



**Office of Evaluation and Oversight, OVE
Inter-American Development Bank**

1300 New York Ave. N.W., Washington, D.C. 20577

RE-245

***OVE Multi-Year Work Plan
and Budget for 2001***



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OFFICE OF EVALUATION AND OVERSIGHT (OVE) MULTI-YEAR WORK PLAN AND BUDGET FOR 2001

Introduction

Starting in 2001, OVE intends to proceed under the mandates given in **RE-238**, and along the lines defined in RE 244-2. OVE work will fall into five basic categories:

- Oversight
- Country Program Evaluation
- Evaluation Capacity Building
- Strategy Evaluation
- Policy and Instrument Evaluation.

In developing a work plan in these five areas, OVE has had to reconcile substantive priorities with resource limitations. In the current budget year, OVE has an authorized headcount of 20, 15 professionals and 5 support staff, down from 25 in 1996. The consulting and travel budgets for 2000, (US\$904,788, and US\$236,343 respectively) provide **an** adequate resource base for contracting and executing **evaluation work**, but the staffing levels are not sufficient to maintain a comprehensive and balanced evaluation work plan for the coming year.

Since the year 2001 will be the first full year of operation under the new design of the evaluation function in the **Bank**, OVE is requesting a budget which restores the staffing level of the office to 24 (19 professional and 5 administrative) while holding all other items of expense to a growth **of** 2.7% over the year 2000 levels (See Annex 1 for a full discussion **of** budgetary issues).

In developing the work plan for 2001 within these resource limits, OVE was guided by two general criteria. First, as outlined in RE 238, the work of the office needs to be **relevant** "...to current operational concerns." Second, given the breadth of the mandate received by the office, the annual work program needs to be **balanced** among the five broad categories of evaluation work. The work plan **is** also balanced over time, with some activities described and budgeted in 2001, which are not expected to produce final products until future years. Evaluation work, particularly in complex areas, needs to proceed in an orderly fashion, with one year's work feeding into the next.

Finally, the work plan outlined in the paragraphs below is anticipated to produce a significant volume of evaluative material on a broad range of Bank activities. The formal documents presented to the Board will be summaries **of** much more detailed evaluation work on individual projects and technical cooperation activities. OVE intends to work closely with the Bank's Office of Learning to ensure that the information in these evaluations is stored in a form which can easily be retrieved by **Bank** staff, so that the "lessons observed" in evaluation work can become "lessons learned" by **Bank** staff.

I. Oversight

1.1 Oversight of evaluation in the Bank is a basic responsibility of OVE. Activities in this area include:

- Collaborating with Management in the development of methodologies for self-evaluation and in the performance of selected self-evaluation work
- 9 Providing evaluability assessments of projects and strategies in the design phase analyzing the adequacy of current systems of evaluation
- Developing databases for recording and disseminating the findings of both self and independent evaluations
- Reviewing the quality of self-evaluations of projects undertaken by Management (primarily Project Completion Reports [PCRs])

1.2 In response to the interests of several Chairs of the Board, OVE would like to strengthen its Oversight Capacities in two areas:

- **First**, to enrich the annual report on evaluation by moving beyond reporting on activities to a more substantive contribution to the Bank's thinking on development effectiveness. The World Bank's Operational Evaluation Department (OED) produces an "Annual Report on Development Effectiveness", which has made a significant contribution to Board oversight of effectiveness issues. OVE believes a similar product would be useful for the IDB, and would propose to prepare such report during 2001 for delivery to the Board in January of 2002.
- 9 **Second**, to undertake evaluations of the key institutional changes, which are connected to the implementation of the recently approved Institutional Strategy, (GN-2077-1). As that document recognized, regular evaluation of "internal institutional initiatives and processes" is an essential part of creating "an internal culture of continuous improvement." (paragraph 6.40). The value of such an exercise is to provide feedback on whether institutional changes are having their anticipated impact on improving the developmental effectiveness of the Bank. The specific key initiatives to be evaluated should be selected by Management and the Board of Executive Directors.

outputs:

- Annual Report on Evaluation in the Bank (*December, 2001*)
- Report on Development Effectiveness (*January, 2002*)
- Evaluation Assessments of Institutional Strategy Implementation
- Annual Memo on Resource allocation for evaluation (*November, 2001*)
- Methodological Guidelines for:
 - Evaluating Bank Strategies
 - Evaluating Country papers
- Evaluability Assessments of Projects¹
- Four Seminars for Bank Staff on Evaluation Methodology (*workingpapers*)
- Review of sample of PCRs (*working papers*)

11. Country Program Evaluation

2.1 Country Program Evaluations provide an opportunity to see how the entire range of **Bank** products and services are integrated with those of other actors into a development program for **an** individual country. Such "big picture" evaluations both illuminate the strategic effectiveness of the Bank, and reveal sectoral **or** thematic issues, which need deeper and more extensive analysis.

2.2 In theory, Country Program Evaluations should be conducted for all countries as **part** of the process for generating new country papers. Historically, Management averages **6-7** new country papers per year, a schedule which would allow all **26** borrowing member countries to receive new country programs approximately every four years. OVE should be able to provide Country Program Evaluations at approximately the same level. At present, Country Program Evaluations require approximately one staff year **of** effort each, generally with two person teams working for six months. Such evaluations also require around US\$50,000 in specialized consulting services and US\$30,000 in travel for both the initial research and subsequent discussion of the results with officials from the borrowing country.

2.3 Although six or seven Country Program Evaluations each year should be considered the expected norm, the year 2000 has seen a substantial increase in the production of Country Papers, hence it is anticipated that 2001 will see significantly fewer Country Papers. For the coming year, therefore, **OVE** intends to produce only three Country Program Evaluations: Honduras, Nicaragua and Guyana, with a fourth, Bolivia, which will begin in 2001 with **an** evaluation report delivered in early 2002. Although all four countries are **FSO** borrowers and eligible for HIPIC debt reduction, they were not selected for these characteristics. Instead, the criteria **of** balance among the three regions and timing of future country papers drove the selection of countries.

¹ "Evaluability Assessments" are designed to improve the ultimate evaluability of projects by reviewing key elements of their design. As a new activity, OVE intends to produce 20 such assessments in 2001, and communicate the results to Management via the Regional Support Services Sub-department. Upon completion of this pilot project, a decision will be made whether to continue this activity as a component of OVE's work plan, or to move responsibility for this activity to Management.

2.4 In addition, OVE intends to produce two “Country Notes” in **2001**. “Notes” are designed to be briefer documents, reviewing the Bank’s program with a country in less depth than a Country Program Evaluation. OVE will produce Country Notes instead **of** full Country Program Evaluations under two different situations. First, a Note will be prepared when an important new program cycle with a country is set to begin in the immediate future, **and there is** not sufficient time available for a full evaluation of the Bank’s past program with the country. The purpose of such a Note will be to highlight key elements of recent Bank experience in the country, as an input to the development of the new program. For 2001, OVE **is** proposing to prepare a Country Note of this type **for** Mexico.

2.5 The second situation for which a Country Note will be proposed is for a country where a significant new program with the Bank is anticipated, but where there has been too little recent historic activity by the **Bank** in the country **to** warrant a full Country **Program** Evaluation. For 2001, **OVE** is proposing to prepare a Country Note of this type for Haiti.

outputs:

Country Program Evaluations of

- 3** Honduras (June, **2001**)
- Nicaragua, (September, 2001)
- 3** Guyana, (July, 2001)
- Bolivia (February, 2002)

Country Program Notes for

- Haiti (June, 2001)
- Mexico (September, 2001)

III. Evaluation Capacity Building

3.1 One of the key commitments between the Bank and borrowing member countries which was affirmed by the Institutional Strategy was that: *“The IDB will be ready to assume responsibility for the quality of its work, and to share with the borrowing countries the responsibility for producing concrete developmental results”*.

3.2 Implementing this commitment requires that the Bank work to develop “evaluation capacity” in the borrowing member countries, because effective evaluation systems are the cornerstone of any effective system of results-based management. Evaluation Capacity Building **is** a shared responsibility between OVE and Management, with OVE supporting directly such initiatives **as** the Inter-American Roundtable on Evaluation and Performance Measurement, and an annual workshop on evaluation (cosponsored with ECLAC). Management contributes to the evaluation capacity building effort **through** its own evaluation work, and through the inclusion of ECB components in loans and TC operations.

3.3 For 2001, OVE intends to pursue the issue of Evaluation Capacity Building through its own independent actions, and through closer cooperation with Management in the process of

lending program design. With its own resources, OVE will complete the execution of an already-approved Regional Technical Cooperation Project (ATN/SF-5574-RG) aimed at sharing evaluation techniques and experiences among public sector evaluators in the region.

3.4 In addition to the information-exchange on evaluation activities which is the goal of the Technical Cooperation, OVE will also work to develop cooperative evaluation programs with other institutions operating in the region. There has been an ongoing cooperation with the Caribbean Development Bank and the University of the West Indies to support public sector project and program evaluation in the Caribbean. This Cooperation should be strengthened in 2001, and OVE intends to explore similar cooperative arrangements with other sub-regional development finance institutions, as well as seeking collaboration with bilateral agencies with interests in program and project evaluation.

3.5 OVE will also work with Management to develop Evaluation Capacity Building modules that can either be incorporated into specific projects, or integrated as components into a broader effort of Public Sector Modernization. It is anticipated that at least one loan for Modernization of the State approved in 2001 will contain a significant component related to Evaluation Capacity Building.

3.6 Finally, OVE plans to make extensive use of local consultants in undertaking all types of evaluation work. Such arrangements not only facilitate the delivery of OVE's work program, they also help build evaluation capacity in the region which can be called upon as needed by the public sector and development agencies.

outputs:

- Execution of Technical Cooperation ATN/SF-5574-RG, "Evaluation Capacity Building"
- Collaborative work with Caribbean Development Bank to develop Local Capacity for Public Sector Results Assessment
- Incorporation of Evaluation Capacity Building as a component of Bank loans for Public Sector Modernization.

IV. Strategy Evaluation

4.1 Sector Strategies are concise plans of action created to help accomplish key institutional goals set in response to the mandates of the Board of Governors. As defined in GN-2077-1, sector strategies should "identify: (i) a set of achievable goals; (ii) actions to be undertaken; (iii) instruments and resources required; (iv) assignment of responsibilities; and (v) a timeframe for implementation and evaluation. Sector strategies should be endorsed by the Board of Executive Directors" (Paragraph 6.16). In addition to these formally articulated strategies, the Bank also has implicit strategies, which are the ideas and approaches which are revealed in the commonalities among operations in a given area, even in the absence of an explicit written strategy document

4.2 Strategies help organize action in a given sector, and help to set expectations on the part of both **Bank** staff and officials from borrowing member countries about what kinds of approaches are likely to be most effective in promoting development. Strategies are less directive than policies (see below), and are consciously designed to be modified as experience accumulates.

4.3 Independent evaluation should further the process of strategy review by providing feedback on the results of projects designed under the rubric of a given strategy, using the Bank's actual experience as a guide for changes and improvements in the strategy framework.

4.4 Given the large array of both explicit and implicit strategies, and the complexity and diversity of **Bank** operations animated by each policy, **OVE** needs to adopt a fairly rigorous approach to strategy evaluations. This approach is built upon three propositions:

4.5 First, strategy evaluations must be grounded in real **Bank** experience with projects or programs. Strategy evaluations are not academic or theoretical exercises addressing the written content of the policy, but rather practical examination of the results produced by **Bank** actions which are shaped by the strategy.

4.6 Second, strategy evaluations are likely to be ongoing, particularly in very large and complex areas such as poverty, social investment and modernization of the state. In these areas, evaluations of specific groups of operations are likely both provide important evaluation lessons and important new questions which will require additional evaluation work.

4.7 Third, the breadth of possible topics means that **OVE** must be extremely selective in deciding what strategies should form part of each year's work plan. Three criteria were used to develop the strategy work program for 2001: (1) relevance of a sector to the **Bank's** likely future lending program; (2) the level of concern among the **Bank's** operational personnel about the connection between the Bank's strategy and the needs of borrowing member countries; (3) and the degree of formalization of a Bank strategy for the sector.

4.8 Table 1 shows the sectoral distribution of both the volume of lending and the number of operations since the end of 1993. These criteria show clearly that two large categories account nearly half the Bank's program: Reform and Modernization of the State, and Social Investment (including Education and Health). In each category, the Bank has either one or several strategies which had been formally presented to the Board, many of which were completed in the mid 1990s and should now be ready for review. (See Annex 2 for a list of strategies).

Table 1: IDB Lending By Sector, 1994-2000
(In millions US\$)

Sector Share of Lending Volume		
Sector	Value	Pct of \$
REFORM AND MODERNIZATION OF THE STATE	8,903.53	23.5%
SOCIAL INVESTMENT	4,280.95	11.3%
TRANSPORTATION	4,203.70	11.1%
URBAN DEVELOPMENT AND HOUSING	3,687.13	9.7%
SANITATION	3,498.24	9.2%
ENERGY	3,247.23	8.6%
EDUCATION	2,594.64	6.8%
INDUSTRY	1,705.19	4.5%
AGRICULTURE	1,550.40	4.1%
HEALTH	1,279.26	3.4%
OTHER	899.50	2.4%
SCIENCE AND TECHNOLOGY	544.20	1.4%
TOURISM	475.80	1.3%
PREINVESTMENT	387.50	1.0%
MICROENTERPRISES	325.60	0.9%
ENVIRONMENTAL PROTECTION	243.55	0.6%
COMMUNICATIONS	100.00	0.3%
Total	37,926.42	

Sector Share of Number of Operations		
Sector	Number	Pct of Num
REFORM AND MODERNIZATION OF THE STATE	116	22%
SOCIAL INVESTMENT	62	11.9%
TRANSPORTATION	49	9.4%
ENERGY	42	8.0%
AGRICULTURE	40	7.7%
URBAN DEVELOPMENT AND HOUSING	40	7.7%
SANITATION	39	7.5%
EDUCATION	34	6.5%
ENVIRONMENTAL PROTECTION	29	5.6%
HEALTH	24	4.6%
PREINVESTMENT	10	1.9%
SCIENCE AND TECHNOLOGY	8	1.5%
OTHER	8	1.5%
TOURISM	8	1.5%
INDUSTRY	6	1.1%
MICROENTERPRISES	5	1.0%
COMMUNICATIONS	2	0.4%
Total	522	

4.9 In the Reform and Modernization, the key strategy was Modernization of the State and Strengthening of Civil Society (GN-1883-4, February 1996), while much of the social investment agenda was covered in Reform of Social Service Delivery (GN-1932-1, July 1996); Poverty Reduction (GN-1894-5, February 1997). Higher Education (GN-1974-5, November 1997), Rural Poverty (GN-1995-5, April 1998). Social Investment Funds (GN-1930-2, September 1998).

4.10 These two sectors warrant attention on all three grounds: they account for a significant fraction of the **post-1994** lending operations and are likely to continue to be important in the future; they have strategies which have been formally presented to the Board; and discussions with staff in both the regional and central departments have raised concerns about the effectiveness and relevance of the strategies to actual country needs.

4.11 Two other areas have also been identified **as** having great strategic importance for the Bank, but in areas where there is no formally articulated strategy. Both integration and competitiveness have been identified in the Bank's Institutional Strategy **as** being crucial to the future of the Bank, and the Bank **has** done lending in both areas, albeit without a specific, Board considered strategy. In integration, the Bank regularly conducts regional programming exercises, which serve to some extent **as** strategic guidance **for** various sub-regions, but there are important questions regarding how well these regional agendas mesh with the **Bank's** individual country lending programs.

4.12 In the area **of** competitiveness, there have been a number of specific strategies developed which relate to Bank assistance in the development of the productive sectors. These include: Microenterprise Development (GN-1938-3), February **1997**; Small and Medium Enterprise Development (GN-1885 corr.), July **1995**; Use of Guarantees (GN-1858-2), July **1995**; Infrastructure Development (GN-1884-1), August **1995**; Capital Market Development (GN-1870-2), October **1995**; Private Sector Operations (GN-1860-1), May **1996**; Information Age Technologies and Development (OP-711), GN-2024-3, December **1998**; and Financial Markets Development (GN-1948-3), September **1999**.

4.13 **In** each strategy, **OVE** would propose to approach the evaluation with **an** identification **of** specific operations which have been developed under the strategy. Since most strategies are relatively broad, we expect that operations will fall into specific sub-components within the overall strategy. Where there are sufficient operations related to a specific sub-component, a sample of such sub-component projects would be evaluated to provide insight into that dimension of the strategy. **In** each area, a sample of completed projects would be selected for a detailed development impact evaluation, and these would serve **as** working papers for the strategy evaluation. When a sufficient number **of** sub-components have been evaluated, **OVE** would produce a summary evaluation of the strategy as a whole.

4.14 For each strategy component there are four basic evaluative questions: **(1)** **is** the strategy being applied in the development **of** operations; **(2)** what problems are being encountered in the development of operations which may be connected to the strategy; **(3)** what results are we obtaining; and **(4)** what problems or issues have arisen with respect to the strategy which should be examined in order **to** achieve better results.

a. Strategy Evaluation: Poverty

4.15 Although poverty reduction has been a central focus for *Bank* activity throughout most of its history, poverty remains an intractable problem for most borrowing member countries. The persistence of poverty in the region, and the importance of poverty reduction as a substantive priority for the Bank, means that evaluative work on the Bank's activities in the poverty area needs to be a critical component of OVE's annual work program for 2001 and beyond.

4.16 In recent years, OVE (previously EVO) has evaluated Bank-supported Social Investment Funds (RE-220), "Bank Initiatives To Support Children In Especially Difficult Circumstances" (RE-215), and "Lessons Learned From Studies Of Poverty Reduction Programs" (RE-236).

4.17 For 2001, evaluation work in poverty will concentrate in three areas: (1) evaluating how well the Bank coordinates the application of its own resources with those of other actors concerned with poverty reduction, in developing poverty-reduction programs at the country level. This activity will be a component of all Country Program Evaluations undertaken in 2001. (2) evaluating Bank programs targeted toward addressing the poverty problems of indigenous groups; (3) evaluating the Bank's experience in reaching the poor through the use of non-governmental organizations as executing agencies for Bank-funded poverty reduction initiatives.

4.18 With the completion of these activities, OVE should be in a position in 2002 to provide the Board with a summary evaluation of the Bank's poverty reduction strategy.

outputs:

- Poverty Reduction sections of Country Program Evaluations (various dates not separate document)
- Evaluation of programs targeted to Poverty Reduction for Indigenous Groups (April, 2001)
- Reaching the Poor through NGOs (October, 2001)
- Summary Evaluation of Poverty Reduction Strategy (June, 2002)

b. Strategy Evaluation: Modernization of the State

4.19 In the Modernization of the State strategy area, operations can be subdivided into seven subcomponent areas:

- Justice
- Taxation and Fiscal Management
- Public Sector Reorganization
- Local and Provincial Government Strengthening

- Audit and Control Mechanisms
- Legislative Branch Support
- Civil Society

4.20 Of these seven areas, the first four account for the bulk of the **Bank's** project work, and OVE would propose to concentrate initially on these sub-components.

4.21 For **2001**, **OVE** intends to undertake a strategy evaluation of three components of the Bank's Modernization of the State strategy? justice, fiscal management, and strengthening sub-national units of government.

4.22 In the case of Justice the **Bank's** experience involves a discrete and manageable universe of **13** projects and 20 technical cooperation operations, and is seen as both a difficult and an important area for future work by the Bank. It is also an area of active interest by other development finance institutions, both multilateral and bilateral, providing an opportunity to evaluate donor coordination as well as the **Bank's** own efforts. Because of the manageable size of the sub-component, OVE anticipates being able to bring forward an evaluation report on **this** activity during 2001.

4.23 In the area of Tax Administration and Public Financial Management, the **Bank** has financed projects (through grants or loans) in practically all the countries of the region. The universe of projects in this area probably represents the most extensive and sustained effort undertaken by the Bank to build institutional capacity. The results of some of the projects have been assessed individually and in **1999**, **EVO** evaluated the performance of Bank financed tax administration projects in Barbados, Nicaragua and Bolivia. During **2001**, **OVE** intends to look at a sample of projects in both the tax administration and financial management areas to assess the effectiveness of different approaches to institution building followed in the design and implementation of these projects.

4.24 Finally, in **2001** OVE would propose to initiate work on the **Bank's** program of Lending to Strengthen State, Provincial and Municipal Governments. Some project activity with this objective has been undertaken in virtually all of the borrowing member countries, but such lending is not always explicitly identified in the Bank's project database. With many countries now seeking to move responsibility for public functions to lower levels of government, it is reasonable to expect increased demand for this sort of support in the future.

4.25 Because this sub-component of the Bank's Modernization Strategy is so large and diffused, OVE does not expect to be able to conclude an evaluation report on this issue during 2001. Work undertaken this year would involve defining the universe of activity undertaken by the Bank, identifying operations which hold the greatest potential for assessing impact and deriving lessons for the future, and then initiating an evaluation of the developmental impact of these projects. Work would be completed, and a report delivered to the Board in **2002**.

² Work on this area would draw information from the section on Modernization of the State projects included in the 1998 Report on Project Execution.

4.26 If these three sub-components can be covered in 2001, the remaining components (Public Sector Reform, Legislative Branch and Civil Society, Audit and Control Mechanisms) could be covered in 2002, leading to the delivery of a summary evaluation of the entire Modernization of the State Strategy at the end of 2002 or the start of 2003.

outputs:

- Evaluation Report on the Bank's Justice Programs (Oct, 2001)
- Evaluation Report on Bank support to Sub-National Government (March, 2002)
- Evaluation Report on Institution Building in Taxation and Fiscal Management. (November, 2001)
- **Summary** Evaluation of Modernization of the State Strategy (January, 2003)

c. Strategy Evaluation: Social Investment

4.27 The basic strategy guidance considered by the Board in the area of Social Investment was the 1966 Reform of Social Service Delivery (GN-1932-1). This document focused primarily on two areas: Education and Health, which together have accounted for \$3.8 billion of lending and 58 projects since 1994. The basic thrust of the strategy was to encourage the **Bank** to work toward improving incentive systems, based on a realistic appraisal of the institutional context in which social services are delivered.

4.28 In addition to this broad strategy, the Social Investment area has been the focus of more specific strategies, including: Higher Education (GN-1974-5, November 1997); Social Investment Funds (GN-1930-2 September 1998); Primary and Secondary Education (GN-2067-3, March, 2000).

4.29 OVE has already conducted an evaluation of Social Investment Funds, and for 2001, would propose to continue the component review of the Social Services Delivery Strategy with development impact assessments of Bank lending for both Education and Health. In both, there is a concern that the **Bank** is having difficulty both in identifying viable projects, and in successfully executing those projects which have been approved. In Education, there is the additional concern that the Bank is failing to achieve the lending targets which had been recommended at the Santiago Summit of the Americas.

outputs:

- Strategy Evaluation Report: Health (October, 2001)
- Strategy Evaluation Report: Education (January, 2002)
- Summary Evaluation: Social Services Delivery Strategy (July, 2002)

d. Strategy Evaluation: Integration

4.30 Promoting Regional Integration has been a strategic objective of the Bank since its inception, and throughout its history, the **Bank** has supported various Regional Integration

processes. The Bank has had an extensive program of Regional Technical Cooperation designed to foster the objective of Integration, and has produced Regional Programming Papers for each of the key sub-regions (MERCOSUR, Andean Pact, CARICOM, Central America). There have also been a few lending projects designed to facilitate Regional Integration (Central American electricity interconnection, Bolivia/Brazil gas pipeline). Recently, promotion of integration has been identified in the **Bank's** Institutional Strategy as a key strategic area for the future.

4.31 Yet despite the emphasis placed on integration, actual lending for integration operations has been extremely modest, in contrast to the European experience where infrastructure projects aimed at promoting regional integration have been a major focus of lending for the European Investment Bank. As Technical Cooperation Funds become increasingly scarce, the Bank will need to pursue the integration objective through lending. In order to explore this issue, OVE in 2001 intends to evaluate the Bank's experience in connecting regional issues to national lending programs. This activity will involve both a review of how regional issues are addressed in country papers, as well as an evaluation of the experience of projects with an explicit integration rationale.

outputs:

- Strategy Evaluation Report: Regional Integration (November, 2001)

e. Strategy Evaluation: Competitiveness of Productive Sectors

4.32 In developing the Institutional Strategy, "competitiveness" has emerged as a key strategic area for the Bank and the region in the years ahead. Globalization and integration processes are exposing all countries to increased competitive pressure, and the future ability of a country to grow will be determined fundamentally by the efficiency and productivity of its economy.

4.33 Although the Bank is only now developing a formal strategy on competitiveness, there is a range of existing strategies which relate directly to the productive sectors. Since economic activity in these areas is generally organized by the private sector, the Bank's strategies in this area have been those focused on enterprises (Microenterprise, Small and Medium Enterprise), or on the enabling environment for private enterprise (Capital Markets Development, Information infrastructure). More recently, the Bank approved both a new instrument and a new strategy for lending directly to the private sector in order to finance infrastructure. In addition to these strategies, member governments have also created separate institutions to address private sector development issues (IIC, MIF)

4.34 Given the importance of this area to the future lending program of the Bank, OVE believes that it is important to deepen its capacity to evaluate projects, strategies and instruments used in this area. OVE managed a contract to evaluate the Bank's private infrastructure lending program in 2000, and therefore does not contemplate a major focus on this area of Bank activity in 2001. OVE will continue to monitor the **Bank's** lending to the

private sector, however, and it is likely that individual projects originated by the Bank's Private Sector Department will be included in strategy and policy evaluations (particularly the Public Utilities Policy, see below).

4.35 In 2001, OVE has been requested to supply, on a reimbursable basis, evaluation services to the IIC. While this activity does not form a part of OVE's net budget, this contract will give the office an opportunity to develop analytical capacity in this area of operations which should help in undertaking other evaluations of related topics.

4.36 In 2001, the key related topics which OVE would propose to evaluate are the Bank's strategies on Microenterprise and Small and Medium Enterprise.

4.37 The Microenterprise Strategy was approved in 1997 with an explicit understanding that it would be evaluated after five years, as a part of the process of modifying and developing the strategy. An OVE evaluation of results to date with this program could be completed by the end of 2001, in time for a review of the strategy itself by Management and the Board in 2002.

4.38 OVE is also proposing to do a review of the Bank's experience in implementing the current strategy on Small and Medium Enterprise. This strategy called for the creation of pilot SME Strategies at country level in each of the regions, with such strategies aimed at creating a level playing field for smaller enterprises, and lowering the transaction costs of doing business. Such country-level strategies were designed to integrate all of the Bank's funds and instruments, and so constitute a valuable base of experience to evaluate the issue of integration of effort at a country level.

4.39 Finally, OVE would propose in 2001 to evaluate the Bank's strategy for using Information Age Technologies to promote development. A pilot program to demonstrate the potential of this area was approved by the Board as a part of the 1999 budget, subject to an evaluation of its actual contribution to the development of the region. Funding for the program was continued in the 2000 budget, and forms part of the budget request for the year 2001. Three years of experience in this pilot program should provide adequate basis for an evaluation of this strategy in 2001.

outputs:

- Strategy Evaluation: Microenterprise (June, 2001)
- Strategy Evaluation: Small and Medium Enterprise (March, 2001)
- Evaluation of the Pilot Program in Informatics and Development (July, 2001)

V. Policy and Instrument Evaluation

5.1 Policies are explicit guidance for Bank action. As defined in GN-2077-1, "unlike Sectoral Strategies, which are geared to the achievement of specific goals, institutional policies should establish, on a permanent basis, the boundaries within which the Bank conducts its operations" (Paragraph 6.20). Whereas strategies define approaches and priorities, policies

define limits to action and are approved by the Board. An important sub-set of policies is that which define distinct instruments which the Bank can use to support development in the region.

5.2 Since 1994, the **Bank** has approved five Policies:

- Urban and Housing Development (OP-751, GP-110-5, **January** 1995)
- Public Utilities (**OP-708**, GN-1869-3, August 1996)
- Involuntary Resettlement (OP-710, GN-1979-3, July 1998)
- Social Entrepreneurship Program (**OP-706**, GP-75-9, November 1998)
- Natural and Unexpected Disasters: Update (OP-704, GP-92-15, December 1998)

5.3 Of these five, the one with the largest impact on the Bank's lending **program** is the policy relating to public utilities, and OVE would propose to make this the focal point of policy evaluation work in 2001.

5.4 The Bank's policy on Public Utilities emphasizes improving economic efficiency through increased competition in the provision of basic services, and the separation of the roles of policy formulator, regulator and entrepreneur. This policy has led to a significant shift in the Bank's lending for electricity **from** the public sector to the private sector, and a modest increase in the use of concessions as a solution to the problems of transportation. Each of these sub-sectors should be the subject of evaluation work during 2001 and 2002. There appears to be a relatively high level of comfort among Bank staff that projects in these areas are going forward relatively smoothly. Although these are some concerns regarding the need to put in place adequate regulatory mechanisms.

5.5 There is, however, substantially greater concern about the situation with respect to water and sanitation, particularly in urban areas other than the major metropolitan centers. Water and sanitation present an array of technical and social problems which have been discouraging to many private investors, and many non-metropolitan areas appear to lack the basic characteristics required for implementing an effective separation of the roles of policy formulation, regulation and entrepreneurship in the production of services. In 2001, OVE intends to look in depth at the **Bank's** experience in lending for water and sanitation in areas outside of the major urban centers. This review will look both at projects which have been approved and **are** executing, as well as at instances where it was impossible to develop a viable project, despite considerable effort by both the Bank and the borrowing member country.

Outputs:

- Policy Evaluation: Non-Metropolitan Urban Water and Sanitation Systems (Oct., 2001)
- Policy Evaluation: Lending for Energy (February, 2002)
- Summary Evaluation: Public Utilities Policy (June, 2002)

a. Instrument Evaluation: Innovation Loans

5.6 The Board of Executive Directors has recently approved a proposal from Management to create a new type of lending instrument. These new "innovation loans" are designed to finance, on a relatively small scale, projects whose principal objective is to experiment with new ways of approaching development problems in the region. In such loans it is difficult and often inappropriate to specify precise objectives, components and deliverables at the initiation of the loan. In many cases, the innovation loan instrument will be used (as it was in the health loan to El Salvador) to support a process of consensus building in a country around a new approach to problems.

5.7 Because of this loose initial design specifications, innovation loans will need to be monitored closely during the implementation phase, and this sort of "guidance control" should be carried out by Management. After a few years of experience with this lending modality, however, OVE believes that an evaluation should be prepared for the Board on the instrument itself, rather than on any single operation using this instrument. Because innovation loans often finance processes of learning and consensus building, it is important that OVE staff observe these processes as they are going forward. In 2001, OVE intends to allocate some staff and consultant time to the observation of innovation lending experiments. No report on this work is anticipated in 2001.

outputs:

- Aide Memoirs on Critical Events in Innovation Loans (internal). Formal evaluation expected 2002 or 2003.

b. Instrument Evaluation: Technical Cooperation.

5.8 Non-reimbursable technical cooperation has been a major development instrument used by the Bank. Technical Cooperations have been used to undertake basic economic analysis, strengthen institutions, prepare loan projects, overcome bottlenecks in the execution of loans, and lay the groundwork for policy change. Since 1994, the Bank has approved over \$1.2 billion in non-reimbursable Technical Cooperation, using both its own FSO funds and the funds provided by member governments.

5.9 Despite its importance, virtually nothing is known about the developmental effectiveness of the TC instrument. Recent oversight work by OVE has determined that Management has no system for monitoring TC execution, evaluating the results of TC operations, or learning and disseminating lessons learned from TC operations. Effective monitoring of this instrument is a difficult task, given that approximately 2,700 discrete TC operations have been approved since 1994, many for very small sums of money.

5.10 Despite these difficulties, OVE believes that the Bank urgently needs to improve both its monitoring of TC operations, and its evaluation of their effectiveness. As TC resources become

increasingly scarce, it is important to be able to allocate those scarce resources to areas likely to have the greatest positive impact on development.

5.11 In pursuit of this objective, **OVE** intends to undertake three activities related to TC in 2001. First, it plans to work with Management to bring the **Bank's** Technical Cooperation Operations into the monitoring framework currently being used for projects. TC operations above a certain size threshold should be included in the PPMR and PCR System, possibly with a more streamlined and simplified reporting framework. Second, all Country Program Evaluations will devote attention to the TC components of country programs. Third, **OVE** will conduct a development impact evaluation of a sample of large TC Operations in one of the key strategy areas (Modernization of State or Social Investment). The final selection of the topic for this evaluation must await final decision on staffing of **OVE**.

outputs:

- 3 Integration of Technical Cooperations into Bank Monitoring System (ongoing)
- Technical Cooperation Analysis in four Country Program Evaluations (ongoing)
- Impact Assessment of Large Technical Cooperation Operations (October, 2001)

c. Instrument Evaluation: Research Networks.

5.12 During 2000, **OVE** began a line of evaluation activity related to the knowledge-producing activities of the Bank. In cooperation with the Research Department, two of their initiatives, the "encerronas" and the "economic assessment reports" are currently being evaluated to determine their contribution to the **Bank's** program in the region. For 2001, **OVE** would propose to continue its evaluation of the **Bank's** contribution to the development of ideas in the region with an evaluation of the impact of the work of the research centers which the **Bank** supports through its "Red de Centros de Investigación" program.

outputs:

- Impact Evaluation: Red de Centros de Investigación (November, 2001)

d. Instrument Evaluation: Programs for Environmental Institutional Development

5.13 Since the early 1990s, the Bank has provided roughly twelve stand-alone loans for institutional programs relating to environmental strengthening. These include contributions to national funds for civil society participation in local and regional activities. Bank support during this period has totaled approximately US\$150 million. Each of these programs has adopted particular approaches to address the specifics of each country situation. No evaluation, however, has been conducted for the purpose of assessing individual approaches, the effectiveness and results of these operations. An evaluation and the identification of lessons learned are seen as making important contributions for the Bank to formulate appropriate strategies in the future.

5.14 Taking into consideration country differences and loan program specifics, the evaluation would address such issues as the establishment of a National Environmental System, environmental policy and legislation, planning and procedures for the protection of renewable natural resources, strengthening the capacity of the public sector, decentralizing processes of the State and the provision of financial resources for local initiatives, environmental education, information systems, control mechanisms including for industrial pollution.

outputs:

- Instrument Evaluation: Lending to Strengthen Environmental Protection Agencies (December, 2001)

VI. Additional Activities

6.1 In addition to the evaluation activities noted above, OVE in 2001 will need to allocate staff time and other resources to ongoing institutional processes. These include management and administration of the Office, publication and dissemination of evaluation findings, maintaining institutional relationships with other evaluation units in multilateral and bilateral institutions, maintaining an active program of professional development for the staff of the office, and providing periodic reports to the Board regarding the progress of evaluation work in the Office.

6.2 In addition, OVE intends to maintain a capacity to undertake brief evaluation studies upon the request of Management and the Board of Executive Directors. If so requested, OVE will endeavor to re-prioritize existing and on-going activities in order to provide responsive evaluations. Any such changes would be brought to the attention of the Board of Executive Directors in quarterly reports on the execution of the work program.

Annex 1 is not available to the public.

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STOCK OF EXISTING STRATEGIES AND POLICIES¹

The Bank Operational Manual includes 24 Sector Operational Policies (plus eight additional “multi-sectoral” policies, that are more generic). Of these, seventeen Sector Policies are more than 15 years old. Policies have been updated infrequently. Since IDB-8, the Board has favorably considered five Sector Policies and 21 Sector Strategies.

I. POLICIES

1. Social Sector:

Public Health (OP-742), GN-374, June 1972.

Population (OP-741), GN-1068, May 1975

Nutrition (OP-746), GP-93-3, September 1980

Education (OP-743), GP-86-3, July 1981

Women in Development (OP-761), GP-114-3, August 1987

Urban and Housing Development (OP-751), GP-110-5, January 1995

Involuntary Resettlement (OP-7101), GN-1979-3, July 1998

2. Modernization of the State

None

3. Competitiveness

Industrial Development (OP-722), GN-408-3, February 1970.

Science & Technology (OP-744), GP-53-2, November 1976

Telecommunications (OP-732), GP-56-1, June 1977

Electric Energy (OP-733-1), GP-57-4, November 1977

Mining (OP-725), GP-69-4, May 1979

Tourism (OP-726), GP-55-10, March 1981

Transportation (OP-731), GP-102-4, July 1981

Energy (OP-733), GP-96-1, February 1985

Public Utilities (OP-708), GN-1869-3, August 1996

Social Entrepreneurship Program (OP-706), GP-75-9, November 1998

¹ A copy of this document is available on the site: <http://sdsnet/strategy/StrategyWorkingPlanFive.htm> where readers can access the policies and strategies listed in this Appendix by clicking on their name.

4. Regional Integration

None

5. Environment and Natural Resources

Fisheries Development (OP-724), GN-568-1, November 1969.
Environment (OP-703), GP-73-3, May 1979
Agricultural Sector (OP-721), GP-106-3, October 1982
Rural Development (OP-752), GP-108-3, August 1984
Basic Environmental Sanitation (OP-745), GP-111-12, September 1984
Forestry Development (OP-723), GP-115-4, March 1991
Natural and Unexpected Disasters: Update (OP-704), GP-92-15, December 1998

II. STRATEGIES

The 21 sector strategies that have been favorably considered by the Board include the following:

1. Social Sector

Reform of Social Service Delivery (GN-1932-1), July 1996.
Poverty Reduction (GN-1894-5), February 1997.
Microenterprise Development (GN-1938-3), February 1997.
Higher Education (GN-1974-5), November 1997
Rural Poverty (GN-1995-5), April 1998.
Social Investment Funds (GN-1930-2), September 1998.
WID Action Plan 1995-97, April 1997.
Primary and Secondary Education (GN-2067-3), March 2000.
Vocational Training (GN-2050-2), April 2000

2. Modernization of the State and Civil Society

Modernization of the State and Strengthening of Civil Society (GN-1883-4), February 1996.

3. Competitiveness

Small and Medium Enterprise Development (GN-1885 corr), July 1995
Use of Guarantees (GN-1858-2), July 1995.
Infrastructure Development (GN-1884-1), August 1995.
Capital Market Development (GN-1870-2), October 1995
Private Sector Operations (GN-1860-1), May 1996
Information Age Technologies and Development (OP-711), GN-2024-3, December 1998

Financial Markets Development (GN-1948-3), September 1999
Science & Technology (GN-1913-1), pending.

4. Regional Integration

None

5. Environment and Natural Resources

Water Resource Management (GN-1908-4), May 1998
Coastal Resource Management (GN-1906-2), June 1998
Sustainable Agricultural Development (GN-2069-1), January 2000
Energy Strategy (GN-1969-4), March 2000

SUMMARY TABLE ON OVE WORK PLAN OUTPUTS FOR 2001-2003

OUTPUTS	TARGET DELIVERY (PRESENT)	TARGET DELIVERY FOR 2001	TARGET DELIVERY FOR 2002-03
I. OVERSIGHT PRODUCTS			
1. 2001 Annual Report on Evaluation in the Bank		December, 2001	
2. Report on Development Effectiveness			January, 2002
3. Oversight Reports on Institutional Strategy Implementation	Ongoing		
4. Annual Memo on Resource Allocation for Evaluation		November, 2001	
5. Methodological Guidelines for: -Evaluating Bank Strategies -Evaluating Country Papers	Ongoing		
6. Evaluability Assessments of Projects moving through the approval process	Ongoing		
7. Four Seminars for Bank Staff on Evaluation Methodology	Ongoing		
8. Review of sample of PCRs	Ongoing		
II. COUNTRY PROGRAM EVALUATIONS			
9. Country Program Evaluation of Honduras		June, 2001	
10. Country Program Evaluation of Nicaragua		September, 2001	
11. Country Program Evaluation of Guyana		July, 2001	
12. Country Program Evaluation of Bolivia			February, 2002
13. Country Program Notes for Haiti		June, 2001	
14. Country Program Notes for Mexico		September, 2001	
III. EVALUATION CAPACITY BUILDING			
15. Execution of Technical Cooperation ATN/SF-5574-RG Evaluation Capacity Building	Ongoing		

OUTPUTS	TARGET DELIVERY (PRESENT)	TARGET DELIVERY FOR 2001	TARGET DELIVERY FOR 2002-03
16. Collaborative work with Caribbean Development Bank to develop local capacity for Public Sector Results Assessment	Ongoing		
17. Incorporation of Evaluation Capacity Building as a component of Bank loans for Public Sector Modernization	Ongoing		
IV. STRATEGY EVALUATION			
A. Poverty			
18. Poverty Reduction Sections of Country Program Evaluations			See items 9-13
19. Evaluation of Programs targeted to Poverty Reduction for Indigenous Groups		April 2001	
20. Reaching the Poor through NGOs		October 2001	
21. Summary Evaluation of Poverty Reduction Strategy			June 2002
B. Modernization of the State			
22. Evaluation Report on the Bank's Justice Programs	October 2001		
23. Evaluation Report on Bank Support to Sub-National Government			March 2002
24. Evaluation Report on Institution Building in Taxation and Fiscal Management	November 2001		
C. Social Investments			
25. Strategy Evaluation Report: Health		October 2001	
26. Strategy Evaluation Report: Education			January 2002
27. Summary Evaluation: Social Services Delivery Strategy			July 2002
D. Integration			
28. Strategy Evaluation Report: Regional Integration		November 2001	
E. Competitiveness of Productive Sectors			
29. Strategy Evaluation: Microenterprise		June 2001	

OUTPUTS	TARGET DELIVERY (PRESENT)	TARGET DELIVERY FOR 2001	TARGET DELIVERY FOR 2002-03
30. Strategy Evaluation: Small and Medium Enterprise		March 2001	
31. Evaluation of the Pilot Program in Informatics and Development		July 2001	
V. POLICY AND INSTRUMENTS EVALUATION			
32. Policy Evaluation: Non-Metropolitan Urban Water and Sanitation Systems		October 2001	
33. Policy Evaluation: Lending for Energy			February 2002
34. Summary Evaluation: Public Utilities Policy			June 2002
A. Instrument Evaluation: Innovation Loans			
35. Aide Memoirs on Critical Events in Innovation Loans			2002 or 2003
B. Instrument Evaluation: Technical Cooperation			
36. Integration TCs into Bank Monitoring System	Ongoing		
37. TC Analysis in four Country Program Evaluations	Ongoing		
38. Impact Assessment on Large TC Operations		October 2001	
C. Instrument Evaluation: Research Network			
39. Impact Evaluation: Red de Centros de Investigacibn		November 2001	
D. Programs for Environmental Institutional Development			
40. Instrument Evaluation: Lending to Strengthen Environmental Protection Agency		December 2001	