To: The Board of Executive Directors

From: The Secretary


Remarks: Distributed herewith are the terms of reference for the selection of an external group to conduct the evaluation, as agreed on 26 July 2010 (as per document RE-366-1). This revised version contains the modifications requested by the Policy and Evaluation Committee at its meeting on 16 September 2010.

Supersedes: RE-366-4(9/10)

Reference: RE-366(7/10), RE-366-1(7/10)
TERMS OF REFERENCE

INDEPENDENT REVIEW OF THE EVALUATION FUNCTION OF THE INTER-AMERICAN DEVELOPMENT BANK

The Board of Executive Directors of the Inter-American Development Bank (IADB) has approved a proposal to commission an External Review of the Evaluation Function (RE-366-1, August 3, 2010). The Board has delegated authority to oversee the Independent Review to its Policy and Evaluation Committee (PEC) which has the responsibility for the IADB’s evaluation function.

On the advice of PEC, the Board will appoint an Independent Review Panel (IRP) to conduct the review. The IRP will comprise a Chairperson and two other members, each with expertise in the evaluation function of multilateral development banks. Applications will be considered from individuals and teams. They will be selected by international competition in accordance with IADB rules and guidelines for international procurement.

This document is the Terms of Reference for the IRP, and is to be read together with its Annexes.

Objective of the Independent Review

The objective of the Review is to assess IADB’s evaluation function and to make recommendations to the Board with the aim of strengthening the contribution of evaluation to IADB’s development effectiveness in future.

Scope of the Independent Review

The Independent Review Panel will examine the quality, efficiency, effectiveness and impact (use) of all parts of IADB’s evaluation function. The scope of the review will cover at least the following:

- IADB’s overall approach to evaluation and its organization and operation of the function
- the IADB evaluation policy
- the governance structure of the evaluation function, including the PEC, and the oversight of OVE by PEC
- the Office of Evaluation and Oversight (OVE)
- the self-evaluation system maintained by IDB Management
- self evaluation by OVE
- the best evaluation practices of other agencies that the IADB could adopt, how these might be implemented, and areas in which the IADB can break new ground through innovation in evaluation practices
- ways in which member country ownership of the evaluation of IADB interventions can be increased
- ways in which IADB could undertake more joint evaluations with other agencies
Organization of Support to the Independent Review

The Policy and Evaluation Committee of the Board has convened a Selection and Review Committee (SRC) to select the Independent Panel and to oversee the Independent Review. The members of the SRC include the Chair of the Policy and Evaluation Committee, the Chair of the Organization, Human Resources and Board Matters Committee (OHRA), the Chairs of the Programming and Audit Committees of the Board, the Executive Director representing the United States, and the Chair of the Committee of the IIC (RE-366-1). The responsibilities of the SRC include reviewing applicants and nominees for the Chair and for membership of the Independent Review Panel and making a recommendation to the Board for approval of the Panel. Once the Independent Review Panel is in place the SRC will approve its Work Plan and will monitor its progress.

To ensure the independence of the Review Panel, the Office of Strategic Planning and Development Effectiveness will provide administrative liaison between it and the IADB. In addition the SRC will appoint a Research Secretary to support the Independent Review Panel. The Research Secretary will facilitate the work of the Independent Review Panel by managing logistics, gathering documentation and undertaking analysis required by the Panel.

In addition, OVE will assign an evaluator part time to gather information and data requested by the Research Secretary to the IRP or by the Chairperson of the PEC.

Resources

The total budget for the work of the Independent Review Panel is approximately $400,000. It is expected that each member of the Panel will incur approximately 60 working days including travel time, plus costs. The Chair of the IRP is expected to spend approximately 10 additional days, mainly in report writing and presentations. The Panel will convene at IADB headquarters in Washington DC. Each member of the Panel will make at least one field visit to an IADB member country.

Products to be Delivered by the Independent Review Panel

The IRP will provide the following products to the Chairperson of the PEC/SRC according to a schedule to be agreed in the Work Plan for the Review:

1. A proposed Work Plan within a week after an initial meeting/workshop at IADB headquarters. The Work Plan will propose a full methodology for the Review, and describe the tasks, timing and deliverables of the IRP. The SRC will provide direction to the IRP within two weeks of receiving the Work Plan.

2. Brief progress reports every two weeks while the work is in progress. Reports of field visits, surveys, or other information collection activities will be appended to the Progress Reports.

3. Working papers of about 10 pages in draft for comment, as they are produced, including at least:
   - Self-assessments of their contribution to the evaluation function and of their performance, by OVE and by IADB management,
   - Papers by the IRP on:
 Quality and rigor of IADB evaluations
- The effectiveness of the IADB’s evaluation system and processes, such as the link with country strategies
- The efficiency of resource use by the various components of the IADB evaluation function
- The use of evaluation findings by the Board and by Management (management action plans, etc)
- Ways in which member country ownership of the evaluation of Bank interventions can be increased
- Case studies of 2-3 exemplary evaluation agencies to identify excellent practices that the IADB does not yet have but could adopt
- The overall performance of OVE, including on-going systems for performance assessment
- The governance structure of the evaluation function, including the PEC, and the oversight of OVE by the PEC
- The IADB Evaluation Policy and any governance issues such as, for example, the roles of the stakeholders internal and external.

These papers will form the basis for the IRP’s report and recommendations.

4. A report to the Board with strategic recommendations regarding the evaluation function.

- A draft report of approximately 50 pages plus annexes.
- An oral presentation of the draft report, emphasizing findings and recommendations, to the Board of Executive Directors.
- A revised report for comment by PEC.
- A final report of approximately 35-50 pages plus annexes that include the working papers, with an Executive Summary of three pages.
ANNEXES

Annex 1: The Office of Evaluation and Oversight

The IADB’s Office of Evaluation and Oversight (OVE) has a mandate derived from the Board of Executive Directors to contribute to the results-focus in the institution through specific evaluation studies and the oversight of the Bank’s evaluation system as a whole. The document creating the office (RE-238) established four principles to guide the work of the office:

First, evaluation is a tool, not an end in itself. Like other tools, the evaluation must constantly be scrutinized to determine if it continues to be relevant to perform well, or whether it needs to be sharpened or modified to more effectively accomplish its basic tasks.

Second, evaluation is focused on institutional learning, which should be the standard applied to assess the relevance and effectiveness of evaluation activity.

Third, evaluation must focus on assessing the development effectiveness of Bank activities. This mandates a focus on those activities of the Bank which are directed toward contributing to the economic and social development of borrowing member countries. While all Bank activities could theoretically be the focus for evaluation work, the Governor's mandate keeps the focus of evaluation on the interface between the Bank and the borrowing member countries.

Fourth, evaluation must focus on the results of Bank-financed activities. The Bank must look not only at its outputs (projects approved, funds lent), but also at the outcomes of its actions in the borrowing member countries. Evaluation work is thus an essential part of the process of moving the Bank toward a results-based operational style.

Annex 2: Context

The context for an independent review of the evaluation function includes the recent successful General Capital Increase (GCI) that will make the Bank an increasingly important partner in development and poverty reduction in Latin America and the Caribbean. In conjunction with the GCI, the IADB has made commitments to a new institutional strategy and has put forward an agenda to improve the development effectiveness of its work. The Bank has already begun several initiatives that will improve learning, efficiency and effectiveness, transparency and governance in general. Among these is a new “Development Effectiveness Framework” (GN-2489) approved by the Board of Executive Directors to further align evaluation practices at the IADB with the best practices described by the OECD’s Development Assistance Committee (OECD-DAC) Evaluation Network and the Evaluation Cooperation Group of the Multilateral Development Banks.

An independent review of the evaluation function is also timely because of the forthcoming retirement of the Evaluation Director who has ably led the Office of Evaluation and Oversight (OVE) through the last decade. The Office was created by the Board of Executive Directors in 1999, in response to a report that listed some shortcomings of the evaluation function at that time (RE-238 Corr.).
The Independent Review Panel on the evaluation function is expected to make important contributions to enhance the role of the Office of Evaluation and Oversight, and to provide advice and guidance on the evaluation function throughout the Bank Group. This advice may be directed to the Board of Executive Directors, to which OVE reports, to IADB management, and to the new head of OVE, identifying areas for improving the contribution of the evaluation function to the effectiveness of the Bank’s interventions.

Annex 3 Standards, Benchmarks and Evaluation Criteria

The IRP will assess IADB’s evaluation products and procedures against accepted international standards, including timeliness, rigor and usefulness for both learning and accountability purposes. The IRP will assess the evaluation function against accepted international standards, where appropriate, specifically; the OECD-DAC’s Evaluation Network Evaluation Systems and Use: a Working Tool for Peer reviews and Assessments and the Comprehensive Review Framework for the Evaluation Function (2009) developed by the Multilateral Development Banks’ Evaluation Cooperation Group (MDB-ECG) with the objective to support best practices, improve the evaluation function and harmonize evaluation approaches.

Three broad areas of analysis will be at the core of the review. These areas cover all the 8 sub-areas of the OECD-DAC’s Tool and MDB-ECG Good Practice Standards for review of the evaluation function (see Annex A included as part of these Terms of Reference). Areas considered to be of particular relevance to this review are listed under each sub-area. This list is not exhaustive, and Annex A should not be seen as an exhaustive list of issues to be examined by this evaluation.

(a) Independence of evaluations and the evaluation function.

- **The Bank’s evaluation policy**, including the clarity of roles, governance and organizational position of the evaluation function; the completeness of the coverage of the evaluation function of all Bank products, both financial, policy, strategic and knowledge; the level of knowledge of the policy within the institution.

- **Impartiality, transparency and independence of the evaluation function**: including independence from line management; formal and actual drivers that ensure or constrain the evaluation functions independence; OVE’s success in exposing good practice and/or failures of different types of Bank interventions; consistency in public disclosure of evaluation findings; whether OVE has a policy or guidelines for managing conflict of interest.

(b) Effectiveness and efficiency of the evaluation function. To what extent is the evaluation function as performed at the IDB viewed as providing credible evidence and pertinent recommendations?

- **Evaluation partnerships and capacity building**: assess the extent of: involvement of stakeholders in the evaluation process; use of evaluation expertise in borrowing countries; support of evaluation training and capacity building both internally and towards clients.

- **Quality of evaluation products**: what is the review process for OVE’s products? How effective is it in ensuring technical quality? Are guidelines for the conduct of each type of evaluation available? Has the Bank’s evaluation system developed/adopted standards/benchmarks to assess and improve the quality of its evaluation reports? What is the assessment of the quality of the
evaluation reports in terms of coverage, presentation of the evidence to support the conclusions, dispassionate, objective analysis and use of best international evaluation practice?

- **Perceived usefulness of the evaluations**: What is the perceived usefulness of the evaluations for the Board,
- Management, the operational Vice-Presidencies and counterparts? Are evaluation reports periodic and timely for each type of development product?
- **Planning, Coordination and Harmonization**: how are priorities identified and incorporated into OVE’s work plan? Is there an appropriate balance between the different types of interventions and products that the Bank supports? Is there an assessment by the independent Evaluation Office of the quality of Management self-evaluation by product? How does OVE manage field level evaluations, and does it engage in joint evaluations?
- **Resources and staff**: including OVE’s overall budget and unit costs, level of staff expertise in evaluation; is there a policy for staff rotation between operational departments and OVE?

(c) The utility of evaluations. To what extent are OVE findings and recommendations effective in promoting change in the way Management does things, and in providing relevant information for Board decisions? This area has two aspects: (i) dissemination, feedback, knowledge management and learning; and (ii) use of evaluation findings.

- **Dissemination, feedback, knowledge management and learning.** Assess the extent to which the following instruments are effectively used by OVE to ensure relevance and usefulness of their products: evaluation reports, communication tools, and timely dissemination of findings in a format that is specific and can be easily used by decision makers, position papers, mechanisms for accessing information, public disclosure of findings. Has the evaluation function at the IDB become an integral part of knowledge management? Is evaluation considered a learning tool by staff at the Bank and by borrowing counterparts when designing policies, instruments or Bank financed operations?

- **Evaluation use.** Identify the main users of evaluation reports within the IDB. Is there a clear link between the Board of Directors’ information requirements and the evaluations produced by OVE; are recommendations included in OVE reports clear, implementable and able to be monitored? Is there a link between an evaluation report and the timing of the design of a new intervention? Is there a follow-up on the finding with key stakeholders?

Annex 4: Selected Tasks

The activities that will be conducted by the IRP as part of the evaluation include, but are not limited to the following:

- Review appropriate evaluation policy-related documentation including performance reports, budget information, and internal governance documents, including the Bank’s internal evaluation instruments and processes, etc.
- Conduct a review of current evaluation arrangements and practices using the DAC –OECD and MDB-ECG Good Practice Standards (GPS) as quality templates;
Inventory the portfolio of evaluation work done since 2001, including the extent to which these have been managed according to the Bank’s evaluation policy and guidelines, and are consistent with the MDB-ECG GPS.

Review a sample of evaluations reflecting regional diversity, centralized vs. decentralized reports, technical themes, and type (project, country program, strategy, thematic) against recognized evaluation report good practices;

Review the electronic systems supporting the evaluation function to facilitate transparency, accountability and knowledge sharing;

Review evidence of follow up on evaluation recommendations and use of lessons learned by IDB Management;

Review evidence of benefits to member countries from the use of evaluation findings and recommendations, and identify how countries can take greater ownership of the evaluation of IADB interventions;

Interview key stakeholders who are both subjects and users of evaluations that are representative of the Bank’s lending, sector work, country focus, and corporate functions. Meetings with all Board Chairs will be required at Bank Headquarters. Meetings with country counterparts will be arranged through Video Conference or in some cases through field visits.

Interview stakeholders outside the Bank, including tripartite partners, and members of multilateral and bilateral partners.

Identify exemplary practices of 2-3 other international agencies that the IADB could adopt, as well as areas where the IADB could break new ground through innovation in evaluation practices.

Annex 5: Questionnaire. A Working Tool for Peer Reviews and Assessments of Evaluation Functions in Participating ECG Members. (CS-3741)

1. Evaluation Policy: role, responsibility and objectives of the evaluation department

- Does the institution under review have an evaluation policy?
- Does the policy describe the role, governance structure and position of the evaluation unit within the institutional context governed by the articles of association?
- Does the evaluation function provide a useful coverage of all the activities/operations/programmes of the institution?
- According to the policy, how does evaluation contribute to institutional learning and accountability?
- How is the relationship between evaluation and audit conceptualized within the ECG member under review?
- Is the evaluation policy adequately known and implemented at all levels of the institution? (i.e. Headquarters, Country Offices, Program and Project level).

2. Impartiality, transparency and independence

- To what extent are the evaluation department and the evaluation process independent from line management?
- What are the formal and actual drivers ensuring/constraining the evaluation department’s independence?
- What is the evaluation department’s experience in exposing successes and failures of operational activities/programmes/projects/strategies/policies and their implementation?
- What is the evaluation department’s experience in challenging conventional wisdom?
• Is the evaluation process transparent enough to ensure its credibility and legitimacy? Are evaluation findings consistently made public?
• Is there a policy on managing conflicts of interest? How is the balance between independence and the need for interaction with line management dealt with by the system?
• Are the evaluation process and reports perceived as impartial by non-evaluation actors within and outside the institution?

3. Resources and Staff

• Is evaluation supported by appropriate financial and staff resources?
• Does the evaluation department have a dedicated budget? Is it annual or multiyear? Does the budget cover activities aimed at promoting feedback and use of evaluation and management of evaluation knowledge?
• How is the head of the evaluation unit selected and/or extended? Who does his/her annual performance review? Who decides his/her salary increase?
• How independent is the evaluation department in selecting and recruiting staff?
• Do staff have specific expertise in evaluation, and if not, are training programmes available?
• Is there a flow of staff between the evaluation department and the operational departments and visa versa?
• Is there a policy on recruiting consultants, in terms of qualification, impartiality and deontology?

4. Evaluation partnerships and capacity building

• To what extent are beneficiaries, borrowers or executing agencies involved in the evaluation process?
• To what extent does the institution rely on local evaluators or, when not possible, on third party evaluators from borrowing member countries?
• Does the institution engage in partner-led evaluations?
• Does the evaluation department support evaluation training and capacity building programmes in borrowing member countries?
• How do partners/beneficiaries/NGOs perceive the evaluation processes and products (in terms of quality, independence, objectivity, usefulness and partnership orientation)?

5. Quality of Evaluation Products

• How does the evaluation department ensure the quality of its evaluations (including reports and process)?
• Does the institution have guidelines for the conduct of evaluations and are they used?
• Has the ECG member under review developed/adopted standards/benchmarks to assess and improve the quality of its evaluation reports?
• What is the usefulness of evaluation reports from the point of view of the Board of Directors, Management and the operational side of the institution?
• What is the assessment of the quality of the evaluation reports in terms of coverage, presentation of the evidence to support the conclusions, dispassionate, objective analysis and use of best international evaluation practice?
• How is the quality of evaluation products/processes perceived throughout the institution?
• Does the evaluation department interact with the OECD-DAC Evaluation Committee and do the products of the evaluation department meet OECD-DAC standards for evaluation?

6. **Planning, coordination and harmonization**
• Does the participating ECG member have a multi-year evaluation work plan, describing future evaluations according to a defined timetable?
• How is the evaluation plan developed? Who, within the organization, identifies the priorities and how?
• Does the work programme reflect an appropriate balance between corporate level evaluations, complex evaluations (e.g., country/sector/policy/thematic evaluations) and project level evaluations?
• How is the evaluation function organised within the institution?
• Does the evaluation department assess the quality of the self evaluation processes in the institution?
• Does the evaluation department coordinate its evaluation activities with other multilateral agencies and bilateral donors?
• How are field level evaluation activities coordinated? Is authority for evaluation centralised or decentralised?
• Does the evaluation department engage in joint/multi donor evaluations?
• Does the evaluation department make use of evaluative information coming from other MDBs, bilateral donors, academia or NGOs?

7. **Dissemination, feedback, knowledge management and learning**
• How are evaluation findings disseminated? In addition to reports, are other communication tools used (e.g., press releases, press conferences, abstracts, annual reports providing a synthesis of findings, repackaging of evaluation findings, web based technologies, articles in non-ECG member publications)?
• Are all evaluation reports made public? Are position papers made public? Are comments from third parties on the evaluation products made public?
• What mechanisms are in place to ensure feedback of evaluation results to policy makers, operational staff and the general public?
• What mechanisms are in place to ensure that knowledge from evaluation is accessible to staff and other relevant stakeholders?
• Is evaluation viewed as an integral part of the knowledge management system?
• Is evaluation considered a ‘learning tool’ by staff of the organization under review?

8. **Evaluation Use**
• Who are the main users of evaluations within and outside the institution?
• Does evaluation respond to the information needs expressed by the Board of Directors, Management, operational staff, developing countries and/or civil society?
• Are there systems in place to ensure monitor and track action taken on the implementation of evaluation findings and recommendations?
• Are recommendations included in evaluation reports clear and capable of being acted on and monitored?
• What is the linkage between the timing of evaluations and new operations? For example, are there institutional requirements for evaluations of policies, country strategies or projects to be completed before policies or country strategies are revised or follow on projects are funded?
• How does the institution promote follow up on findings from relevant stakeholders (through e.g. steering groups, advisory panels or sounding boards)?
• Are links with decision making processes ensured to promote the use of evaluation in policy formulation? For example, is there a “just in time” dissemination system – i.e., ensuring that evaluation findings are packaged in a digestible form and delivered to decision makers who can influence decisions?
• Are there recent examples of major operation and policy changes attributable to evaluation findings and recommendations, i.e., influential evaluations?
• Are there examples of how evaluation serves as an accountability mechanism?
• What are the perceptions of non-evaluation actors (operation and policy departments, field offices, etc) regarding the usefulness and influence of evaluations?