 |
| Objectives | 20.13 | 24.24 | 4.12 |
| Analysis of previous programming | 14.91 | 16.92 | 2.01 |
| Risks | 23.02 | 23.23 | 0.20 |
| Overall | 20.25 | 27.11 | 6.86 |

Source: OVE, 2008

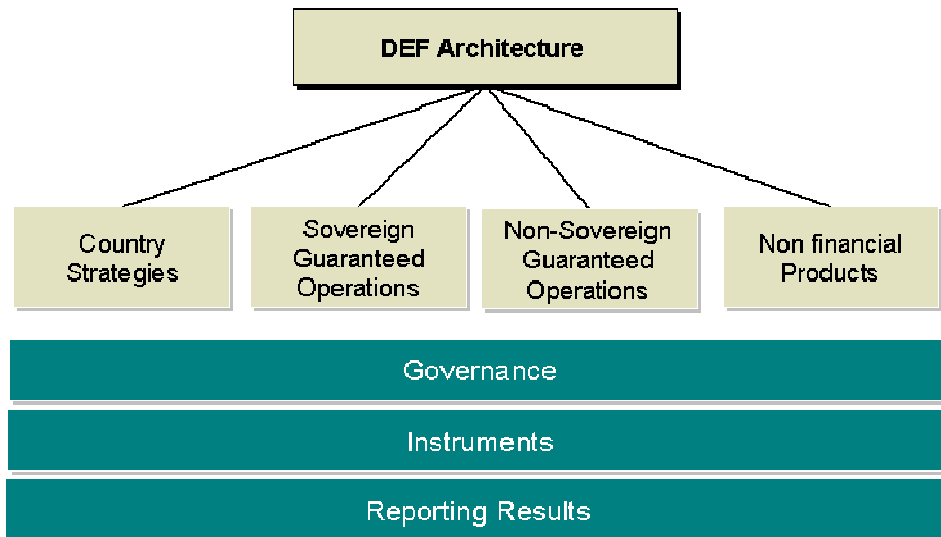
- 4.19 **Non lending services.** Knowledge transfer has been as important a component of development assistance as financial support. MDBs have, historically, provided this kind of transfer through a variety of non financial services (studies, seminars, workshops, consultancies, etc.). In 2006, OVE undertook an evaluation of IDB studies (RE- 323) as well as a review of technical assistance products generated by the MIF window of the Bank (MIF/GN-78-18).
- 4.20 In the case of *IDB Studies*, the evaluation found that the Bank has (i) weak programming and prioritizing of this product, (ii) production incentives are low and ad hoc, (iii) quality control process are mostly undefined, (iv) quality and

²⁸ RE-309. Report on the Evaluability of Bank Country Strategies.

utility of what is produced is low compared to other MDBs, and (v) the production function of the product is unknown (time dedicated by staff and monetary resources). These findings correspond to practice aligned more with a business model that focuses on project financing, than a programmatic approach.

V. DEVELOPMENT EFFECTIVENESS FRAMEWORK ARCHITECTURE

- 5.1 The proposed DEF architecture includes all three categories included in the standards: governance, metrics and reporting. The intention is to present a comprehensive system that encompasses all Bank products: sovereign guaranteed operations; non sovereign guaranteed operations; country strategies; and non financial products.
- 5.2 In this document we discuss governance issues (process), alignment of Bank’s instruments of evaluation with MDB-ECG standards, and reporting mechanisms for tracking progress in the achievement of DEFs objectives. Appendices to the main document present specific metrics and reporting instruments to be used for evaluating and monitoring development results of each product. The metrics included in the technical appendices could be subject to adjustments and improvements by Management over time.

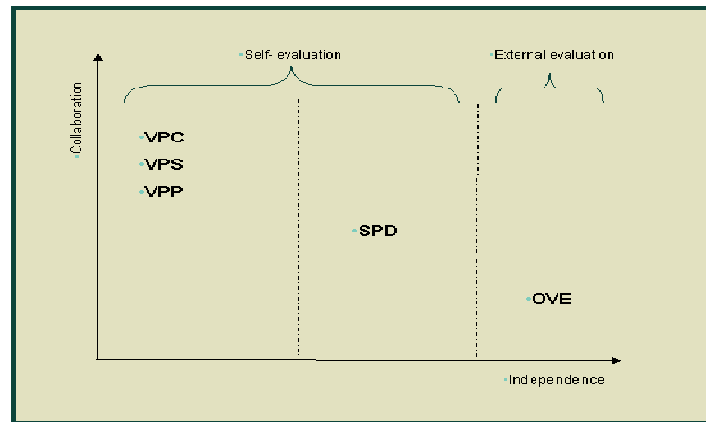


A. Governance of the Evaluation System

1. Roles and Responsibilities for Evaluation

- 5.3 Aligning governance structures to standards requires reviewing responsibilities for VPs in charge of self-evaluation; responsibilities of the strategic core departments; and those of the external evaluation office and the Executive Board of Directors. The following graph places the newly realigned structure

with roles and responsibilities that are in compliance with the MDB-GPS standards for governance of the evaluation system of an MDB.



- 5.4 In accordance with GPS principles, OVE transmits its findings to the President and Board without any clearance from management. The Board oversees its work through an evaluation oversight committee, which for the IDB is the Policy & Evaluation Committee of the Board. While OVE operates with full autonomy, it should, according to GPS standards, maintain close consultation with the Bank’s other departments to ensure coherence of standards and “good prospects for corporate ownership of [its] findings and recommendations for improvement” (GPS-Public Sector Operations, pg. 4)
- 5.5 SPD is part of the self-evaluation system of the Bank. Its role is to support the internal evaluation function across products, including the development of evaluation guidelines and standards, their application, and identifying problems encountered. It provides support on demand to all VPs in carrying out evaluations of different products and in the application of evaluation standards for reporting of development results. It ensures the quality and delivery of completion reports to OVE, within a previously agreed schedule, for their validation.
- 5.6 The VPs are in charge of preparing completion reports for each of their development interventions, in accordance with evaluation guidelines. They establish a delivery schedule for completion reports. They may rely on SPD for technical support in ensuring that completion reports are delivered in accordance to evaluation guidelines.

2. Self-Evaluation

- 5.7 The OECD-DAC defines self-evaluation as ‘an evaluation by those who are entrusted with the design and delivery of a development intervention.’ For the realigned Bank, the *Vice-presidencies of Countries, Sectors & Knowledge and Private Sector* are accountable to the PRE and the EVP for the quality of all of their products, including self-evaluations of each type of development

intervention. VPC is responsible for country strategies and country analytic products, VPS for sector coherence and SG operations, as well as for knowledge and capacity building activities, and VPP for NSG operations under all of its windows.

- 5.8 **Country and Sector Managers** have the primary responsibility to ensure that the annual work plan of Representatives and Division Chiefs include sufficient time and resources for developing self-evaluations, and that those are carried out according to the Bank's guidelines and international standards. This is crucial given that completion reports need to be produced on time for OVEs validation. If the evaluation unit cannot validate a 100% then the MDB will not be in compliance with the GPS.
- 5.9 Operational roles for the SCF development effectiveness framework are laid out in GN-2473-1, where operational responsibility for the framework falls directly to SCF Management. SCF Project teams will conduct the DEM analysis at approval stages, to be validated by Development Effectiveness staff in Portfolio Management Unit and SCF senior Management. The Portfolio Management Unit will conduct monitoring and self-evaluation based on DEM.²⁹
- 5.10 VPPs and VPSs **Division/Unit Chiefs and VPCs Representatives** have the primary responsibility for carrying out self-evaluation of each of their corresponding products, allotting sufficient financial resources and staff time for completing a 100% of completion reports on time for validation.
- 5.11 The **Office of Strategic Planning and Development Effectiveness (SPD)** has the responsibility of monitoring progress in the implementation of OVE's recommendations, as indicated by the Policy and Evaluation Committee of the Board on their report GN-2444-5. As such, SPD has the responsibility of ensuring that all manuals for project preparation and administration, as well country strategies and non-lending activities, adequately reflect the evaluability standards proposed herein. SPD has the role as the technical arm of the Operations Policy Committee of the Administration, of ensuring an adequate review of evaluation standards at that level, and providing technical assistance on demand to VPC and VPS in the application of those standards.
- 5.12 **Recommendation/change to current practice #1:** Beginning September 2008, all manuals for preparation, monitoring and evaluation of operations and strategies should adequately reflect the evaluation standards that form part of this proposal.
- 5.13 **Recommendation/change to current practice #2:** Beginning September 2008, SPD will start working with teams preparing country strategies, operations and

²⁹ As in the case of IIC, SCF's Development Effectiveness staff in PMU is independent from the operational Divisions, but still under the overall supervision of SCF General Manager. As presented in GN-2473-1, SCF will report to the Board periodically on the implementation of its framework, including the evaluability of its projects.

large TC programs to begin applying evaluation standards. Each VPS sector division must produce a DEM for at least one SG operation to be submitted to the Board from now until the end of the year.

- 5.14 ***Recommendation/change to current practice #3:*** Effective January 1, 2009, all SG operations will require a DEM at approval. After adequate training of staff and management, completion reports of sovereign guaranteed operations will be prepared under the new and streamlined instruments proposed in Appendix 1, in accordance with MDB-ECG standards, and will be validated annually by OVE. LRR should update their Development Effectiveness Matrices (DEM) which were included in their loan proposals.
- 5.15 ***Recommendation/change to current practice #4:*** Effective January 1, 2009 all Country Strategies will require a DEM at approval. After adequate training of staff and management, self-evaluations of country strategies will be prepared under the instruments and guidelines proposed in appendix 3. Country Strategies self- evaluation will report on results achieved and the new country strategy will include a Country Results Matrix.
- 5.16 ***Recommendation/change to current practice #5:*** Starting in January 1 2009, all KCP proposals should include a results framework and a self-evaluation as included in these guidelines. After adequate training of staff and management, all manuals for preparation, monitoring and evaluation of knowledge and capacity building products (KCP) should adequately reflect the evaluation standards that form part of Appendix 4..
- 5.17 ***Recommendation/change to current practice #6:*** QRR minutes will, if relevant, explicitly include a discussion of how the evaluation standards are being complied with @ exit (for project completion) and @ entry (for LP)

3. Independent Evaluation

- 5.18 ECG-GPS standards mandate that all products be subject to an independent evaluation. The OECD-DAC defines it as ‘an evaluation carried out by entities and persons free of the control of those responsible for the design and implementation of the development intervention’,³⁰ and it assigns this responsibility to the MDBs evaluation offices (CED). The Board of the MDB “oversees the CED’s work through and evaluation oversight committee... The CED transmits its final products to the President and Board without any clearance from management.”³¹
- 5.19 The Bank’s evaluation system is compliant with the standards along this dimension. OVE elaborates evaluations contemplated in its work program, and

³⁰ OECD-DAC. 2002. Glossary of Key Terms in Evaluation and Results Based Management. DAC Working Party on Aid Evaluation.

³¹ MDB-ECG. 2002. *Good Practice Standards for Evaluation of MDB Supported Public Sector Operations*

the findings and recommendations are overseen by the Policy and Evaluation Committee of the Board of Executive Directors.

- 5.20 Evaluation timing and coverage of specific products (country strategies, sovereign and non-sovereign operations) vary according to each GPS mandate. Non-sovereign operations ECG-GPS standard states that it is best practice to prepare and evaluate 100% of the projects reaching early operating maturity, or for a random, representative sample of sufficient size to establish, for a combined three-year rolling sample, success rates at the 95% confidence level for each evaluative dimension.
- 5.21 On the other hand, country strategies ECG-GPS call for an in-depth evaluation over a “period of assistance that is long enough to ... witness development results, while providing more emphasis on evaluating recent performance”. In relation to all country strategies vs. a sample, a core standard states that “faced with limited evaluation resources, it is good practice to select those countries and programs for [evaluation] where the findings and lessons will be most beneficial to the MDB and the country”. Additionally, a core standard states “if self-evaluation are properly done and independently validated, this may reduce the need for in-depth independent [evaluations]”³²
- 5.22 In the case of sovereign guaranteed operations, the ECG-GPS standard states that the independent evaluation units of MDB, should “synthesize the [OVE]-verified completion reports findings, supplemented by its performance evaluation reports (and other evaluation studies) in annual reviews to the MDB’s management and Board³³”
- 5.23 To date, for NSG operations, OVE has evaluated 100% of the IIC completion reports on an annual basis, and conducted validation reports of MIF and SCF operations starting in 2007. For country strategies, OVE has produced an in-depth evaluation of assistance for each country at the time of preparation of a new country strategy for that country. For public sector operations, OVE has conducted only one evaluation of project completion reports (CRs)³⁴, at the time that new guidelines were put in place by the Administration.
- 5.24 ***Recommendation/change to current practice #7:*** Starting in 2009, OVE will include as part of its annual program, a review of all completion reports for sovereign guaranteed operations, and the evaluation be sent for consideration to the Policy and Evaluation Committee of the Board. This change is proposed to increase accountability mechanisms at the corporate level, putting emphasis on monitoring the achievement of development results, shifting from approvals.

³² MDB-ECG. 2008. *Good Practice Standards for Country Strategy and Program Evaluation*. Standard # 19, #25 and #29.

³³ MDB-ECG. 2002. *Good Practice Standards for Evaluation of MDB Supported Public Sector Operations*. Page 5, par. 14 (v).

³⁴ RE-315 Assessment of the 2004 PCRs produced under the Bank’s new PCR Guidelines.

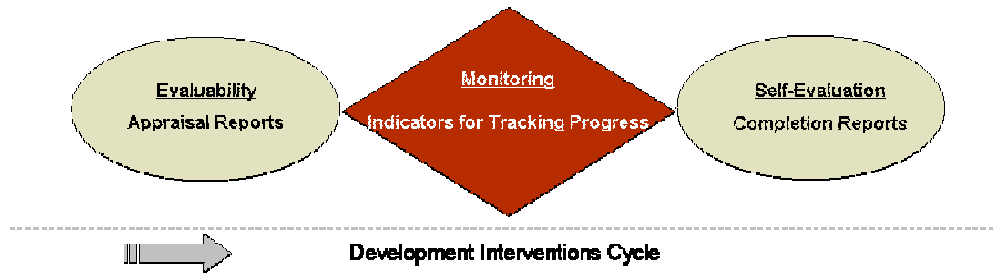
B. Instruments and Metrics

5.25 In order to increase the Bank’s capacity to demonstrate development results based on empirical evidence, all instruments will be aligned to meet MDB-ECG evaluation standards. The proposed instruments are:

(i) Evaluability instruments, that measure whether the evaluation and results proposed for a product are robust enough to be able to demonstrate results at completion of that intervention.

(ii) Monitoring Indicators, a set of indicators that allows managing the product implementation, to ensure that activities and outputs are being generated in with expected costs and timeframe.

(iii) Evaluation instruments, which define clear and objective metrics, analytics and processes by which to report results that can be independently validated.



1. Sovereign Guaranteed Operations

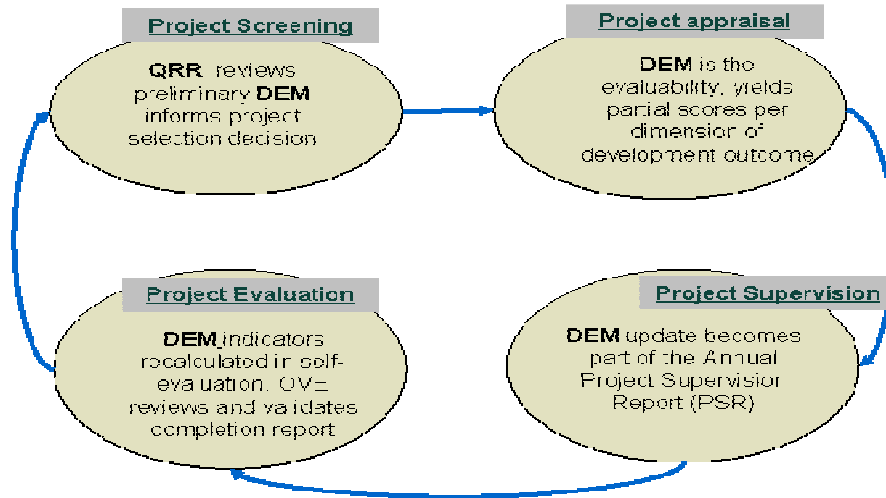
5.26 The proposal streamlines the instruments that measure performance from appraisal to evaluation by introducing, like the NSG/private sector windows, a “development effectiveness matrix” (DEM). The DEM will include development performance areas that incorporate ECG-GPS and other best practices among public sector windows of other MDBs. DEM performance areas will also include the Bank’s strategic areas (i.e. IDB 8th mandates, sector specific initiatives).

5.27 **Performance Areas.** DEM performance measurements are divided in two areas, (core and optional standards), according to ECG typology. There are four core measurement areas, and one additional that recommends a summary rating be created for evaluation of the operation. DEM will include a measure of the Bank’s product additionality along two areas: institutional development and environmental and social impacts. Additionally, the DEM will include at completion of an operation a measure of Bank’s performance during the life of the project (rating will be gathered through the client feedback system).

| | | |
|--------------------------------------|--|---|
| Core Evaluation Standards | Relevance | Is the project consistent with (at approval and during implementation): (i) the needs of the beneficiaries; (ii) the country's development strategy; (iii) the MDB's assistance strategy for the country; and (iv) MDB's statutory requirements, comparative advantage and policy priorities? |
| | Achievement of Objectives (Efficacy) | To what extent were the project's objectives or expected objectives achieved, taking into account their relative importance, while recognizing changes introduced in the project since Board approval. |
| | Efficiency | To what extent are the project benefits/outputs commensurate with the resources/inputs. This criteria considers the use of economic and financial rates of return where feasible, and when not feasible, the use of cost-effectiveness measures and costs/savings of early/late completion. |
| | Risk | The identification of factors that can have an effect on the sustainability of net benefit flows delivered by the project after completion. Can an assessment be made of the resilience to risk of the project outcomes? |
| | Aggregate project performance indicator | A measure, through a single indicator, of the overall effects of the project. |
| Optional Evaluation Standards | Additionality | <u>Institutional Development:</u> Does the project improve or weaken a country or region's capacity to make more efficient, equitable, and sustainable use of its human, financial and natural resources. <u>Environmental and Social Impacts:</u> Does the MDB's involvement affect the environmental, social, health and labor performance of the country? |
| | Bank Performance | Did the MDB provide quality services during all phases of the project? Was the MDB focused on ensuring project quality at entry, and that effective arrangements were made for implementation and future sustainability of benefits? Was the client satisfied with the service provided? |
| | | |

5.28 Appendix 1 details performance indicators for each of the above areas of measurement. The DEM will include a partial rating for each of the above performance areas of the project and these values will be reported throughout the life of the project. The DEM is not a text document but a data and product classification repository.

5.29 **Recommendation/change to current practice #8:** At appraisal, a DEM will be elaborated for QRR, incorporating information in the Loan proposal, the results and risk matrix. A Loan Review Report (LRR) at 18 months of execution will include an updated DEM. At completion, the PCR format will be adapted to fit the DEM analytical requirements. SPD/SDV will be an on-demand technical resource to teams preparing completion reports and in the update of their DEM at LRR. The following flow chart shows how, the ECG-standards compliant DEM consolidates measurement instruments throughout the project cycle.



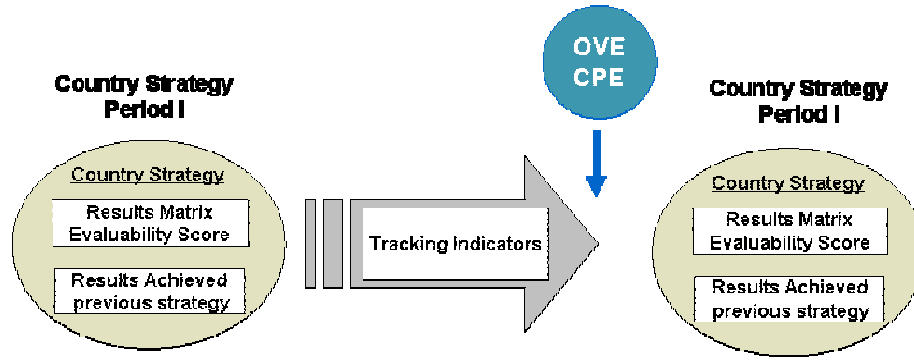
2. NSG/Private Sector Operations

5.30 SCF presented their development effectiveness framework to the Board in March 2008 (GN-2473-1). In accordance with the framework, SCF will use their DEM throughout project cycle (screening, analysis, monitoring and evaluation process). DEM consists of 5 performance areas under Development Outcome and 2 performance areas under Additionality, with indicators which are compliant with ECG-GPS standards and with practices at other private sector windows and other MDBs. SCF conducts annual monitoring of development effectiveness in PSR, which includes the update of specific sector indicators of DEM. SCF conduct self-evaluation in their Expanded Project Supervision Report (XPSR), which includes review of DEM. OVE validates results reported in XPSR. Their first validation was done for 2007 XPSR.

5.31 OMJ proposes to adopt the same Development Effectiveness Framework as SCF, with adjustments made in the IDB Strategic Objectives performance area, where, OMJ project's specific characteristics are reflected.

3. Country Strategies

5.32 Aligned with sovereign and NSG/private sector operations process and instruments, country strategies will include a "Country Results Matrix". This matrix will be updated periodically to track implementation progress, and to report on results achieved will also be used to report at completion of the strategy. Strategies will not produce a stand-alone document for self-evaluation, but rather report achieved results in an annex in the following country strategy proposal.



5.33 The country strategy cycle begins with a new Country Strategy proposal. It includes the results matrix and an evaluability score that informs Management about how robust the proposed results matrix is for verifying the achievement of results. OVE begins its in-depth evaluation process and validates the reported achieved results for the previous cycle.

5.34 ECG-GPS performance areas for country strategies include both core and optional standards. The Bank will include the following areas in their measurement instruments for country strategies:

| | | |
|--------------------------------------|--|---|
| Core Evaluation Standards | Relevance, coherence, positioning | The relevance of the Bank’s Strategic Objectives given the long-term development goals of the Country and medium-term outcomes to which the Bank’s program aims to contribute. For positioning, was the choice of sectors based on a diagnostic and evidence of relative development impact? Identify other development partner actions and establish division of labor and complementarity to optimize comparative advantages. For coherence, to what the degree did the MDB offered a mix of instruments (financial, non-financial and advisory services) that fit the needs of the Country and its capacity. |
| | Effectiveness | Determine the extent to which the results proposed in the CS have been achieved. Degree to which the Bank is transferring resources and knowledge according to a timeline agreed with the country, providing a measure of financial effectiveness and capacity building. |
| | Efficiency | Degree to which results are achieved through a cost-effective design and delivery of assistance. |
| | Risk | Program Results are assessed against the extent to which the Bank’s interventions identified risks to achieving sector outcomes. Were the instruments chosen appropriate in light of the risks identified? |
| | Impact | Assess the MDB’s contribution to a country’s development goals (for instance, macroeconomic balance, socioeconomic conditions and environmental sustainability). Consider the MDB’s contribution to development impacts (e.g.: delivering relevant knowledge or advice and fostering more effective use of external resources, etc.). |
| Optional Evaluation Standards | Bank Performance | Assess compliance with basic corporate operating principles; consistency with MDB’s corporate, country and sector strategies; and client satisfaction. |

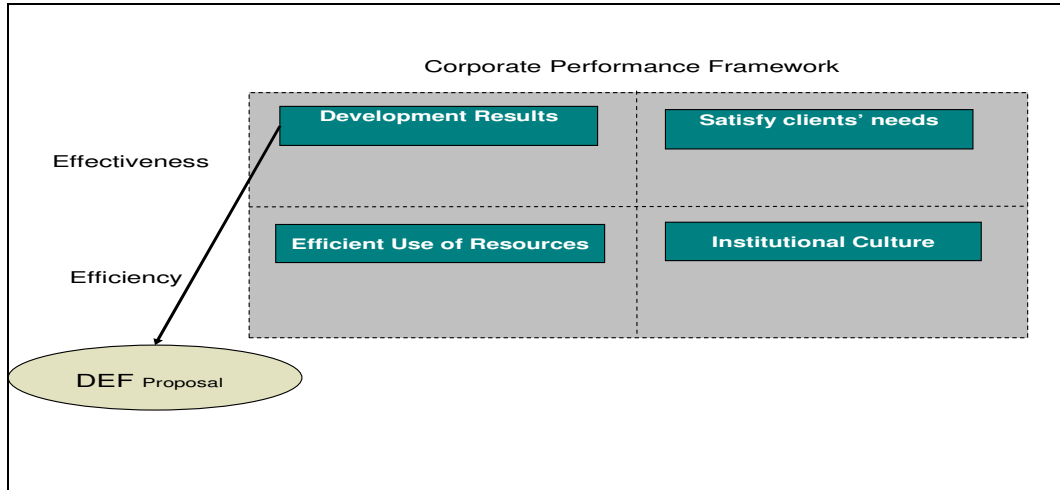
- 5.35 Appendix 3 includes the instruments for measuring results from country strategies, specifies performance indicators for each of the above areas of measurement and includes guidelines for each area.

4. Knowledge and Capacity Building Products

- 5.36 All knowledge and capacity building products (KCPs) generated by the Bank will be structured in programs. These programs establishes strategic lines of action for IDB support in a given area, and includes: core objectives, diagnostic, priority setting, program action plan, resources, and evaluation. Resources for KCP programs will be allocated according to Bank's priorities, based on country and sector needs.
- 5.37 Along the lines of sovereign and non sovereign operations, and country strategies, all KCP programs will include a clear statement of their expected development effects presented on a Development Effectiveness Matrix (DEM). Proposals for specific products will always be linked to a given program. They will consist of a brief concept note that includes a simplified version of the Development Effectiveness Matrix for that program.
- 5.38 Appendix 4 presents with greater detail the types of KCPs; the distribution of roles and responsibilities for programming, origination, selection, execution and dissemination; and the metrics and instruments for tracking progress towards the achievement of results.

C. Reporting Corporate Results and Framework for Incentives

- 5.39 The Corporate Performance Framework (CPF) defines the key objectives for the institution and provides specific indicators that will allow the Board and the public to track the Bank's progress in meeting its defined objectives. The CPF is the monitoring instrument at the corporate level and sets clear targets for improving aggregate performance.
- 5.40 The CPF has four corporate objectives. The instruments developed in the present document establish precise development results indicators for the first CPF objective: Partner with clients that can have a positive impact on development.



- 5.41 Performance indicators for strategic objectives at the corporate level will roll down to the lower levels (VPs, Departments, Divisions/Units) through balanced scorecards. The balanced scorecards will show a quarterly report on performance for each division against each of the strategic objectives. Compliance measures will be reported in the Quarterly Business Review (QBR) produced by SPD for Management’s review (at OPC or other managerial instances of performance review). QBR contains a larger and more differentiated set of indicators along the four corporate objectives of the CPF, and it allows management to monitor the achievement of outputs related to corporate results. For example, “% of completed PCRs”, is a key output OVEs validation of self-evaluation ratings. If OVE cannot validate results, the Administration cannot report the “% of projects achieving satisfactory ratings on development outcomes for completed operations” (see below, an indicator of the CPF). PCR completion is an indicator of the QBR; while a satisfactory rating for development outcomes of sovereign operations is a CPF indicator.
- 5.42 At the individual level, some of the QBR indicators could be a direct input to the Employee Performance Management Framework (EPMF), which has been created to support organizational performance improvement and reward excellence. Indicators of production efforts, such as # of completion reports produced on schedule, will be included, if appropriate, at individual EPMF.
- 5.43 Compliance will also be rewarded, both at the individual level, and at the corporate level by showcasing projects, products and services that have sound evaluation frameworks and are successful in generating evidence-based learning. The VPs in coordination with SPD propose to select a set of projects/products/services that excel at meeting the standards every year. The selection will encompass the full range of the DEFs instruments.

- 5.44 Tracking progress of this proposal and demonstrating the achievement of development results at the corporate level will be achieved by the proposed indicators on the table below. These indicators will measure progress made against a commonly defined starting point (baseline) and expected changes. Targets are set for the year 2012. At that time, we expect to have all products included in this document to have gone through four annual rounds of validation by the independent evaluation office (OVE). They will be reported annually as the first dimension of the Corporate Performance Framework.

| Corporate Performance Framework | | DEF Indicator | Baseline 2008 | Targets 2012 |
|--|---|---|-----------------------|-----------------------|
| 1. Partner with clients that can have a positive impact on development | | | | |
| Country Focus | 1. % of Country Strategies that have satisfactory scores in evaluability dimensions | 1. Overall evaluability score @entry for new Country Strategies approved (as a % of max. score) | 27.11% | 80% |
| | 2. % of Country Strategies that have results that can be validated for: (i) priority areas identified (ii) agreed financial envelope (ii) advances in the alignment with country systems | 2. % of Country Strategy CRM @exit that have satisfactory results validated for: - Sector outcomes - Financial outcomes - Progress for build and use country systems | N/A | 60% 70% 50% |
| Development Results | 2. % of new operations with satisfactory scores on evaluability dimensions | 3. Satisfactory Evaluability @ entry | 26% | 80% |
| | 3. % of completed projects with results that can be validated | 4. PCR with validated results | 10% | 100% |
| | 4. % of completed projects with demonstrated positive results | 5. SG PCR satisfactory rating on, Development results 6. NSG XPSRs satisfactory ratings on, Development Outcomes Additionality | N/A 60% 60% | 60% N/A N/A |
| | 5. % of projects with high environmental and social risks that are rated satisfactory in implementation of mitigation measures | 7. SG satisfactory rating on, DEM environmental effects 8. SCF satisfactory rating on, DEM environmental effects | N/A 60% | 80% TBD |
| | 6. % of completed KCP programs with results that can be validated and demonstrate positive results | 9. % of DEM @exit with validated results 10. % of DEM @exit that have satisfactory results | 0 N/A | 100% 60% |

*Environmental and social impacts are included as part of development outcome rating. They are presented separately in this table to show alignment between DEF and CPF.

Implementation Plan

The implementation timeframe for this proposal is 36 months, at which time all new instruments will be operational, staff and management will have had sufficient training both on the new instruments and process, and on evaluation methodologies.

During the second semester of 2008, all guidelines, manuals and procedures for operations, country strategies and knowledge and capacity-building products will be amended to reflect the proposed changes in this proposal. Knowledge in coordination with VPs and SPD will begin establishing a comprehensive training plan for implementing the proposal. All VPS divisions must produce at least one SG operation to be submitted to the Board from now until the end of the current year.

Effective January 1, 2009, all sovereign guaranteed operations, country strategies and Knowledge and Capacity Building programs will require a DEM. Retrofitting should be limited to a subset of existing SG operations in the portfolio to ensure an adequate balance of time/impact on capacity of the retrofitting exercise. In accordance to this principle: by (i) April 1, 2009 all SG operations approved after October 1, 2007 should have prepared a DEM; (ii) by June 30, 2009 all SG operations approved after January 1, 2006 should have prepared their DEM. By June 30, 2009 all SG projects approved under the New Project Cycle will monitor their execution under the new Project Monitoring Report (PMR). The rest of SG projects in the portfolio will be phased in to the PMR at most in the next 24 months thereafter.

A detailed implementation plan will be elaborated by SPD, VPS, VPC and VPP and presented to the EVP for management of the activities to be carried out to ensure full implementation of the proposed changes. They include making the new instruments available for use of operational staff, providing clear guidelines and training in evaluation methods, economic analysis of projects, project monitoring and corporate reporting requirements.

All resources needed to implement the DEF will be included in the VPs, KNL, IT and SPD budget proposals for 2009. Increases to the personnel and non personnel budget coefficients for VPS and VPC will be included in the preparation of the 2009 budget.

Sovereign Guaranteed Operations

I. INTRODUCTION

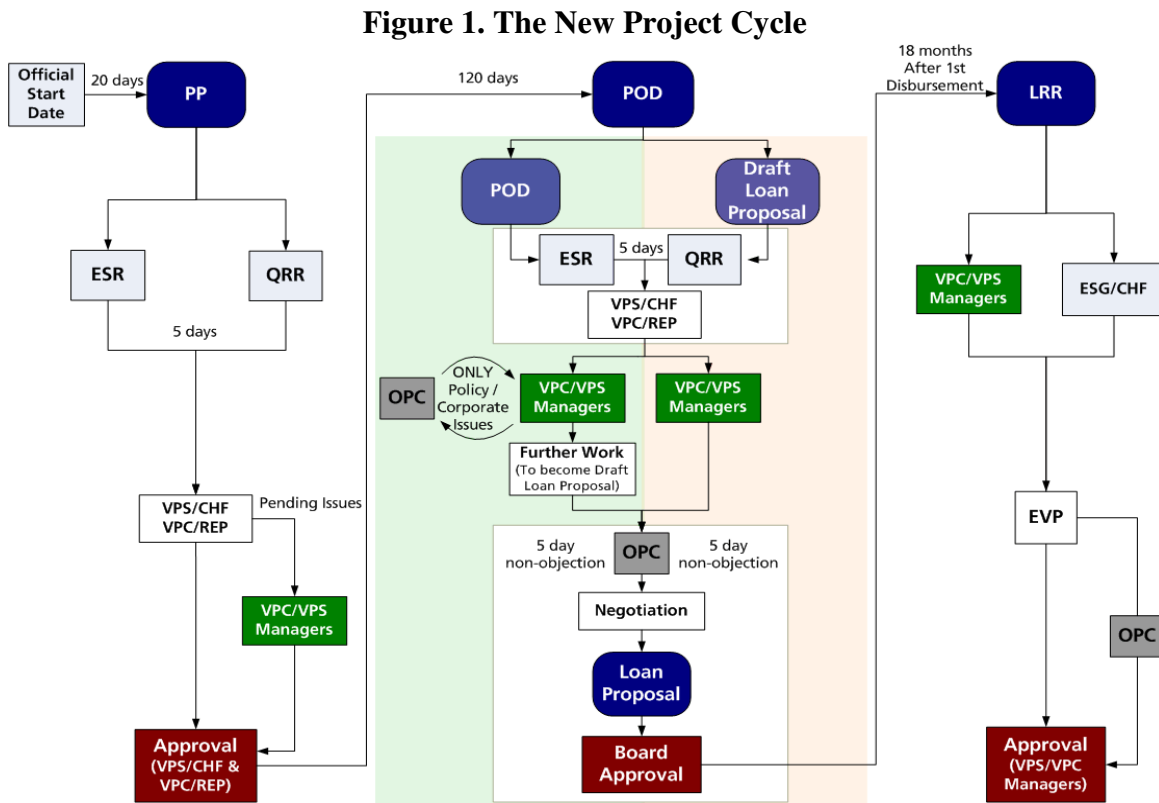
- 1.1 As part of the Development Effectiveness Framework architecture, this document presents the framework to assess the development effort and development results of sovereign guaranteed operations. More specifically, and along the lines of the standards presented in the umbrella document, the following will elaborate on the instruments that will be used at each stage of the project cycle, which includes a basic set of dimensions on which we are going to report on, the indicators that will measure them, and a simplified, more comprehensive set of monitoring, reporting and evaluation mechanisms.
- 1.2 Accordingly, Section II of this document is divided in four parts. It first elaborates with greater detail than the umbrella document on current needs for streamlining existing instruments. The three following sub-sections respectively present a proposal for @ entry, implementation, and @ exit instruments for project appraisal, supervision and evaluation of the achievement of results.
- 1.3 This document presents recommendations at the product level that will apply to each specific sovereign guaranteed operation. However, this proposal has to be seen in the broader picture of the value that we seek to deliver to our clients as a Bank, which goes beyond single interventions. In this sense, for operations to be effective they have to be part of a system that relies on well-thought, client-owned country and sector strategies and programs.

II. INSTRUMENTS AND METRICS

A. Streamlining existing instruments

- 2.1 Sovereign guaranteed operations are currently approved with low levels of evaluability, which means that, even if effort is present, we are unable to demonstrate results at completion. Weak evaluation frameworks translate into discrepancies between assessments of probability of achieving development results from self-reports, and actual results at project completion.
- 2.2 Traditionally, the Bank has place more emphasis on approvals than on implementation and demonstrating results at completion. The new project cycle focused on shifting the attention from approvals to the beginning of full implementation. It emphasized the reduction of compliance activities and procedures for project preparation, and focused the project proposals on results and risk related to the achievement of those results.

- 2.3 The present proposal complements that endeavor, by (i) carrying the process through effectively supervising implementation, to the achievement of development objectives at completion of the project cycle; (ii) it moves reporting of key data and information from texts documents to IT systems that can aggregate data across projects and/or sectors for more effective management.
- 2.4 The following presents an overview of current documents and information systems for the new project cycle.



- 2.5 @ **Entry**. During project preparation, and 20 days after the official start date of the project (i.e., when project is registered in the Operations Update System-OPUS), project teams present the Project Profile (PP).
- 2.6 At this stage, in terms of development impact instruments, the document includes Risk Assessment Matrix and a preliminary assessment of environmental and associated social potential impacts and risks, using the Safeguards Screening Toolkit. Those Investment projects classified as A or B at PP (high and medium safeguard risk), require an environmental assessment and an environmental and social management plan at POD.
- 2.7 Project teams present a Proposal for Operation Development (POD) 120 days after approval of PP. The proposal includes a Results Matrix (Annex I of POD),

- and a Procurement Plan for the first year of execution. The first Project Performance Monitoring Report (PPMR) should be filled before final project approval. PPMR continues to be used during implementation for performance monitoring. All these requirements, with the exception of the PPMR, are text documents. The PPMR is an IT system, but its data cannot be aggregated for analysis of trends at the country or sector level. Another IT application, PISTA, was created in order to be able to see trends across PPMR. PISTA is an IT reporting system that allows the user to analyze data across individual projects.
- 2.8 **Implementation.** Under the new Project Cycle team leaders are also responsible for execution (CS-3734). Currently, managing the implementation of a project requires the use of a multiplicity of fragmented IT systems and text documentation. OVE's Evaluation of the Project Supervision System (RE-293) highlighted these issues and concluded that, "supervision ... has been divided into separate instruments that are neither sequenced nor integrated"
- 2.9 Project Implementation information must be input through a multiplicity of entry points for assessing, tracking and evaluating project results, which translates into, inconsistencies between reports, poor quality of reported data and low completion rates, and, therein, low consumption of the information, and little feedback from lessons learned into decision-making processes.
- 2.10 Figure 2.3 reproduces the different entry points for managing project execution and tracking implementation progress. Each system and document serve the following purposes:
- a. *Project Performance Monitoring Review (PPMR)*. An IT application for organization and systematization of key project information. Oriented to 1) improve portfolio monitoring, 2) develop a results oriented and decision making focused dialog between the Bank and Executing Agencies (EA), and 3) guide specific actions for project performance improvement.
 - b. *Loan Management System (LMS)*. An IT application for loan financial transactions management. Oriented to 1) processing of loan disbursements, 2) management of loan financial modifications and changes, and 3) manage loan disbursements forecasts and monitoring the delivery of audited financial statements.
 - c. *Operations Management System (OPMAS)*. An IT application for monitoring compliance of contractual clauses set in the loan contract. Oriented to 1) monitor financial and non-financial clauses compliance, 2) monitor loan revolving fund status, and 3) manage project inspection visits.
 - d. *Annual Operating Plan (POA)*. An annual text document, with a project execution plan (PEP), performance indicators with annual targets. Includes a i) list of output and outcomes, 2) activities and implementation schedule, and 3) procurement planning, and budget, and disbursements. There is no official

Bank IT application for managing the POA. That has prompted some COF, and some old Regional Departments, to create specific application to manage POAs. Some Team Leader relies on commercial applications, such as, MS Project to systematize the information in the absence of a Bank-wide application.

- e. *Procurement Plan (PP)*. A text document oriented to 1) list all contracts and their procurement methods including prequalification if required, 2) estimated costs, 3) supervision methods, and 4) estimated dates. Updated at least once a year.
 - f. *Loan Results Review (LRR)*. A text document produced 18 months after first disbursement. Oriented to 1) update project outcome information, 2) compare expected versus achieved results to date, and 3) reports on actions taken in order to achieve project results.
 - g. *Procurement Contracts on Goods, Works, and Services Awards (PRISM)*. An IT application for collecting information on goods & services contract awards over US \$50,000. Oriented to provide publicly available information on contracts at the Project Procurement web page of the Bank. Currently, being replaced by SEPA.
 - h. *Procurement Plan Execution System (SEPA- Spanish acronym)*. An IT application for providing information on project procurement planning, execution, and goods, works, and services contract awards. Oriented to 1) improve management and monitoring of public investment, 2) improve transparency and accountability on Bank financed projects, and 3) improve management and execution of Bank funded projects. SEPA is a joint effort of the Bank and The World Bank.
 - i. *Progress Report (PR)*. A text document that includes information on the status of project execution. Prepared every 6 months.
 - j. *Audited Financial Statements (AFS)*. A mechanism for independent verification of project's financial transactions. Oriented to 1) verify financial status, 2) monitor compliance with financial contractual clauses, 3) Bank's external audits requirements, and 4) follow-up external auditor recommendations. Prepared at the end of every fiscal year.
- 2.11 The lack of capacity for project management and detailed planning during implementation is one of the major causes of delays in project execution. There is large heterogeneity as to how projects are managed. Some projects are very detailed in the planning and account they give of their implementation progress, while others are not. These decisions depend very much on individuals as there are no clear institutional standards on implementation management. In a majority of the cases, many of these processes are manual and information is not accessible for corporate use.

Figure -1.1

