



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

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

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***RE-269***

***OVE Work Plan and  
Budget for 2003***

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Office of Evaluation and Oversight

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## TABLE OF CONTENTS

I.	EVALUATION AND THE NEW RESULTS PARADIGM .....	1
II.	OVE ACTIVITIES IN 2002.....	2
III.	FUTURE WORKPLAN .....	3
	A. Oversight.....	4
	B. Country Program Evaluations.....	6
	C. Strategy Evaluations .....	7
	D. Policy And Instrument Evaluations .....	7
	E. Evaluation Capacity Building.....	8
IV.	PROPOSED BUDGET.....	10
Annex 1		
	OVE Multi-year Work Program: 2002-2004	

## I. EVALUATION AND THE NEW RESULTS PARADIGM

- 1.1 2002 was clearly a very strong year for evaluation in the Bank. Both Management and OVE undertook a broad range of evaluation work, much of which was fed back effectively into proposals for institutional improvement. These activities took place in a global context in which increased attention is being paid to development effectiveness and managing for results. The UN conference in Monterrey, Mexico signaled an increased awareness of the importance of monitoring and evaluation as essential tools for sharpening institutional focus on development results, and the September, 2002 Communique of the Development Committee endorsed “making results central to the management of development programs in both developing countries and development agencies.”
- 1.2 The new results focus has significant implications for both self and independent evaluation in the Bank, as well as for the interactions between the Bank and its borrowing member governments. On the self-evaluation front, Management’s acceptance of results-based management will require the development and implementation of new systems of indicators to track the effectiveness of Bank interventions, to measure progress toward results, to benchmark institutional and organizational unit performance against external standards, and to monitor project execution in ways that contribute to improving the results obtained from Bank activities.
- 1.3 On the side of independent evaluation, the adoption of the results focused paradigm by Management has an influence on the nature and conduct of independent evaluation work. Independent evaluation has always had the dual purpose of providing an account to the Board of Executive Directors regarding the performance of the Bank in critical areas, as well as overseeing the conduct and quality of self-evaluation activities and processes within the institution in order to facilitate institutional learning. These roles can be discharged in both through the direct conduct of evaluation studies, and through review and validation of self evaluation processes elsewhere in the Bank Evaluation System.
- 1.4 In 2002, OVE concentrated on the first activity, producing its own evaluation studies on country programs, on strategic directions pursued by the Bank, and on Bank policies and instruments (reviewed below). For 2003, somewhat greater attention will be required in the area of oversight, as Management moves to design and implement new self evaluation activities in pursuit of results based management objectives. Here the auditing analogy is appropriate: auditors provide Boards of directors with reports that attest to the soundness and validity of accounting practices within the institution. Independent evaluation can play the same attestation role regarding the adequacy and effectiveness of self evaluation practices.

- 1.5 A second implication of the new results paradigm is that borrowers need to be much more engaged in the evaluation of programs they undertake in cooperation with development finance institutions. Without a strong and well-institutionalized evaluation practice in the countries, the Bank will have trouble translating its commitment to results into projects that are locally managed for results. To make evaluation a routine part of project execution, OVE and Management need to find ways of working more closely with governments and executing agencies on both in-process and ex-post evaluation activities.

## II. OVE ACTIVITIES IN 2002

- 2.1 2002 was the second full year of operation of the Office of Evaluation and Oversight under the new mandate defined by the Board of Executive Directors in RE-238. For 2002, OVE defined a workplan (RE-257) built around a balanced program of work in 5 areas:
- Oversight of evaluation activities in the Bank
  - Country Program Evaluation
  - Strategy Evaluation
  - Policy and Instrument Evaluation
  - Evaluation Capacity Building
- 2.2 Table 1 of the Annex provides a concise summary of OVE's past accomplishments and future workplan. Column 1 of the table shows the items which OVE anticipates will be completed in 2002. In the aggregate, by the end of the year OVE will have delivered to the Board 28 evaluation reports, sponsored 4 seminars on evaluation issues, and carried out a broad program of providing technical assistance to project teams with respect to evaluation issues. Nine of the reports (water, justice, delivery of services through NGOs, large TC operations, natural disaster facility, Nicaragua and Guyana and Haiti) were substantially completed in 2001 but only completed final review and consideration by the Board during 2002. New production for 2002, therefore, is estimated to 19 reports, a number of which will not be formally considered by the Board until 2003.
- 2.3 Although not shown in the product list in Annex 1, OVE during 2002 also produced 28 studies of individual projects as part of larger thematic or country level reviews. (5 relating to the Emergency Recovery Facility, 5 relating to the country program evaluation of Honduras, 11 relating to the policy evaluation of water, 7 relating to justice. In addition, OVE has produced written project evaluation summaries on 140 MIF projects as part of the evaluation work sponsored by the MIF. These detailed project assessments are contained in annexes to the reports in question, and are available on OVE's intranet website.
- 2.4 Column 1 also shows that several items in the original workplan were not completed during 2002 and are proposed for either cancellation or postponement into 2003. There are a number of reasons for this. First, the review and

- consultation process for OVE documents with Management has required considerably more time than anticipated, a development that is extremely positive for institutional engagement on the evaluation issue, but which demands considerable additional time in document preparation.
- 2.5 Second, the original workplan was too ambitious in terms of the number of studies proposed in light of human and financial resource limitations. OVE's counterpart at the World Bank, the Operations Evaluation Department produces approximately 17 reports per year for consideration by the Board's Committee on Development Effectiveness. OVE has a budget of approximately \$5 million and a professional staff of 19, while OED has a budget of approximately \$20 million and a professional staff of 45. OVE thus produces 117% of the output of OED with 44% of the staff and 24% of the budget.
  - 2.6 Third, experience has shown that while outside consultants bring valuable independent perspectives to evaluation work, they also require a high level of supervision to ensure that their work corresponds to the standards and expectations of OVE. All studies require more extensive engagement by OVE staff than was originally anticipated.
  - 2.7 Finally, OVE has experienced some production bottlenecks because of the small size of its staff and the specialization of areas of expertise. Often a single staff member is responsible for two or three studies at the same time, leading to scheduling conflicts and increasing the risk of staff burnout.
  - 2.8 The conclusion of this review of experience is that OVE has staff and resources to produce on a sustainable basis approximately 14 studies for Board consideration per year while carrying out routine oversight activities, technical assistance in evaluation methodology, and a program of evaluation capacity building in the borrowing member countries.

### **III. FUTURE WORKPLAN**

- 3.1 Faced with this reality, there are two options for the future: increase the resources going to OVE to maintain the current level of output, or trim output to match available resources. Given the increased prominence assigned to self-evaluation by Management, and the importance to the institution of installing effective results-based management, the OVE workplan for 2003 follows the second course, and the Office is requesting only the standard bankwide inflation adjustment in its budget request for 2003.
- 3.2 This decision has consequences for some studies proposed in last year's workplan. Column 2 of Table 1 shows three studies originally in the workplan that OVE proposes to cancel in order to make room for higher priority activities. (Red de Centros, Civil Society, Bank data). The intended evaluation of the Red de Centros de Investigacion had been on the workplan for 2001 and was

- postponed to 2002. Rather than postpone it again, OVE proposes to cancel this evaluation.
- 3.3 The 2002 workplan contained two items, a proposed strategy evaluation on the Bank's approach to civil society in the context of modernization of the state, and an evaluation report on Bank experience using NGOs in the execution of social programs. The NGO evaluation was completed, and in the course of this work, OVE concluded that this type of activity was the major operational expression of the Bank's approach to working in partnership with civil society in pursuit of development objectives, and that a separate evaluation of the remaining elements of work with civil society would not yield enough new and relevant information to warrant a full evaluation.
  - 3.4 Finally, OVE had proposed an oversight study on Bank systems for storing and retrieving information on projects and country-related analytical and sector work. Several new initiatives are underway in Management (strengthening the PPMR system, revised PCR guidelines, the IDBDOCS platform) which suggest that attention has already been focused on this problem. OVE believes Management should be given some time to develop these new initiatives before undertaking an oversight study of the new systems.
  - 3.5 In addition to these cancellations, several other items originally scheduled for 2002 have been moved forward into 2003. These include two country program evaluations (Brazil and Bolivia), one strategy evaluation (taxation and fiscal reform) and two policy and instrument evaluations (in-country economic and sector work and natural disasters policy).
  - 3.6 Evaluability assessments of programming documents, originally planned for 2002, will be deferred until 2003 owing to the lead-time required by Management to generate new country strategies which complying with new guidelines set by the Board.
  - 3.7 With these adjustments, the 2003 workplan still calls for the production of 24 studies, an amount considerably above the sustainable level of production with current staff and resources. In part this reflects existing commitments to important studies, and in part it reflects intentional over-programming, recognizing that some planned studies will slip into 2004 for reasons than cannot be fully anticipated at this time. Given these uncertainties, OVE believes that it will produce between 18 and 25 reports for Board consideration in 2003, and will target a lower number for 2004.
- A. Oversight**
- 3.8 The oversight workplan for 2003-4 includes several recurring items (annual report, resource allocation memo, annual workplan and budget of OVE), along with one item moved forward from 2002 (evaluability assessment of programming documents). In addition, there are three new items, validation of

- PCRs, review of the methodology for performance-based FSO allocations, and a report on the additionality of the C and D action plan.
- 3.9 **PCR Review**. When OVE submitted its oversight study on Management’s tools for project monitoring and evaluation, a key recommendation was that Management review the Core Standards for Project Completion Reporting endorsed by the Evaluation Cooperation Group of the Multilateral Development Banks. In the 2001 Annual Review of Projects in Execution, Management agreed to develop new guidelines for project completion reporting which “will comply with MDB-Evaluation Cooperation Group standards.”<sup>1</sup>
- 3.10 Among these core standards is the provision that project completion reports should be prepared by management and then subject to: “*Independent validation of completion reporting through two-stage performance review, utilizing “desk reviews” of all completion reports and “full reviews” of selected operations.*” (See Annex IV of RE-247). As Management moves to bring its project completion reporting up to current good practice standards, OVE needs to respond by implementing the called-for validation exercise. Accordingly, for 2003, OVE intends to: 1) review and assess Management’s guidelines for compliance with project completion reporting standards; 2) perform a desk review and produce written comments on all PCRs immediately upon their completion during the year; 3) do more extensive full reviews, combining desk review with some field research, of completion reports on selected operations, where possible in the context of broader country or thematic evaluations being undertaken by OVE.
- 3.11 **Performance Based Resource Allocations**. In 2002, Management instituted a methodology for allocating FSO and IFF resources on the basis of country performance. This practice is also being applied in other multilateral lending institutions, and OVE has been requested to review this methodology and make a report to the Board on the adequacy and appropriateness of indicators chosen and methods for calculating distribution coefficients from these indicators. Management has agreed to undertake its own evaluation of the process and make a report to the Board no later than June 30,2003. To avoid duplication of effort, OVE would propose to deliver this evaluation late in 2003, with the possibility that the OVE study itself would not be needed if the Management self evaluation dealt satisfactorily with all of the major outstanding issues.
- 3.12 **Additionality of C&D action plan**. Management instituted a special budget program to provide additional resources to C&D countries for project preparation and execution. This program has been self-evaluated by Management, and the resources theoretically “mainstreamed” into the administrative budgets of the three regional departments. OVE has been requested by Chairs to examine only one aspect of this program, the additionality of the resources and the activities financed with them.

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<sup>1</sup> GN-2214, paragraph 2.44

3.13 The workplan also contains a new proposal in the area of oversight for 2004, a proposed Review of the independent investigation mechanism. The Bank recently adopted a procedure for assessing complaints regarding the Bank’s compliance with its own rules and procedures. The mechanism was invoked during 2002, and a number of Chairs expressed concerns regarding the operation of the mechanism itself, apart from its use in the particular case. OVE has been asked to undertake a review of the procedures

**B. Country Program Evaluations**

3.14 During 2002, OVE not only produced a number of country program evaluations but also developed, in consultation with Management, a protocol for the conduct and content of this type of evaluation. OVE will continue producing country program evaluations using this protocol as an input to the country programming process. The Board has recently approved new guidelines for the preparation of country strategy papers which call for country papers to coincide with the electoral cycle in borrowing member countries, and OVE will operate on the same schedule in producing country program evaluations.

3.15 The new protocol calls for consultation both with Management and country officials at all stages of the evaluation, while reserving to OVE the sole authority for the content of the reports. In practice, it has proven difficult to get the attention of government officials in the first several weeks of a new government, and it appears that it would be most prudent for OVE to follow the general guidelines established by the Board, which call for “a strong effort to present the country strategy to the Board within 6 months, when possible, of the assumption to office of a new government<sup>2</sup>”. Drafts of OVE country program evaluations should be prepared well in advance of the next country strategy, and, wherever possible, be presented to the Board within 5 months of the assumption of a new government. Table 3.1 below shows the proposed calendar for this activity.2003.

**Table 3.1**

<b>Country</b>	<b>Next elections</b>	<b>Change of government</b>	<b>Target Evaluation Date</b>
<b>Bolivia</b>	Jun-02	Aug-02	Jan 03
<b>Brazil</b>	Oct-02	Jan-03	July 03
<b>Argentina</b>	Mar-03	May-03	Oct-03
<b>Guatemala</b>	Nov-03	Jan-04	June-04
<b>Belize</b>	Aug-03	Aug-03	Dec-03
<b>Ecuador</b>	Oct-02	Jan-03	June-03
<b>Paraguay</b>	May-03	Aug-03	Dec-03
<b>Colombia</b>	May-02	Aug-02	Jan 03
<b>Jamaica</b>	Oct-02	Oct-02	Mar-03

<sup>2</sup> Paragraph 2.15 of GN-2020-6

- 3.16 As the Bank accumulates experience in country program evaluations, it could prove highly productive to involve a broader network of actors in the production and review of these evaluations. OVE has already made use of individual consultants for sections of country program evaluations, but involving institutions in the process could also prove beneficial. For 2003, OVE will explore the use of universities, think tanks and government planning and evaluation units as partners in the conduct of country program evaluations.

### **C. Strategy Evaluations**

- 3.17 OVE's strategy evaluation agenda was largely set for 2003 in the last two multi-year work plans. Evaluations of Health, Legislative strengthening, public service reform, and fiscal reform are currently underway and should be completed in 2003. Two other strategy studies, rural development and transportation will be postponed to 2004.
- 3.18 The major focus of strategic evaluation work in 2003 and 2004 will be the Bank's programs in modernization of the state. An evaluation of judicial reform lending will be delivered in 2002, and three others (legislative reform, public service reform and taxation and fiscal policy) will be delivered in 2003. A summary evaluation of the overall approach to modernization of the state activity, originally scheduled for 2003, will be delivered in 2004 following the conclusion of the component studies in 2002 and 2003.

### **D. Policy And Instrument Evaluations**

- 3.19 For 2003, OVE is proposing to cancel one policy evaluation originally planned (financial sector reform) since a new policy is being drawn up by Management in 2002. However, it will conduct a review of financial sector projects as a component for the proposed summary evaluation of Bank's support to private sector activities. Two instrument evaluations (in country economic and sector work and main environmental projects) will be carried forward from 2002 and completed in 2003. Planned work on two other subjects (public utilities policy applied to energy and main environmental projects) will go forward as anticipated in the 2002 workplan.
- 3.20 In addition, two follow-on evaluations in the policy area will be carried out during 2003. In 2002, OVE delivered an evaluation of the implementation of the Bank's public utilities policy in the area of water and sanitation. For 2003, a second evaluation will look at the application of the policy to the energy area. The 2002 evaluation of the Emergency Reconstruction Facility will be followed in 2003 by an evaluation of the remainder of the Policy on Natural and Unexpected disasters, focusing primarily on disaster preparedness.

- 3.21 Also in 2003, OVE will continue to provide evaluation services on a contractual basis the MIF and the IIC. The MIF evaluation is a major effort involving a thorough review of most themes and projects pursued by the MIF since its inception. An interim report will be produced by the end of 2002, and a final report in 2003. Work for the IIC will continue to concentrate on validation of self-evaluation systems and activities.
- 3.22 In 2004, OVE intends to concentrate heavily on the evaluation of the impact of Bank activities in the private sector. One report will examine the impact of the special Private Sector Action Plan for C and D group countries, while a second will provide a summary evaluation report on efforts of the Bank group to promote private sector development. This report will integrate evaluation findings from PRI, MIF and IIC, as well as private sector oriented lending by the IDB itself.

#### **E. Evaluation Capacity Building**

- 3.23 OVE has for the past several years been working on developing evaluation capacity in the region through seminars, training activities and through cooperative evaluation agreements with sub-regional financial institutions. OVE has been providing technical support to Bank project teams in building appropriate evaluation methods and indicators into project design. OVE staff have, on several occasions, been invited to participate on missions concerned with deepening the evaluation dimensions of projects and agencies in the borrowing member countries. OVE has also sponsored four seminars on evaluation methods (private sector country risk assessment, (jointly with Standard and Poor's), evaluation capacity building (jointly with the World Bank), country program evaluation methodology, and evaluating social investment funds (jointly with the World Bank). OVE is also serving in 2002-3 as Chair of the Evaluation Cooperation Group of the Multilateral Financial Institutions.
- 3.24 This work has value and should continue, but as OVE pointed out in a report on Evaluation Capacity Building sent to the Board last year, the principal issue with respect to evaluation in the region is its failure to find an institutional place in the structure of budgetary decision-making in the borrowing member governments.
- 3.25 The principal vehicle for encouraging borrower evaluation of Bank-finance activities has been the Bank's policy with respect to borrower ex-post evaluations (BEP). As recent OVE reports have noted, the Bank's experience with BEP has not been a successful one. A requirement for borrowers to conduct ex-post evaluation of projects was established as an Operational Policy of the Bank in 1984, with the purpose of providing borrowers with "...direct feed back as a means of: improving future selection, preparation and analysis of programs and projects in the same sectors; developing improved methodology for ex-ante appraisal and ex-post evaluation of programs and projects; strengthening national institutions in the development of their own instruments and capacity for evaluation to achieve better utilization of all resources allocated to their investment projects and programs." The Bank also uses these results in the

- preparation of its subsequent analytical evaluations, in ex-ante analysis of new operations and in the preparation of sector recommendations to improve their action<sup>3</sup>
- 3.26 As it was implemented, however, the BEP requirement proved to be of little value. A report done by the Controller's Office of the Bank in 1993 concluded: "There is no indication that the BEP reports have been useful in improving the selection, preparation or implementation of new projects...[borrowers] see the BEP as being an exercise which represents a burden on their scarce human and budgetary resources and is of little relevance to their priorities and immediate institutional needs. From the Bank's perspective, the BEPs have been of little use, and have seldomly been used by the Bank as inputs in either ex-post or ex-ante analysis."<sup>4</sup>
- 3.27 On the strength of this analysis, Management adopted changes to OP-305 on March 17, 1993. The principal changes were to shift the locus of decision on whether to conduct an ex-post evaluation from the project team to the borrower during project preparation, allow borrowers to eliminate the ex-post evaluation clause in projects already in execution, and asking the Bank to define and finance any ex-post evaluations which the Bank needs but the borrower does not want to undertake.
- 3.28 Since 1993 there has been a virtually complete collapse of BEP activity. New loans rarely contain a commitment to undertake evaluation, while countries have requested waivers from BEP clauses in prior loan contracts. These data suggest that neither Management nor the Borrower consider ex-post evaluations to be of value to the development process. Management and OVE have been working to revise the Bank's ex-post evaluation policy, but it may be premature to adopt a new policy framework without some practical, concrete demonstration of the value of ex-post evaluation to both parties.
- 3.29 Consequently, OVE would propose as a major item in its 2003 workplan the conduct of six ex-post evaluations jointly with borrowing country authorities and the regional operations departments. For this exercise, OVE would ask each regional department to identify, in consultation with borrowing governments, one project in each of two countries which have been completed for three or more years and which are deemed to have high value for lesson learning and future project selection. OVE would work with Bank staff and country authorities to devise an ex-post evaluation methodology for each project. The evaluation itself would be carried out by institutions in the borrowing member country, preferably by public entities formally charged with evaluation responsibilities. The Bank should provide a budget of \$50,000 for each evaluation. These funds would be administered by authorities in the borrowing country, while OVE will supply a

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<sup>3</sup> OP-305, July, 1984

<sup>4</sup> "Modifications to the Borrower's Ex-post Evaluation System," Office of the Controller, Operations Evaluation Office, 2/93.

staff person to work on each evaluation, and will do a summary report on the exercise as input to the process of devising an appropriate institutional policy on ex-post evaluation.

**Chapter IV is not available to the public.**

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**OVE MULTI-YEAR WORK PROGRAM: 2002-2004**

2002	2003	2004
1. Annual Report 2001	1. Annual Report 2002	Annual Report 2003
2. Tools for project supervision	2. Risk assessment and mitigation	
3. Resource allocation memo	3. Resource allocation memo	
4. OVE Workplan and Budget	4. OVE Workplan And Budget	
5. Project Evaluability Report	5. Validation of PCRs*	Validation of PCRs*
<del>6. Bank data storage and retrieval</del>	6. Review of methodology for performance-based FSO allocation	Independent inspection Mechanism*
→	7. Evaluability assessment of programming documents	
	8. Additionality of C and D Action Plan*	
<b>COUNTRY PROGRAM EVALUATIONS</b>		
6. Protocol for Country Program Evaluation*		
7. Nicaragua	9. Ecuador	
8. Guyana	10. Paraguay	
9. Bahamas	11. Belize	
→	12. Brazil	
→	13. Bolivia	
10. Costa Rica	14. Argentina	
11. Jamaica	15. Guatemala	
12. Colombia		
13. Haiti		
<b>EVALUATION CAPACITY DEVELOPMENT</b>		
Support for project teams on evaluation methods and indicators (ongoing)		
Joint Evaluation Work with CDB and CABEI		
Country evaluation capacity summaries	16. Ex post evaluation pilot studies*	
Seminar on ECD		
<b>STRATEGY EVALUATIONS</b>		
14. Information and development	Civil Society	Early Childhood Programs*
15. Delivery of social services: education	→	MOS strategy evaluation
→	17. Taxation and Fiscal reform	
16. Agriculture	18. Public service reform/Institutional Infrastructre Activities	
17. Poverty	→	Rural Development
18. Delivery of service through NGOs	19. Delivery of social services: Health	
19. Decentralization	→	Transportation
20. Water		
21. Justice		
22. Microenterprise+	20. Legislative strengthening	

23. Integration	→	Audit and control entities
24. SME		
<b>POLICY AND INSTRUMENT EVALUATIONS</b>		
25. Large TCs	21. Loans as instruments	Private Sector Action Plan for C and D countries*
	22. Public Utilities Policy: Energy	
22. Natural Disaster facility	<del>Red de Centros</del>	
→	23. In-country ESW	
24. Innovation loans note	<del>Financial sector reform</del>	
→	24. Main environmental Projects	Summary evaluation of Bank group activities in support of private sector development, including a review of the Bank's financial sector operations.*
IIC	IIC	
MIF	MIF	
→	25. Natural disaster policy	

- Item postponed to following year (see box to right of arrow)  
~~Item cancelled~~  
+ Covered in MIF evaluation  
\* New Item