



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

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*RE-275*

*Analysis of Project  
Evaluability Year 2001*

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## I. INTRODUCTION

### A. Background

- 1.1 In the course of the last few years, the Bank has assigned greater importance to the evaluation of the outcomes of its investments in the region of Latin America and the Caribbean (LAC). Following the guidelines established in the Eighth Replenishment (AB-1704, par. 2.10), the Bank has implemented a number initiatives intended to strengthen its evaluation system.
- 1.2 This importance of evaluation and, particularly, in the identification of the outcomes of projects financed by the Bank was reiterated at the last Meeting of the Board of Governors of the IDB<sup>1</sup> and emphasized by the Monterrey Declaration by the Presidents of the Multilateral Financial Institutions<sup>2</sup>. Regarding the aspects related to this work, the Presidents of the Multilateral Financial Institutions stated *“In addition, we wanted to issue this joint communiqué on a particularly important point – the measuring, monitoring, and management of development outcomes ...The manner in which we measure and evaluate our effectiveness for development ...is essential for aligning institutional responsibilities and strategic priorities with the outcomes that are most important for development. We have all invested heavily in operations evaluation systems as the fundamental pillars for institutional learning and responsibility and we should continue to do so, with outcomes being the central objective to this work.”*
- 1.3 President Iglesias told the 2001 Annual Meeting of the Board of Governors that: *“We should ensure that our loans for the support of political reform, which we sincerely believe have played an important role in the reform processes of the past decade, respond to clear objectives and include goals and indicators that permit the evaluation of their impact on development.”*
- 1.4 The strengthening of the evaluation function has focused on the identification and implementation of instruments that incorporate evaluation as an integral part of the entire project cycle. The Bank has already adopted a number of initiatives in this area. It has mandated the use of the logical framework for the design of its projects, and it has attempted to increase the results focus of its project monitoring and supervision mechanisms (PPMR’s, PCR’s, etc.).
- 1.5 The development and application of the evaluability instrument presented in this report is another element in the direction of increasing the results focus of the Bank’s work. The definition, validation and use of the instrument provides the

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<sup>1</sup>The Governors’ statements are attached in Annex 3.

<sup>2</sup> MONTERREY, March 19, 2002 — This communiqué has been endorsed by the presidents of the five Multilateral Development Banks.

Bank with a method for determining whether the elements needed for ascertaining project results have been incorporated into its design.

## **B. Objective of the Study**

- 1.6 OVE conducted its study of the evaluability of the Bank's lending program as part of its 2001 Work Plan. The goal of the exercise has been to examine project **“evaluability,”** meaning *the degree to which the projects are defined such that, once they are complete, they can be evaluated and demonstrate their effectiveness in addressing the development problems and challenges faced by the borrowing countries.*
- 1.7 Its findings are intended to illuminate problems affecting the evaluability of bank operations, identify areas for improvement and develop a baseline that can be used to track the Bank's progress in the future. This study is the first ex-ante review of the evaluability of Bank operations distributed for the consideration of the Loan Committee and/or the Board over the course of one year. Therefore, there was no baseline for the exercise.
- 1.8 The exercise was not designed as a part of the Bank's formal review process for individual projects. The findings of the study were intended to affect, principally, the design of future operations. OVE, communicated to Management through a series of notes, its comments on the evaluability of individual projects as these were presented to the Loan Committee.<sup>3</sup>
- 1.9 In carrying out the evaluability exercise, OVE has focused on the growing need to identify the development results of the individual projects and of the institution as a whole.<sup>4</sup> As the Secretary of the Treasury of the United States stated in a recent speech *“The international community has the responsibility of ensuring that the resources it provides substantially improve the life of the inhabitants of the poorest countries ...The help should be used intelligently as part of well-focused, well-coordinated, and rigorous practices to measure outcomes ...Measurable outcomes and policies that increase economic growth should be the operations' maximum objective ...”*<sup>5</sup>
- 1.10 In this regard, assessing the evaluability of a project not only facilitates the measurement of a project's development impact, but also provides a vehicle for assessing the consistency of a project's elements with the desired outcomes. Although it is possible that an improperly defined project can achieve valuable objectives, the Bank as a public, multilateral institution must strive to present

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<sup>3</sup> See the guides published by ROS. For more information, see: <http://km/evp/project/procedures/OVE.htm>.

<sup>4</sup> For an analysis of the literature on the subject, see Joseph S. Wholey, “Evaluability Assessment: Improving Evaluation, Management and Performance,” mimeo, 2002. Also see the glossary published by the OECD Development Assistance Committee in 2001. (The 2000 version, which does not contain the definition of evaluability, is found on the OVE page.)

<sup>5</sup> Treasury Secretary O'Neill's speech to the Development Committee Meeting, April 21, 2002.

operations to the Board, which give a full and complete picture of intended results and the indicators designed to demonstrate their attainment. Projects possessing these characteristics both help the Board discharge its functions at the time of approval, and facilitate the evaluation of project results by both the Bank and the borrowing country. Finally, projects with these characteristics also give executing agencies the tools needed to monitor project execution in order to maximize the probability that results will be achieved.<sup>6</sup>

## II. METHODOLOGY

### A. Development of the Evaluability Instrument and Exercise

- 2.1 During 2000, OVE worked on the design of an instrument intended to measure ex-ante project evaluability. The design of the instrument relied heavily on the collaboration and active participation of Bank staff with extensive project design and supervision experience, as well as the support of experts in the area of project evaluation. OVE released a Working Paper (OVE WP-01/00) on the subject in December 2000.
- 2.2 The evaluability instrument used in the course of this exercise was discussed with Management and made available to project teams. Throughout 2001, OVE held several meetings with project teams and the staff of functional divisions interested in exchanging ideas regarding the evaluability exercise.
- 2.3 During 2001, OVE applied the evaluability instrument to all the project reports presented to the Administration's Loan Committee and all project documents presented for the consideration by the Board of Directors during 2001. The exercise entailed the review of 156 versions of the project documents corresponding to 90 operations. Both the Loan Committee and the Board considered sixty five (65) of the operations during 2001. Eight (8) were considered only by the Loan Committee, and 17 were only considered by the Board. Each of the 156 reviews included the analysis of the document by no less than three OVE staff members, an internal discussion, the preparation of an evaluability note, and categorizing the findings for each of the dimensions.
- 2.4 The evaluability exercise was the responsibility of the staff of OVE as a whole. It was carried out in two stages. The first stage consisted of reviewing the versions of the loan documents on the occasion of their presentation to the Loan Committee. To this effect, the task of revising the versions of the loan documents

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<sup>6</sup> "When a program is evaluable, there is a greater probability that the evaluation or monitoring will be useful – and a greater probability that the program can be used to achieve results." Joseph Wholey, *op. cit.*

- was assigned to two or more staff members, one of whom was responsible for writing a Project Note. This draft was discussed and reviewed at an internal meeting and, once the modifications or corrections were agreed upon and introduced, the note was forwarded to Management. Once the note was issued, the staff members who had participated in the process assigned a numerical value to each criteria or dimension established in the evaluability instrument
- 2.5 Initially, all the notes were sent to the Management via ROS, which, at its discretion, could incorporate the contents into its own comments for the Loan Committee, or send them on to other areas of the Bank. In June 2001, the EVP's office notified the Operations Department Managers and the Manager of the Department of Sustainable Development (SDS) that, as of that date, ROS would share OVE's comments with them so that these could, in turn, be passed on to Division and Project Team Chiefs, and other relevant Bank staff.<sup>7</sup>
- 2.6 The second stage consisted of the analysis of the version of the project document presented for consideration by the Board of Directors in order to identify changes or modifications. During this phase, the same staff members who were responsible for reviewing the Loan Committee version carried out the analysis of the version of the document distributed presented to the Board of Directors and prepared an internal note recording changes in the projects and in the scoring. This second review was performed, in the majority of the cases, on the marked versions submitted by Management to the Secretariat Department through the EVP's office.
- 2.7 The process of revision and preparation of the comments did not undergo modifications during all of 2001, although over time the notes tended to become longer and included more detailed comments, as a result of requests from project teams and other Bank staff. Copies of all the notes sent and of the internal notes are available on OVE's Intranet server.

**B. Evaluability: Theoretical Conceptual Framework**

- 2.8 There are numerous entities and agencies that in recent years have focused on the development of methodologies intended to establish the potential impact of their actions and programs before their execution. A key factor in explaining the increased use of this type of methodologies is the increased pressure on international financial entities to demonstrate the effectiveness of their activities.
- 2.9 In the development of the evaluability instrument, OVE took into account a number of approaches, theoretical and practical, in the area of project evaluation.<sup>8</sup> The instrument has its theoretical basis in the analytical tools developed for the ex-ante evaluation or measurement of the quality of the project design. Of note

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<sup>7</sup> See ROS's note on the origin and use of the evaluability comments in its "Recommendations for Loan Operations." This note can be found at: <http://km/evp/project/procedures/OVE.htm>.

<sup>8</sup> See Joseph Wholey, *op. cit.*

among these methodologies is the *Federal Research Impact Assessment* (RIA), developed by the federal government of the United States, which contains the specific *research selection* variant that has been incorporated into the definition and execution of this exercise, and the *Social Impact Assessment* (SIA). In sum, the defined instrument is framed within the field of *Impact Assessment* (IA) methodologies, meaning those intended to identify the future consequences of a proposed action through the analysis of the medium by which it is intended to achieve said impact, in this case the project. Of special note is the similarity of this instrument with the one employed by the Department of Defense of the United States for analyzing, ex-ante, the hypothetical effects of the proposed programs<sup>9</sup>. The instrument represents a method for determining the future impact of the project and to measure its degree of evaluability. The Logical Framework methodology, widely used in the Bank, was also a part of the genesis of the instrument.

- 2.10 In terms of process methodology, the evaluability exercise made extensive use of peer reviews methods widely used in the Bank, mainly for quality control purposes.<sup>10</sup>
- 2.11 The conditions that should be met by a peer review process are the following:<sup>11</sup>
- The method, organization, and criteria for the evaluation should be chosen and adapted to the specific conditions of the area to be evaluated.
  - The program and objectives of the project and of the institution should be an essential part of the evaluation.
  - The underlying purpose and the relationships between the evaluation and the decision-making process should be communicated and known to those involved.
  - The objectives of the evaluation should be specifically formulated.
  - The necessary prerequisites for an effective evaluation of outcomes should be taken into account during the design phase of the evaluation.
- 2.12 In designing the evaluability exercise, OVE ensured that the conditions for peer review processes were met. The method, organization, and criteria for the evaluation were adapted to the purposes of the evaluability exercise. The program and objectives of the project and those of the Bank institution were an essential part of the exercise and constituted a point of reference in the analysis of the project documents. The objectives of the exercise were specifically

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<sup>9</sup> See Dr. Ronald Kostoff, *"The Handbook of Research Impact Assessment,"* Seventh Edition, Summer 1997. Office of Naval Research. U.S. Federal Government.

<sup>10</sup> See Armstrong, J.S., *"Why Conduct Journal Peer Review: Quality Control, Fairness or Innovation,"* Science and Engineering Ethics 3:1 19

<sup>11</sup> See Ormala, E. *"Impact Assessment: European Experience of Qualitative Methods and Practices"* in Kostoff, R.N. (ed). *Evaluation Review, Special Issue on Research Impact Assessment*, 18:1, February 1994.

formulated before its start. The relationship between the evaluation performed and the decision-making process was communicated to those involved. The necessary prerequisites for the effective evaluation of the outcomes were taken into account during the design phase of the instrument and the Administration's active participation in its implementation was encouraged.

- 2.13 Finally, the conditions for conducting peer review processes were also adhered to during the exercise:<sup>12</sup>
- a. *One person should be assigned to the development of the analysis and should be responsible for the final outcome.* An OVE staff member was made responsible for each case.
  - b. *The members of the peer review should be chosen to represent a broad range of points of view in order to guarantee that they are treated with the maximum number of elements possible.* Each group contained a variety of persons and specialists to such an extent that in some cases up to seven people were designated to analyze the document.
  - c. *The identity of the review group should be preserved in order to avoid pressures or commitments.* The names of the staff members responsible for the notes have not been released.
  - d. *The new members of the process should receive, with sufficient notice, accurate information regarding the exercise and its objectives and aims.* The Deputy Director of the OVE performed this task with each person who participated in the exercise. This person usually attended some meetings before being assigned the responsibility of commenting on some project.
  - e. *There should be a person responsible for supervising the entire process.* The Deputy Director of the OVE, who was also responsible for designating those responsible for each project, performed this task.

### **C. Description of the Evaluability Instrument**

- 2.14 The detailed description of the evaluability instrument can be found in Working Paper OVE WP-01/00 of December 2000. The assessment tool for project evaluability complements the working paper and establishes the dimensions of the analysis in which the instrument<sup>13</sup> is applied.
- 2.15 The instrument is predicated on the analysis of nine specific dimensions: diagnostic, logic of the project, definition of objectives, identification of assumptions and risks, output indicators, outcome indicators, outcome baselines, and monitoring systems for project execution and evaluation.

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<sup>12</sup> See Kostoff, R.N. "Research Program Peer Review: Principles and Practices."

<sup>13</sup> Both documents can be found in: <http://ovesrv01/wp/Wp01-00/Evaluability%20Paper.pdf> and <http://ovesrv01/EvaluabilityTool.pdf>.



- 2.16 For each of the nine dimensions, the original methodology asked reviewers to rate projects on a ten-point scale (0-9). During the design of the evaluability instrument special care was taken to ensure the reliability of the methodology of the instrument. A group of projects was analyzed by Bank operational staff, as well as by OVE staff members in order to ascertain possible divergences in the assessment and scoring of the projects. The results of this exercise showed that the OVE officials rated the projects more favorably than the participating Bank operational staff.<sup>14</sup>
- 2.17 This exercise also demonstrated that reviewers felt it difficult to maintain ratings consensus with so many scoring levels. Agreement was much higher using a four-point scale, with two of the categories clearly connoting “satisfactory” performance on a dimension, and two clearly connoting “unsatisfactory” performance. A four point rating system also corresponds to current good practice in evaluation as established by the Evaluation Cooperation Group of the Multilateral Financial Institutions. Consequently, while the 10 point rating scale was retained for some types of quantitative analysis, the principal findings reported here are best summarized using the four point scale.
- 2.18 Table 2.1 shows each of the nine dimensions and the four rating categories used to assess each. A more detailed discussion of each evaluative dimension and its rationale is found in Annex 1.

**Table 2.1. Evaluability Dimensions and Rating Scales**

Evaluability Dimensions and Key Elements for the Analysis	Rating Scale
<p><b><i>A. <u>Diagnosis</u></i></b></p> <ul style="list-style-type: none"> <li>• The problem or need that the project attempts to address is clearly identified through consultation with stakeholders (borrowers, executing agencies, beneficiaries, other interested parties)</li> <li>• The causes of the problem are identified.</li> <li>• The potential beneficiaries are clearly identified</li> </ul>	<p>Lack of or unclear diagnosis</p> <p>Relatively unclear diagnosis</p> <p>Relatively clear diagnosis</p> <p>Clear diagnosis</p>
<p><b><i>B. <u>Definition of Objectives</u></i></b></p> <ul style="list-style-type: none"> <li>• Expected results at end of project execution are clearly linked to the problems and needs identified in the diagnosis.</li> </ul>	<p>Lack of or unclear definition of objectives</p> <p>Relatively unclear definition of objectives</p> <p>Relatively clear definition of objectives</p> <p>Clear definition of objectives</p>

<sup>14</sup> Paragraph 3.10 of Working Paper OVE WP-01/00 shows the comparison between the scores assigned by OVE officers and Management staff. Paragraph 1.8 of this document describes the methodology used. The methodology was subsequently reviewed to take into account comments derived from Management and OVE staff.

Evaluability Dimensions and Key Elements for the Analysis	Rating Scale
<p><b><u>C. Project Logic</u></b></p> <ul style="list-style-type: none"> <li>• Project objectives (goal, purpose in LF terminology), components and activities are clearly stated.</li> <li>• All Components contribute to the achievement of the purpose.</li> <li>• All Components include necessary actions to attain the purpose.</li> <li>• All project elements are logically related.</li> </ul>	<p>Lack of or unclear project logic</p> <p>Relatively unclear project logic</p> <p>Relatively clear project logic</p> <p>Project logic is clearly stated</p>
<p><b><u>D. Assumptions and Risks</u></b></p> <ul style="list-style-type: none"> <li>▪ The conditions necessary for the execution of the project and the achievement of the objectives are identified.</li> <li>▪ Follow-up actions for monitoring the validity of the assumptions and risks are identified.</li> </ul>	<p>The assumptions and risks are lacking or are unclear.</p> <p>The assumptions and risks are partially defined.</p> <p>The definition of the assumptions and risks is relatively clear.</p> <p>The assumptions and risks are clearly defined.</p>
<p><b><u>E. Output indicators</u></b></p> <ul style="list-style-type: none"> <li>• The output indicator (s) for purpose and components identify quantitative or qualitative measure(s) of the expected goods and services to be delivered through project execution</li> <li>• Output indicators clearly specify expected target levels during and at the end of project.</li> </ul>	<p>Lack of or inadequate definition of all indicators</p> <p>Most indicators are inadequately defined</p> <p>Most indicators are adequately defined</p> <p>All indicators are adequately defined</p>
<p><b><u>F. Outcome indicators</u></b></p> <ul style="list-style-type: none"> <li>• Purpose indicator(s) identify quantitative or qualitative measures of expected results (outcomes) at end of project execution.</li> <li>• Component indicator(s) identify quantitative or qualitative measures of the expected benefits resulting from goods and services to be delivered through project execution.</li> <li>• Outcome indicators for purpose and components clearly specify expected target levels during and at end of project.</li> </ul>	<p>Lack of or inadequate definition of all indicators</p> <p>Most indicators are inadequately defined</p> <p>Most indicators are adequately defined</p> <p>All indicators are adequately defined</p>
<p><b><u>G. Output indicator baselines</u></b></p> <ul style="list-style-type: none"> <li>▪ Output measures for purpose are presented in project document.</li> <li>▪ Output measures for components are presented in project document.</li> </ul>	<p>The baselines are absent or are poorly specified.</p> <p>The indicator baselines will be established during the performance of the project.</p> <p>The baselines are required as a condition of eligibility.</p> <p>The baselines (for the components and purposes) are specified in the project document.</p>

Evaluability Dimensions and Key Elements for the Analysis	Rating Scale
<p><b><u>H. Baseline measures for outcomes</u></b></p> <ul style="list-style-type: none"> <li>• Outcome measures for purpose are presented in project document.</li> <li>• Outcome measures for components are presented in project document.</li> </ul>	<p>Lack of or poor specification of baseline measures</p> <p>Baseline measures for indicators will be collected during project execution</p> <p>Baseline measures for indicators are required as condition for eligibility.</p> <p>Baseline measures are specified in project document.</p>
<p><b><u>I. Monitoring and Evaluation for outputs and outcomes</u></b></p> <ul style="list-style-type: none"> <li>• Bank and borrowers have defined a data gathering system to generate information on indicators</li> <li>• Resources have been identified and committed to ensure that predefined data will be collected and analyzed.</li> <li>• Provisions have been made for using the information for project monitoring.</li> <li>• Sources of information are specified for all indicators.</li> <li>• Beneficiaries are expected to participate in monitoring and evaluation.</li> </ul>	<p>Lack of or poor definition of monitoring and evaluation system</p> <p>Monitoring and evaluation system partially defined</p> <p>Monitoring and evaluation relatively well defined</p> <p>Monitoring and evaluation for outputs and outcomes well defined</p>

### III. RESULTS OF THE EXERCISE

3.1 OVE reviewed during the year 2001 the documentation pertaining to a total of 90 projects. Sixty-five (65) projects were presented to the consideration of both the Board of Directors and the Loan Committee during 2001. Seventeen (17) were considered only by the Board of Directors, while eight (8) were analyzed only by the Loan Committee.<sup>15</sup> The results of the exercise in terms of each of the dimensions are presented in Sections A through I of this Chapter. Section J presents a summary of the aggregate findings.

#### A. Diagnostic

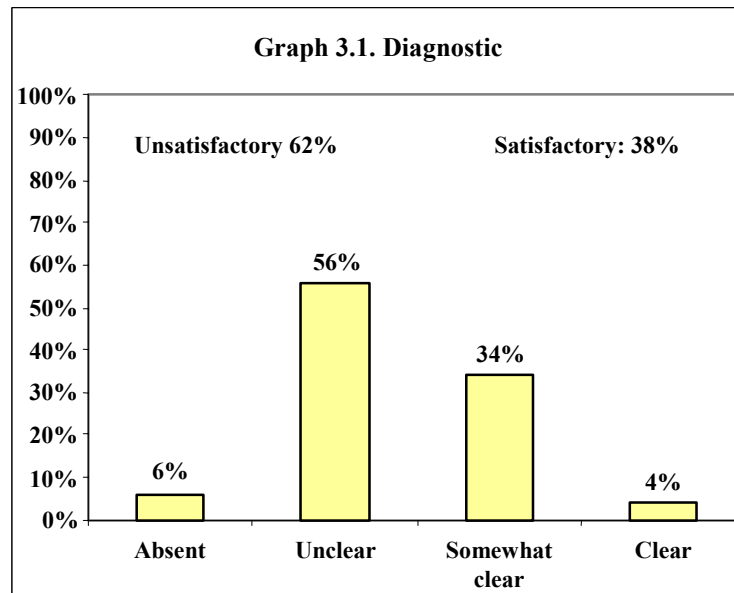
3.2 All projects are designed to address some problems. The diagnostic section of each project document should clearly define the problem being addressed and provide analytical guidance to the root causes of the observed problem so that remedial interventions can be formulated effectively.

3.3 The review showed that 38% of the projects that were analyzed had a satisfactory diagnostic. The rest of the projects (62%) had an incomplete or insufficient

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<sup>15</sup> The annex contains a list of the total projects analyzed in each instance, disaggregated by country group and sector.

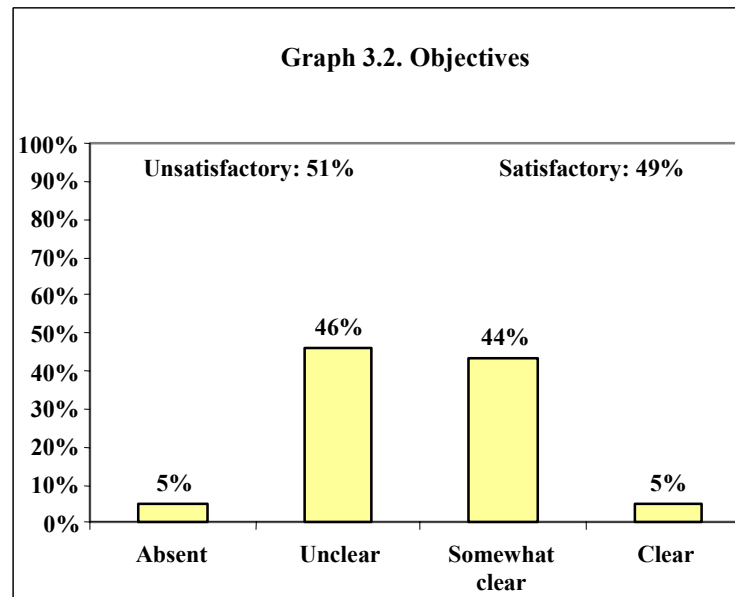
diagnostic; lacked key elements, or were unclear in their definition. Of the total number of projects reviewed, only 4% (3 projects) presented a totally clear diagnosis.



- 3.4 The principal reasons for placing projects in the two lower categories were:
- a. The diagnosis pointed to a series of situations or perceptions, without clearly establishing for whom these were problems.
  - b. The diagnosis presented the definition of a problem without sufficient accuracy, so that it was not possible to discern its causes or, in fact, the reasons why the situation constituted a problem at all.
  - c. The diagnosis presented a problem that was incompletely formulated. The analysis left out an important part of the information needed for its adequate definition or did not incorporate elements that in the light of prior Bank experience (or lessons learned) should constitute an essential part of the analysis.
  - d. The problem identified in the diagnosis was formulated in a way that was too extensive or broad to be addressed within a certain time frame or with a specific level of resources.

## B. Definition of Objectives

3.5 Once a problem has been identified, an intervention is designed to address the problem. Each such intervention needs to have specific objectives, the attainment of which should plausibly contribute to the reduction or elimination of the problem. In the analysis of project objectives, the evaluability exercise showed that 49% of the projects had a satisfactory definition of their objectives while 51% did not.

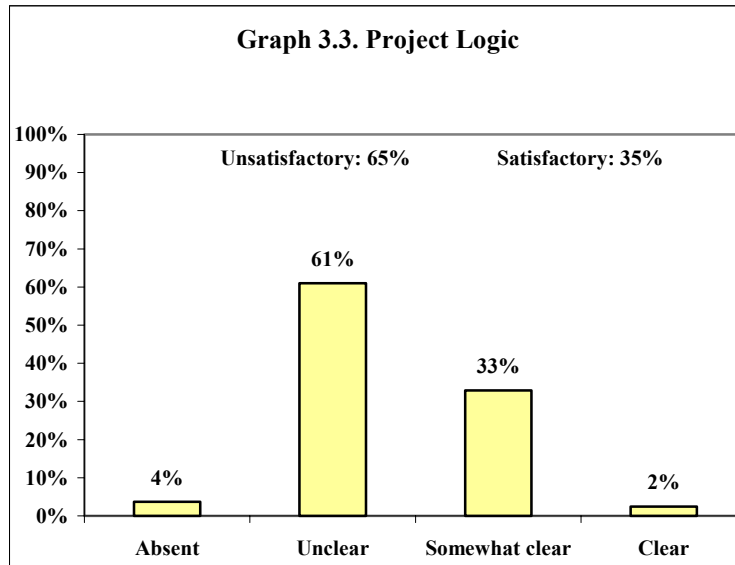


- 3.6 The problems detected in this dimension can be categorized as follows:
- a. The projects defined their objectives in such broad terms so as to make it almost impossible to ascertain or measure their attainment.
  - b. The results expected from the operation did not have a clear and logical relationship with the needs outlined in the diagnosis or with the proposed components.
  - c. The definition of the objectives did not include qualitative criteria or an appropriate identification of the beneficiaries.
  - d. Activities and components were presented as objectives.

## C. Logic of the Project

3.7 For a project to be effective in addressing a problem, there needs to be a sound logical connection between the activities and components of the project and the underlying conditions giving rise to the problem. Without such a logical connection, the project may accomplish its stated objectives but achieve little progress in solving the underlying problem. The results of the exercise for this

dimension showed that 35% of the projects had a satisfactory rating in this dimension while 65% did not. In only 2% of the cases the logic of the project was clearly established.

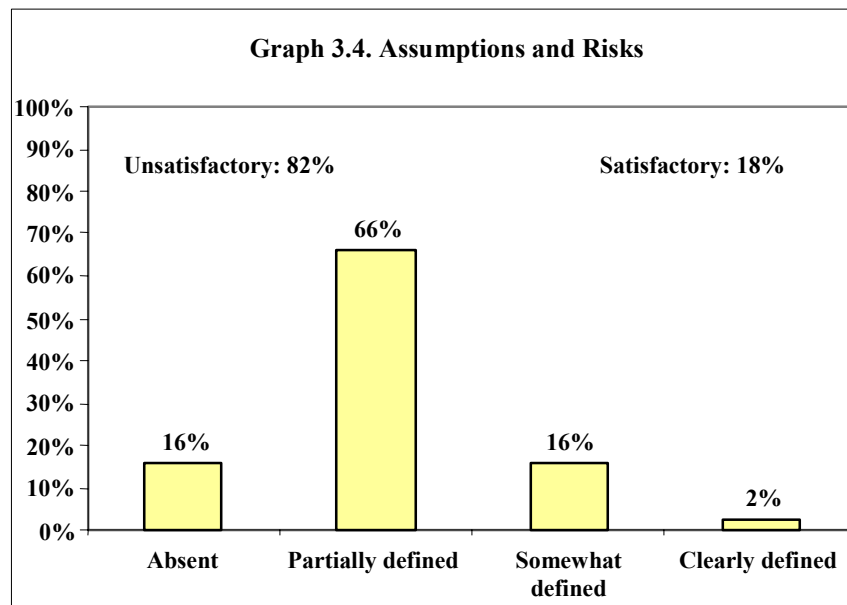


- 3.8 The main problems detected in this dimension are:
- a. The projects did not present an adequate explanation of their *raison d'être*. In other words, the project documents did not indicate why the problems outlined in the diagnosis could be solved through a specific set of actions at a particular moment in time. In many cases, project documents identify a series of problems and state only that “something must be done.”
  - b. The logical relationships among the proposed activities, outputs, objectives, and results were not clearly established.
  - c. From the perspective of vertical logic, there was a strong imbalance in the identification of the specific assumptions at each level.
  - d. That the indicators selected at the goal and purpose levels were often inadequately selected or defined and could be more appropriately used for example at the component level.
  - e. The Logical Framework included in the project document did not present or articulate adequately the different elements of project design.
  - f. The theoretical models, premises or lessons learned, on which project design is predicated were not explicitly presented, explained or may be at variance with experience. Projects documents often state that their design has been based on the results of earlier phases or prior operations but did not state, identify or document what these lessons have been.

- g. Operations defined as pilot projects often lacked an adequate explanation of the model to be tested and, despite being presented as vehicles for learning, often did not incorporate the means for ascertaining the results<sup>16</sup>.

**D. Assumptions and Risks**

3.9 All projects are undertaken in complex economic, social, environmental and political contexts. The history of development suggests that there are myriad ways in which a project can get off track. Given this reality, sound projects need to clearly identify the assumptions upon which they are based regarding these critical elements, as well as an assessment of the risks posed to the success of the project should these assumptions prove to be incorrect. Projects with clear statements of assumptions and risks are also more likely to build in elements for managing and mitigating risks, with obvious benefits for project execution and the eventual attainment of development objectives.



3.10 The results of the exercise for this dimension showed that 18% of the projects reviewed had a satisfactory definition of the assumptions and risks, while 82% did not. Public and private sector projects diverged noticeably in this category. The identification of risks in private sector projects was more exhaustive in terms of the factors likely to affect the production of outputs and the materialization of financial flows, including regulatory risks (less so in the area of development risks) and included extensive risk monitoring and mitigation activities. In fact,

<sup>16</sup> The problems related to the innovation or pilot projects have also been addressed by the Vice Presidency in the document “The Seven Mortal Sins of the Project Documents.” The section *Pilots Without a Flight Plan*, mentions: “...those who design the projects with pilot activities should clearly indicate what is being tested and how they will know what worked and what did not. The conceptualization and methodology for the evaluation are part of the design of the pilot project.”

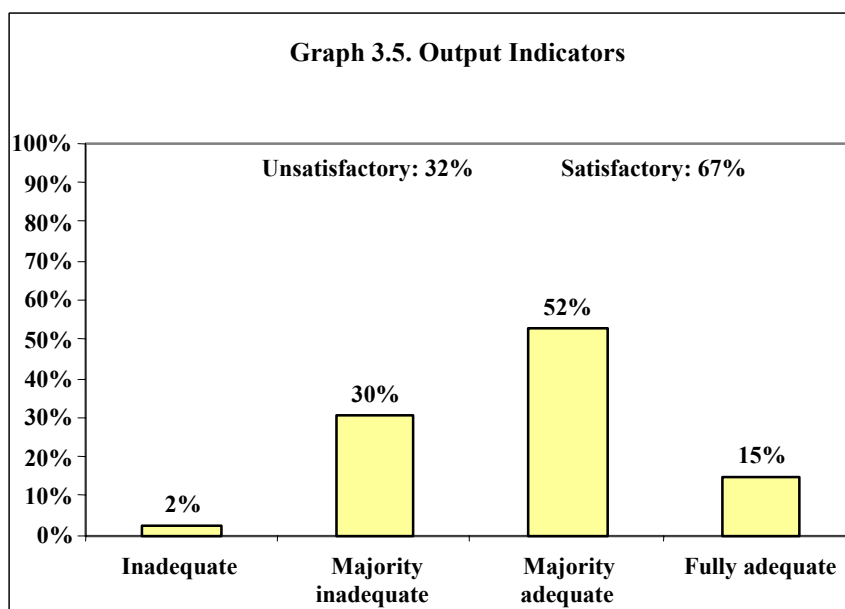
83% of the PRI projects reviewed had a fairly clear specification of assumptions and risks, as compared to 15% of the public sector projects.

- 3.11 The main problems detected in this dimension could be specified as follows:
- a. The projects generally identified a very limited number of risks and seldom included a description of the mitigation measures being contemplated.
  - b. The risks that were identified usually refer to factors affecting the generation of outputs rather than those that affect the attainment of outcomes.
  - c. Social/political risks were seldom identified; projects tend to be presented as self-contained activities not likely to be affected by the events in the environment in which they will be executed.
  - d. Very few projects included indicators for monitoring the occurrence or intensity of risks; very few include risk management or mitigation strategies. Similarly project documents did not identify the actions that are to be undertaken if, in fact, the identified risks materialize.

#### **E. Output Indicators**

- 3.12 Indicators provide tools for tracking project performance. Output indicators are those that report on the production of project goods and services, while outcome indicators track the contribution of these outputs to the well-being of beneficiaries.
- 3.13 At the output level, indicators generally track the delivery of specific components of projects. These components can be measured in terms of physical production (schools built, kilometers of road constructed), social interaction (numbers of teachers trained), or process changes (consultants hired, laws passed, regulations enacted). These indicators measure whether the proposed actions have been executed within the expected period of time, in the desired manner and for the cost initially established and that these actions have produced the desired outputs in terms of quantity, quality and time.
- 3.14 The results for this dimension showed that 67% of the projects had adequately defined output indicators while 33% did not. Overall, this is the dimension with the highest ratings in the satisfactory range. All private sector projects had adequately defined output indicators.





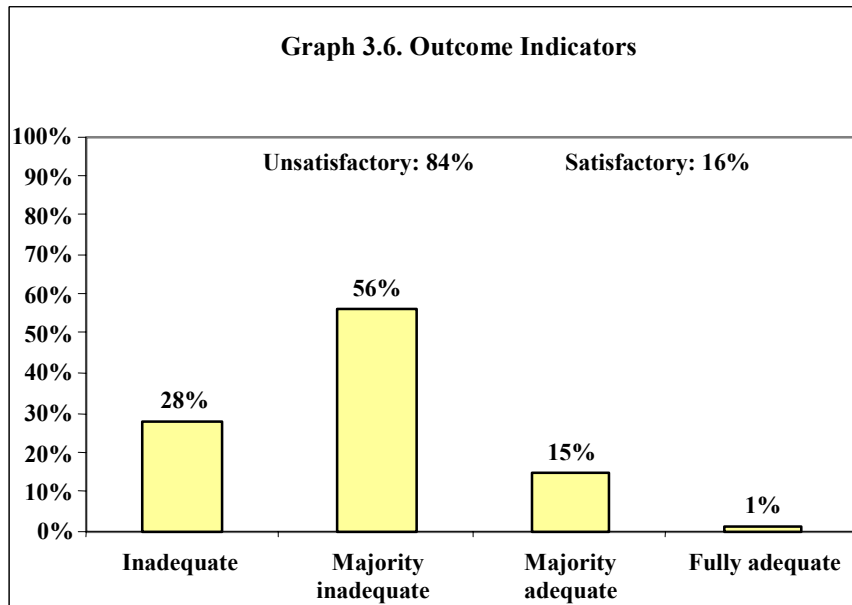
3.15 The main problems detected in this area have been:

- a. Deficiencies in the definition of quality and efficiency criteria particularly in the areas of training and institutional strengthening.
- b. Very partial and incomplete treatment of project components, so that only a minority of proposed outputs actually have identified output indicators.

**F. Outcome Indicators**

3.16 The selection of appropriate indicators is key to the process of determining the advances in a certain situation or problem regarding the achievement of a goal at a certain moment. Outcome indicators are the quantitative or qualitative elements that measure the attainment of the goal. The indicators should specify the expected outcomes in three dimensions: quantity, quality, and time. Outcome indicators are those which monitor the changes brought about in the lives of beneficiaries as a result of the production of project outputs.

3.17 The results of the assessment for this dimension showed that 16% of the projects had a satisfactory rating in this dimension while 84% did not.



3.18 The types of problems detected can be classified as follows:

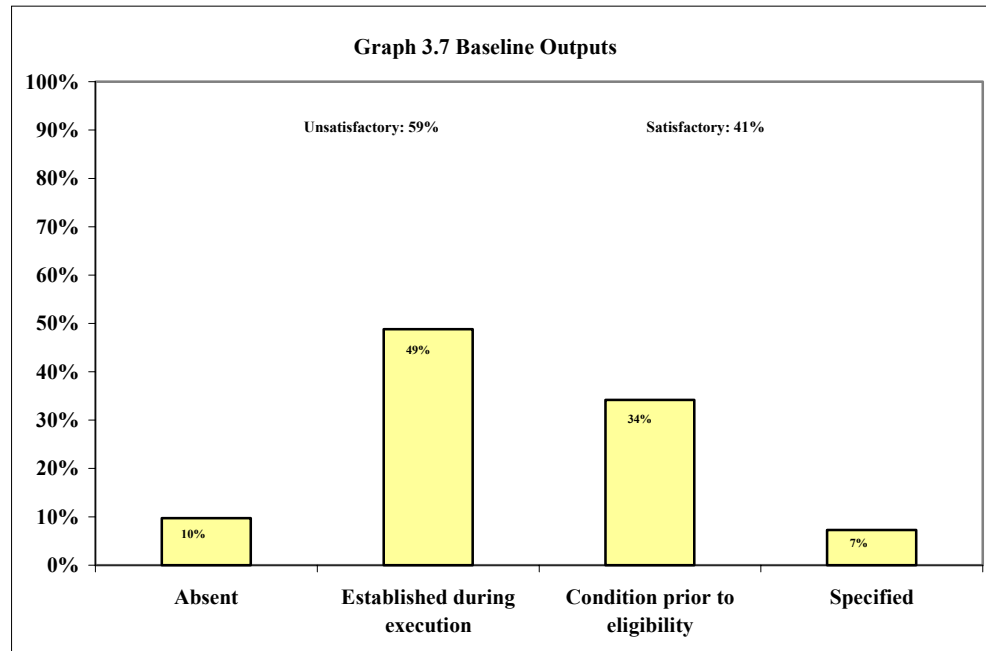
- a. The absence of outcome indicators.
- b. Components were employed as outcome indicators, either individually or by aggregation.
- c. The outcome indicators that are used were not verifiable in terms of quality, quantity, and time.
- d. An inadequate definition of the objectives led to the selection of inappropriate indicators.
- e. The outcome indicators used had validity problems.

### **G. Baseline for Outputs**

3.19 A baseline establishes the current level of an indicator to serve as a “base” against which to make future comparisons. In the case of project outputs, the baseline is the pre-project situation regarding both the quantity and quality of physical, human or institutional variables to which the projects outputs are expected to make a contribution. For example, if the project intends to produce 10 km of additional roads, the output baseline is the length of the existing road network; if the output is training, the baseline describes the current quantity and quality of training already being offered.

3.20 The following chart shows that 10% of projects failed to provide any information on baselines for outputs, 49% proposed to establish such information during execution, while 34% proposed to produce such baselines as a condition prior to

eligibility and 7% fully specified output baseline assessments in the loan document.



3.21 The principal substantive problems observed in this area were:

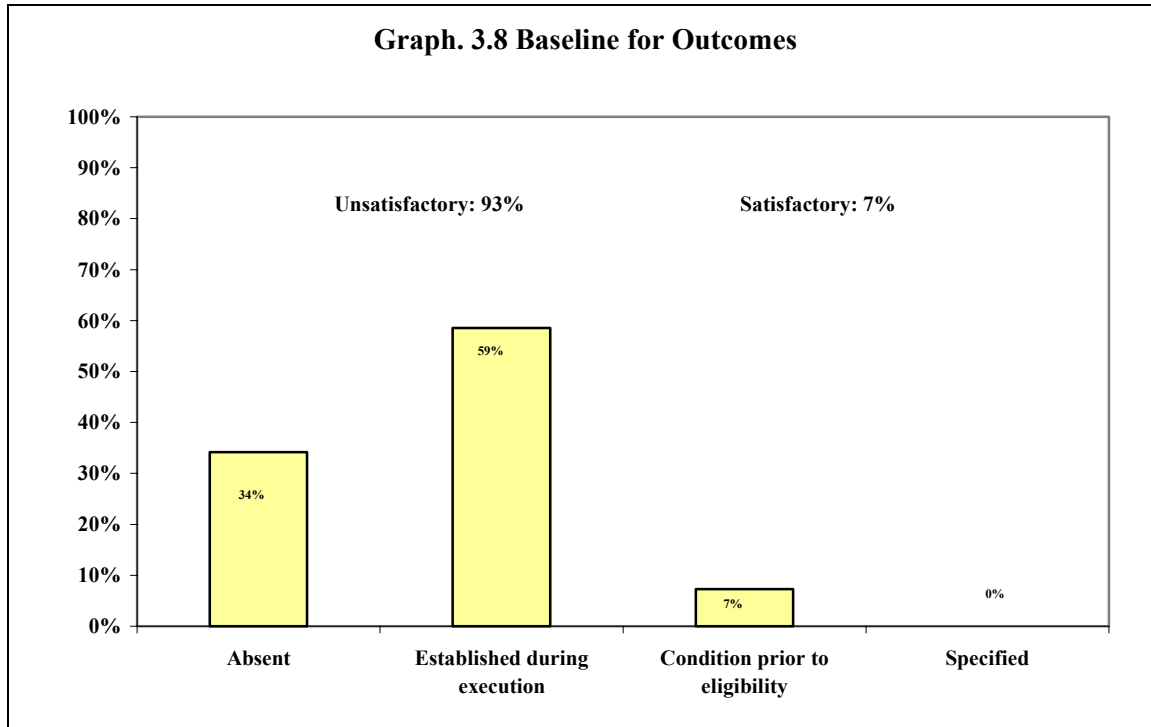
- Baselines that did not distinguish the timing, quality and quantity of the goods and services to be delivered
- Baselines that did not review prior or ongoing efforts by the country authorities to address the problem upon which the project is focusing
- Baselines that made no reference to outputs produced by prior Bank projects in the same country/sector.
- Baselines that did not address the full set of indicators chosen for the outputs

#### **H. Baseline for Outcomes**

3.22 In the case of outcomes, the baseline refers to available indicator data on the current nature, extent and depth of a problem for which the project is offered as a solution. Simply selecting indicators without establishing a baseline value for each makes it impossible to either set or monitor meaningful performance targets for the intervention.

3.23 The results for this dimension were the least satisfactory of the group. While 16% of projects had satisfactory treatment of outcome indicators, none of the project documents reviewed included baseline information on outcomes while in 7% of the projects the collection of baseline information was a condition of eligibility. In 93% of the projects reviewed there was no reference to baseline information at

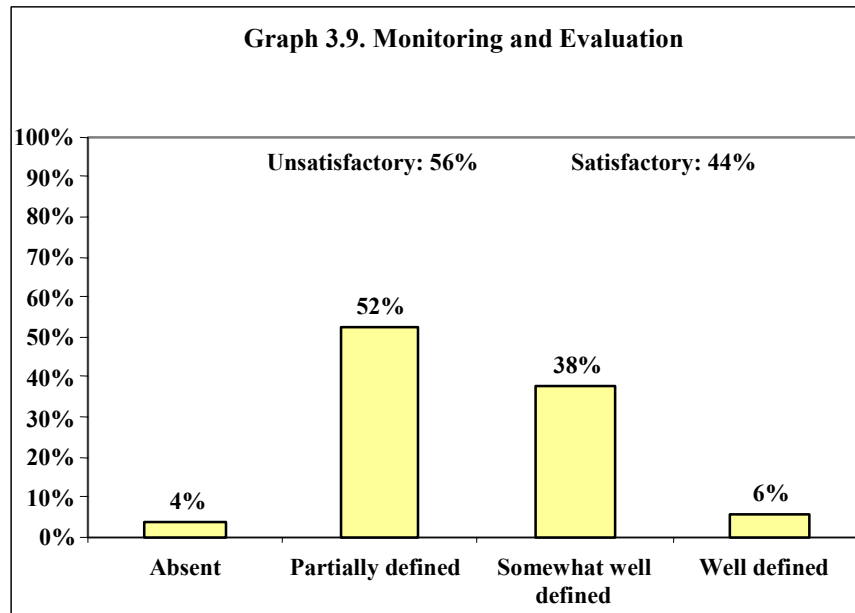
all or this information was to be gathered during project execution. In other words, in almost all of the projects reviewed, projects activities were to be initiated or undertaken without an ex ante identification of a point of departure from which to measure the benefits of the program. The results are showed in the graph below.



## I. Monitoring and Evaluation

3.24 From the point of view of evaluability, projects benefit from the clear establishment of both a monitoring and an evaluation system. Monitoring is concerned with execution progress and efficiency (both financial and temporal) in the carrying out of an intervention. Evaluation is concerned with identifying results achieved and can be carried out both during execution (in-process evaluation) and after the conclusion of the project (ex post evaluation). Projects were reviewed in terms of these two aspects.

3.25 The results of the exercise for this dimension showed that 44% of the projects had satisfactory scores while 56% did not. Nearly half of the public sector projects had satisfactory ratings in this category while none of the private sector projects did.

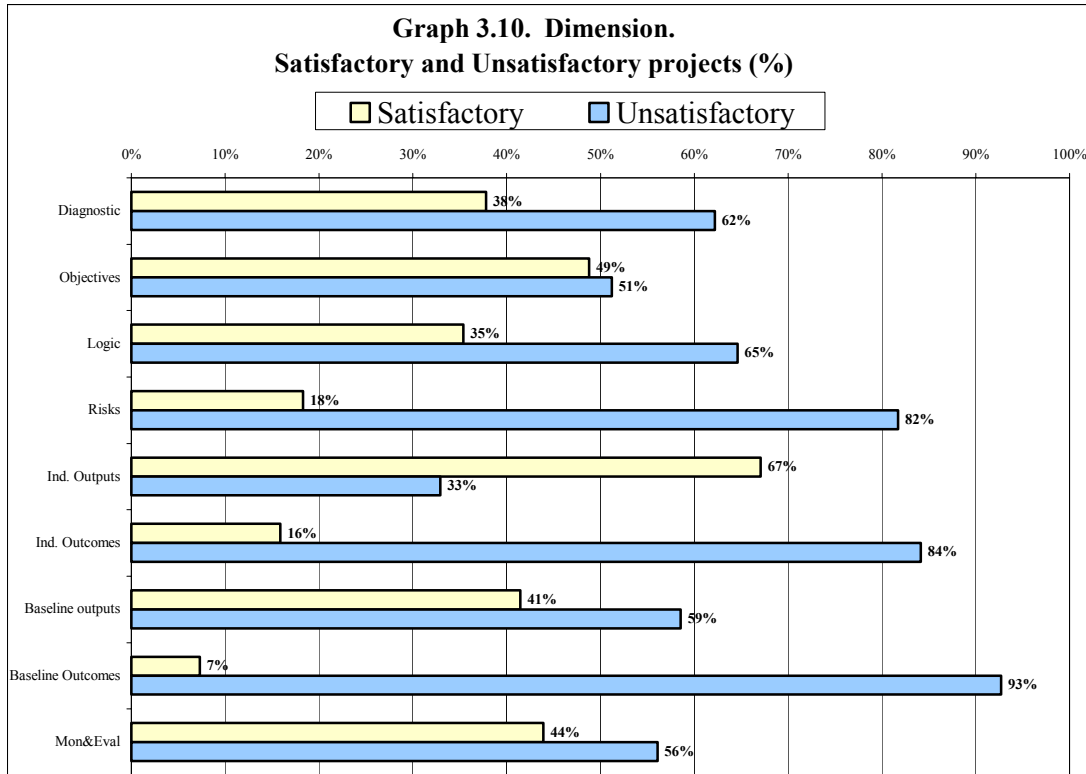


3.26 In general, the main problems detected in this area are:

- a. The monitoring and evaluation systems focus on the provision of inputs or the production of outputs and are less concerned with monitoring the attainment of the objectives of the program.
- b. Projects do not define the criteria for conducting or the benefits expected from performing mid term reviews or ex post evaluations.
- c. Project monitoring and evaluation activities are presented as isolated events. The connections between the proposed project monitoring and evaluation activities and the countries' own evaluation systems are not described or explained.
- d. Very few project documents include a description of the objectives and basic parameters of the monitoring and evaluation systems. The levels of responsibility, procedures, objectives, or financing are seldom clearly outlined. These problems are aggravated by the lack of baseline information and the deficiencies in the indicators noted above.

## **H. Aggregate Results of the Exercise**

3.27 The graph below summarizes the findings of the analysis by dimension outlined in the preceding sections. The graph shows that 51% of the projects had a satisfactory definition of objectives and 67% of the projects had adequately defined output indicators. On the other hand, 82% of the projects are unsatisfactory in the area of risks, 84% in the area of outcome indicators, 93% in outcome indicator baselines.



3.28 As stated in paragraph 2.16 above, in the course of the analysis, projects were assigned a numerical score between 0 and 9 for each dimension. Thus, those projects considered to belong to the first (lowest) category were assigned a score of 0 to 1; those from the second category received a score of between 2 and 4; those from the third category were assigned a score between 5 and 7; and those in the final (highest) category scored 8 or 9.

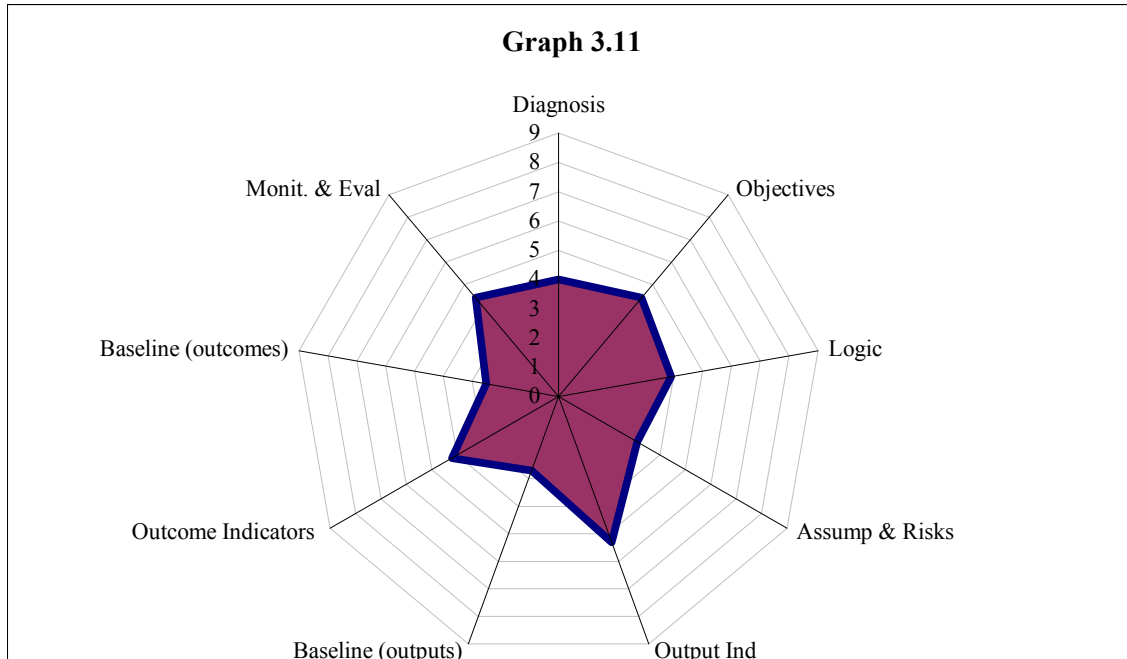
3.29 The following radar plot (Graph 3.11) shows the results of this analysis. On the chart, a “perfect” project would extend to fill the outer border, with scores of 9 on each dimension. The actual scores for the 2001 crop of projects define the solid polygon in the center of the graph. The average overall score for the projects (assigning the same weight<sup>17</sup> to every dimension) was 3.8. This result is based on the ratings assigned to the version of the projects distributed to the **Board of Directors**.<sup>18</sup> The output indicators dimension received the highest score for all

<sup>17</sup> The analysis examined the results using alternative modalities of aggregating the 9 dimensions. The differences observed among different modalities were insignificant.

<sup>18</sup>As stated before, OVE reviewed and rated the project documents presented to the consideration to the Loan Committee. A comparison of the ratings assigned to the sixty-five projects distributed to both the Loan Committee and the Board showed an increase in the total average rating of less than one-tenth of a point (0.09).

	<i>Diag.</i>	<i>Object</i>	<i>Logic</i>	<i>Risks</i>	<i>Output Indicat.</i>	<i>Outcome Indicat.</i>	<i>Baselines Outcome</i>	<i>Baseline Outputs</i>	<i>Mon&amp;EV</i>
<b>Loan Com</b>	4.0	4.4	3.9	3.1	5.3	2.7	2.5	4.2	4.4
<b>Board</b>	4.0	4.4	4.0	3.2	5.4	2.7	2.5	4.2	4.7

dimensions (5.3), while outcome indicators and their baselines received the lowest average scores (2.7 and 2.5 respectively). The results of the radar plot are also presented in the Table in Footnote 18.



3.30 In terms of the loan instrument used, private sector projects and policy-based loans were assigned the highest ratings. A summary chart by type of instrument is presented below.

**Table 3.1**

<i>Instrument</i>	<i>Diag.</i>	<i>Object</i>	<i>Logic</i>	<i>Risks</i>	<i>Product Indic.</i>	<i>Outcome Indic.</i>	<i>Baseline Outcomes</i>	<i>Baselines Outputs</i>	<i>Mon&amp;EV</i>	<i>Avg</i>
<b>Policy</b>	4.9	5.7	4.5	2.8	5.8	2.1	1.8	5.0	5.2	4.2
<b>Private</b>	4.2	4.8	3.0	5.7	7.3	3.7	3.0	6.5	2.5	4.5
<b>Investment</b>	3.8	4.1	3.8	3.0	5.0	2.8	2.5	3.9	4.4	3.7

## IV. CONCLUSIONS

- 4.1 The goal of the evaluability exercise was to review the set of projects considered by the Bank during 2001 in order to detect problems with regard to their evaluability, identify areas for improvement and develop a baseline that can be used to track the Bank's progress in this area over the coming years. The results of the study show that there is considerable room for improvement in Bank performance in this area. This chapter presents some considerations and conclusions. Recommendations are presented in Chapter V below.
- 4.2 As was seen in the previous chapter, the **diagnostic** included in project documents is not always sufficient for understanding precisely the extent and causes of the problem to be addressed, a situation that is aggravated by the lack of baseline information, particularly with regard to outcomes.
- 4.3 In terms **project logic**, documents often fail to identify the project's *raison d'être* and, as noted above, components are not always consistent with objectives. Operations described as pilot projects do not include well-defined validation activities; there are widespread problems related to the use of the Logical Framework.<sup>19</sup>
- 4.4 The exercise has also found problems in the area of **assumptions and risks**. Project documents generally only identify risks related to the production of outputs. Other risks, particularly development or outcome related risks, are not systematically identified. Risk prevention and mitigation strategies are often absent. Private sector projects consistently show better results in this area than public sector projects. Risks can often be surmised only through careful reading of the documents rather than being located in the appropriate section of the document. The treatment of risks in most Bank operations suggests a self-contained conception of the projects or that the adequate identification of risks is perceived as an obstacle rather than as a key element for ensuring adequate diagnosis and successful project design and execution. The inadequate identification of risks at the design stage may affect the direction and quality of Bank monitoring efforts during execution,<sup>20</sup> and the eventual identification of lessons and results.
- 4.5 In the area of **output indicators and baselines**, the results are relatively encouraging and reflect, particularly in the case of the indicators, the fruits of recent Bank efforts in this area. The results in the area of **outcome indicators** are less encouraging. Most of the project documents and logical frameworks

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<sup>19</sup> The document "The Seven Mortal Sins of Project Documents: Informal Observations" mentions a series of problems that are closely related to those mentioned here.

<sup>20</sup> This may explain why a significant number of projects that are considered to be highly likely to achieve their objectives and do not show significant execution problems are, nevertheless, canceled.



reviewed did not include satisfactory outcome indicators. This may be the result, in part, of an inappropriate application of the logical framework methodology and of the focus of Bank monitoring systems on controlling the production of outputs, rather than outcomes. Moreover, relatively few projects incorporate some type of economic analysis, rendering very difficult the identification and evaluation of benefits. Information related to the baseline for outcomes is seldom collected prior to project approval. Most projects are presented for approval without a specific definition of the conditions to be improved or modified through the proposed intervention. Where baseline data needs are identified in project documents, the usual approach is to assign this responsibility to executing agencies either as a condition prior to first disbursement, or a component of the project to be designed and implemented during execution. While the present exercise did not look into whether such baselines were eventually developed, it is a concern that project teams appear to be developing projects without a clear and detailed understanding of the dimension of the problem.

- 4.6 In the area of **monitoring and evaluation**, the results of the exercise show that most of the activities contemplated refer to the provision of inputs and the production of outputs. These activities are seldom explicitly connected to country monitoring and evaluation systems. Very little of the proposed effort is directed towards ensuring efficiency in the production of outputs, collecting information for measuring outcomes or preventing and/or mitigating risks. The treatment of evaluation is generally not very appropriate: projects documents seldom include explanations as to why mid-term and ex-post evaluations will or will not be performed. Pilot projects do not always contemplate monitoring and evaluation mechanisms that can ensure lesson learning.
- 4.7 Resolving the issues described in the preceding paragraphs will pose important challenges to the Bank that may require substantive changes in the way projects are approached and formulated and in the incentives related to their preparation and review. At the very minimum, the results of the evaluability exercise suggest the desirability of improvements in several areas, for example: the way in which studies related to project preparation are approached and project objectives defined, the increased use of risk and economic analysis techniques, stressing the importance of reflecting results in the use of the Logical Framework, and improved approaches and practices in the area of monitoring and evaluation.
- 4.8 Few of the operations reviewed included references in their technical annexes to country and sector studies that could provide information regarding the context and rationale for the operation and illuminate the benefits and risks associated with different courses of action. Most of the references pertained to consultancies and studies directly related to the preparation of the operation per se.<sup>21</sup> The Bank should encourage, and assign resources to the preparation of country and sector studies and institutional assessments that generate basic and sector information

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<sup>21</sup> The lack of sufficient analytic country and sector work has been noted in a number of previous OVE reports.

that can be used for the definition of strategies and supporting project selection. Project preparation resources should be devoted to the preparation of technical studies and the development of baselines and other elements required for the adequate specification of the proposed operations. Increases in the resources devoted to country and sector work should be accompanied by a better technical archive system, so that project teams can easily access previously performed studies or draw lessons from the results of previous operations.<sup>22</sup>

- 4.9 Project objectives should be defined with greater accuracy and clarity. They should reflect the strategy for the country and sectors, outlined in the corresponding *Country Strategy Paper*, and bear a close relation to the increasingly specific definition of country and sector objectives envisaged in the recently approved guidelines for these documents. The practice of including elements that are not intrinsically related to objectives of the operation and the solution of the problems identified in the diagnosis should be eliminated.
- 4.10 Some of the problems detected in the areas of project logic and indicators reflect limitations in the applicability and use of the Logical Framework. The Logical Framework was designed as an instrument to support the activities of project managers in aspects related to the execution and supervision of projects. Per se, it does not necessarily have a strong connection to the substantive aspects of a project. It cannot be used to perform a diagnostic study or to assess the rationale of an intervention; it doesn't necessarily facilitate the identification and incorporation of outcome indicators at both the goal and purpose levels.<sup>23</sup> The application of this instrument needs to be complemented by other instruments and analytic tools designed to address the substantive aspects of the projects and the estimation of the results, benefits and impacts of the operations. In a good number of cases, the Logical Framework is incorrectly used. The matrix presented in the project document annex is, in some cases, not consistent with the information provided in the body of the project document, at times incorporating goals or objectives not mentioned in the document, components that are not described in the body of the report, etc.

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<sup>22</sup> In evaluating Justice projects, OVE encountered enormous difficulties in obtaining access to studies. This problem was compounded by the difficulties in obtaining copies of the papers since they are dispersed throughout the Bank. "Technical files" referred to the project documents were often inaccessible. Some documents could only be found in country office files while others were obtained by contacting the leader or the person responsible for preparing the study.

<sup>23</sup> To this effect, see the response given to the DPP's comments by the project team in the document titled "Responses to the Comments Received on the Sao Paulo State Highway Recovery Program. BR-0295," available at: <http://sdsnet/project/!loan/Br/Br0295/pr/Br295evp.doc>, is significant. With regard to the DPP's comment that the Logical Framework does not incorporate instruments to verify the achievement of the objective of the operation, but rather limits the level of the project, the team correctly indicates, "The methodology of the Logical Framework requires that the project purpose indicator be measurable. The achievement of the purpose and of the assumptions that contribute to a higher aim cannot necessarily be measured owing to the existence of many other variables. I have just clarified ... that this is the correct interpretation and that it is not mandatory to have indicators to measure the aim. For this reason, the Bank's follow-up system, the PPMR, does not reach the aim level, and because the achievement of the aim is not under the project coordinator's control."

- 4.11 The problems related to the treatment of risks show the need for the development of specific guidelines in this area. As stated before, most Bank operations do not include an adequate treatment of risks affecting the attainment of development targets and goals. This deficiency may have as a source the sovereign guarantee enjoyed by most Bank projects, a condition not applicable to private sector operations, which on the whole perform better in the identification of financial and technical risks and of the corresponding mitigation measures. But the Bank and other multilateral agencies are being faced with increasing demands from public and private sector groups at the local, national and international levels to demonstrate the results of their interventions and their impact on the economic and social well being of their intended targets. Understanding and mitigating the risks that may affect the attainment and measurability of these benefits is an essential aspect of effective project design and central to the Bank's efforts to ensure and demonstrate the effectiveness of its interventions. The availability of risk assessment and mitigation guidelines would provide staff with clear expectations regarding the treatment risks in Bank operations and technical support for assessing risks and designing mitigation and prevention measures.
- 4.12 The results of the evaluability exercise indicate that the Bank must pay increasing attention to the identification of outcome indicators in its operations. Some of the considerations presented in other sections of the chapter regarding country and sector work and the earlier collection of baselines should help address problems in this area. Other efforts should include:
- Identifying indicators employed by other institutions or entities that could be useful to measure the impact of the operations.
  - Defining and applying an ex ante instrument for verifying the inclusion of results frameworks in project documents.
  - Instructing CRG's and/or the Loan Committee to approve operations only if they incorporate adequate outcome indicators.
  - Ensuring that outcomes are included and tracked on a regular basis in Bank and project monitoring systems.<sup>24</sup>
- 4.13 The problems found in the monitoring and evaluation area should be addressed through a variety of efforts. The Bank should intensify its efforts in the area of evaluation capacity building, ensuring, to the extent possible, that project monitoring and evaluation activities are not conducted in isolation but, in fact, connect to and serve as a means to strengthen national and local undertakings. These efforts should focus not only on monitoring the production of outputs but also on measuring the efficiency of the actions undertaken and the results and impacts generated, as suggested in OVE's paper on evaluation capacity building.

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<sup>24</sup> The recently modified PPMRs will include specific instructions on reporting information on progress of outcome indicators.

The Bank should also complete as soon as possible the ongoing review of ex post evaluation guidelines and restrict the issuance of waivers in this area.

## V. RECOMMENDATIONS

- 5.1 The results of this exercise indicate that there is much room for improvement in the evaluability of Bank operations. In fact, the Bank must make progress in this area if it is to address adequately the issue of the development effectiveness of its operations in the coming years. In this regard, the evaluability of Bank operations should be reviewed periodically in order to measure progress in this area taking as a point of reference to the baseline developed as part of this exercise, and assess the effects of the measures instituted to address the problems detected.
- 5.2 Improving evaluability must be a shared responsibility between Management and OVE. Management bears the responsibility for project design and quality control, and evaluability is an important dimension of this process. Management has indicated its desire to move towards a result-based management approach. Likewise management will work towards the improvement of the “quality of entry” in Bank projects. Ideally, management should consider the evaluability assessment tool developed in this paper as an important instrument for fulfilling this goal.
- 5.3 Management should prepare a plan for improving the evaluability of operations that incorporates measures directed toward:
  - Increasing the number and quality of analytical studies by sector and by country and improve the Bank’s technical archive system.
  - Achieving the definition of the objectives of the projects with greater accuracy and clarity and eliminating the incorporation of elements that are not linked or relevant or essential to the real objectives of the project.
  - Accurately estimating the benefits of the project, increasing the use of economic analysis or other instruments intended to measure the impact of the proposed programs<sup>25</sup>.
  - Defining guidelines for identifying and incorporating risks in the analysis of proposed operations and defining appropriate due diligence measures for risk tracking, mitigation and prevention.

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<sup>25</sup> A revision carried out by the OVE parallel to the practice of the evaluability exercise, shows that only 25 of 67 projects, that is 37%, contain some type of cost/benefit analysis or incorporate some type of rate of return analysis. It should be kept in mind that this assessment was carried out with great laxness since it was understood that even those projects that merely affirmed that at some point in their execution the base elements needed for developing said analysis would be gathered, incorporated this analysis. See “Findings Regarding Quantitative Cost-Benefit and Rate of Return Analyses in Evaluability Exercise Projects,” Steve Meardon. OVE.

- Identifying the indicators employed by other institutions or entities that could be useful in measuring the impact of the operations.
- Promoting programs aimed at supporting the development of the evaluative capacity of the countries, defining the mechanisms for linking the Bank and project monitoring and evaluation systems to the countries' public evaluation structures.
- Modifying the Bank's monitoring and control systems so as to ensure that they incorporate the measurement of outcomes and project impact among their objectives and introducing risk monitoring and efficiency assessments as essential elements of these systems.
- Defining guidelines for the incorporation and performance of intermediate and ex-post evaluations.

5.4 For its part, OVE should continue to maintain oversight of the project preparation process, performing periodic reviews of the Bank's policies and practices in this area with a view to detecting problems that may affect project evaluability. A complete review of every project was required for the establishment of baseline evaluability data, but may not necessarily be required as part of OVE's work in future years.

5.5 Specifically, OVE should:

- Review periodically the elements of the Bank's policies and practices in the area of project preparation with a view to detecting existing problems and identifying appropriate measures for their mitigation or elimination.
- Continue to work with Management on the refinement of the evaluability assessment tool as part of the process of improving project quality at entry.
- Plan to undertake another evaluability assessment of Bank operations in 2004, and communicate to the Board the results of the exercise.

## CONCEPTUALIZATION OF THE DIMENSIONS OF THE EVALUABILITY INSTRUMENT

This annex describes the conceptual contents of each one of the dimensions that constitute the evaluability instrument. It outlines the principal elements of the dimensions.

### A. Diagnosis

For the diagnosis, the evaluability instrument incorporates the following as key elements for the analysis:

- The problem or need that the project attempts to address is clearly identified through consultation with stakeholders (borrowers, executing agencies, beneficiaries, other interested parties)
- The causes of the problem are identified.
- The potential beneficiaries are clearly identified

In the first place, the diagnosis of the problem or problems should be “well” defined, meaning that the diagnosis should incorporate accurate information to respond to the question of *why* a certain situation is perceived as problematic. An adequate response to this question implies that the diagnosis should incorporate the following:

- Clear, accurate, and adequate information about the situation.
- The reasons why the situation constitutes a problem requiring a solution, including the consistency of the project with the Bank’s strategy in the specific country and sector.
- The relationships and interactions that occur among the factors and elements that constitute the problem.
- The historical, political, social, and economic context in which the problem arose, as well as those in which its solution will be attempted.
- The basic quantitative and qualitative data that allow for an adequate dimensioning of the problem.
- The conditions or implicit assumptions that need to occur for the problem to be solved and the risks implied by the solution itself.

It is true that the identification of a problem, its description, and analysis is often not easy. In any case, the identification of the problem should be intimately related to the Bank’s general objectives. Given that the Bank has a specific mission, objectives and operational strategies, no individual aspect of a country’s reality should constitute, in and of itself, a problem to be addressed by an operation financed by the Bank, but rather only those that are related to the Bank’s objectives and mission. This is why the Bank’s strategies in the country play a relevant role. Only those problems whose solution have a bearing on the implementation of the defined strategies for one period, one country, and one specific sector in the Bank’s programming process are, or should be considered as,

“problems” that should be addressed by an operation and its corresponding formulation and diagnosis.

It has already been indicated that an essential part of the diagnosis is the adequate identification of the relationships and interactions among the elements or components identified as part of the problem. The identification of these relationships and its description is crucial for the logic of the project and for a good diagnosis. A diagnosis that does not identify the factors that make up the essential core of the problem, that does not define the relative weight of the elements of the problem in a precise manner, and that incorrectly identifies the interactions and relationships among them, does not provide an adequate framework for Bank action. The presence of these relationships is what differentiates a “description of problems” from a diagnosis, which should be the explication of the problem in “solvable form”. The absence of these relationships will inevitably lead to a project with a substantially reduced potential for solving the problem.

These factors and elements do not interact in a vacuum, but rather in a certain historical, social, political, and economic context in which, on many occasions, its ultimate roots are found. Therefore, an essential part of the diagnosis is the clear and accurate description of the relevant factors that, without being strictly a part of the problem, have a bearing on its occurrence and solution. Without this description, the diagnosis will lack essential elements and will not be able to identify the assumptions and risks that contribute to or impede the solution derived from the diagnosis.

All diagnoses incorporate, implicitly or explicitly, the key elements related to the desired future situation (the current reality is analyzed from this), what level of deficiency is tolerable in the future, or what is inadmissible because it implies the permanence of the problem being diagnosed. The answers to these questions are the basis for determining the parameters for assessing the success or failure of the project, whether in terms of benchmarks, milestones or targets.

Finally, the identification of the beneficiaries is one of the key elements in determining the quality of the diagnosis because the appropriate identification of the beneficiaries is key in the analysis of its adjustment, present or future risks, and the assumptions implied in the project. The “beneficiaries” should constitute the basic point of reference for the diagnosis.

The diagnosis is, in essence, an intellectual process in which a problematic situation is translated into a specific problem. This means that the diagnosis is a process whereby the general perception of something that does not work, or does not work well, is converted into a detailed analysis of the what and the why of the situation; of the elements, factors, and components the problem breaks down into technically; of how these interact; of what their relative weight is in the general situation; of where their roots are found and the causes of their presence; and of what are, definitively, the consequences and effects of this set of factors.

## **B. Definition of the Objectives**

Regarding the definition of the objectives, the evaluability instrument establishes as a key element that the outcomes expected at the end of the project be clearly linked to the problems and needs identified in the diagnosis. The Logical Framework Matrix distinguishes between goal, purpose, component, and activity. The goal will respond to the question of why, in the last analysis, the project is being performed, meaning that it indicates how the project will contribute to solving a problem. The purpose describes the direct impact or immediate result that will be obtained from the utilization of the components, meaning the expected outcome at the end of the execution of the project. For their part, the components determine what the project should produce, the goods and services that will be produced as a consequence of the executor's activity. Finally, the activities indicate how said components will be produced, meaning they describe the specific actions that imply the use of resources.

Since every project is a response to a detected problem, the goal of a project is a description of the solution to the diagnosed problem. The appropriate description of that goal is a key element to the project's evaluability. A project with diffuse or poorly defined goals may be interpreted in many different ways, and it might be entirely possible that no consensus is reached regarding what the project has been attempting and under what conditions.

For its part, the purpose determines what the project expects to achieve at the end of its performance. This implies that the definition of the objectives should incorporate temporal dimensions and qualitative and quantitative measures of success or failure. This aspect also means that the objectives should comply with two basic principles. The first is that the objective defined in the project not imply that it will, in and of itself, be capable of achieving the goal, that is of providing a solution to the diagnosed problem, but rather that it will contribute in a significant manner to its achievement. The second principle is that this expected effect need not be produced exactly at the conclusion of the project, but rather that it is about the attainment of a long-term goal to which the project will contribute in a more or less significant manner over a certain period of time.

The objectives of a project in and of themselves define the project's reason for being. It is in the achievement of the objectives where the reason for the existence of the operation is found. The objectives, precisely because they are the description of what is to be attained upon the completion of the project, cannot be understood to be an "empty box," as something that can be described in several ways without affecting essentially the content of the project. To the contrary, the objectives are the natural and logical link between the diagnosis and the defined activities and components.

The objectives should be carefully defined, and it is necessary that the greatest level of consensus possible be achieved in their definition insofar as it is in that definition that the criteria for evaluating the success or failure of the project are found. This means that the objectives should clearly define how the performance of the project would make the problem less severe than it would be without the project. For this reason, the objectives,



when defined properly, clearly describe which are the expected outcomes and who are the beneficiaries of the project.

It was indicated previously that not all aspects of reality constitute a problem to be addressed by an operation, but rather only those that relate to the Bank's objectives and mission. These objectives are identified in the Bank's country strategies, which define the development objectives, strategies, and goals, and indicators.<sup>26</sup> When the objectives established in the projects are articulated with each country's development goals, the possibility of identifying the cause-effect relationship between the Bank's action and the attainment of these goals is strengthened.<sup>27</sup>

But this is not the only condition the objectives must satisfy. The definition of the objectives should satisfy six basic criteria: they must be specific, realistic, have temporal characterization, be measurable, agreed upon, and clearly identify the beneficiaries and those responsible for their achievement.

***Specific*** means that they should have sufficient clarity and concretion so that anyone can understand, without difficulty, the goal, the time allowed for performance, how the proposed aims will be achieved, and the criteria for measuring the program's success.

***Realistic*** means that the objectives should be defined in such terms that render their achievement possible.

***Temporal characterization*** is understood to be the condition of the objectives by which these are subject to a timeframe within which they are to be achieved, and to some specific checkpoints to indicate their progress toward the same.

***Measurable*** indicates that the objectives should be defined in such a manner that it is possible to determine the project's degree of success or failure in terms of the level of achievement of the defined objective. This condition, however, should not only be predicated only in quantitative terms, meaning by what percentage the proposed objective has been achieved, but also in qualitative terms, meaning which is the expected benefit.

***Agreed upon*** implies that the Bank and the country, as well as the executing agencies and generally those parties who are involved, should be in complete and total consensus regarding which are the objectives being sought. This should be based on which objectives will be used for the final measurement of the success or failure of the activity. Lastly, an adequate definition of the objectives implies that these clearly identify the beneficiaries of the operation, the expected benefits of the project, and those responsible for achieving these objectives by means of the identification of activities, which is the last stage in the design of the objectives.

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<sup>26</sup> See Country Papers Guidelines, approved by the Board of Directors at the beginning of 2002. GN-2020.

<sup>27</sup> Speech by President Enrique Iglesias at the Eighty-Sixth Meeting of the Committee of the Board of Governors. Fortaleza, Brazil.

### C. Logic of the Project

The following elements were taken into account when assessing project logic:

- Project objectives (goal, purpose in LF terminology), components and activities are clearly stated.
- All Components contribute to the achievement of the purpose.
- All Components include necessary actions to attain the purpose.
- All project elements are logically related.

The logic of the project constitutes one of the key elements for its evaluability. The analysis of project logic must be carried out taking into account two different elements: substantive logic and formal logic. Substantive logic refers to the analysis of the intrinsic reasons that justify the project's existence and the selection of its aims and objectives, while formal logic is understood to be the analysis of the relationships among the different elements of the project.

From the point of view of substantive logic, that is whether the project's objectives and components are clearly established, the analysis has not sought the presence of logical relationships among the projects elements, but rather the identification of the project's reason for being. In other words, a response to a series of questions has been sought: Why the project? Why this intervention and not another? Why now, meaning at this time and under these specific conditions?<sup>28</sup>

The answers to these questions are significant from the point of view of evaluability. If answers to it are not obtained from a reading of the document, a basic element for the subsequent evaluation of the project's results will be absent. Thus, for example, how can the adequacy of a project's components for the achievement of its aims and objectives be evaluated if the reasoning for the proposed approach is not discernible from the project document?

From the point of view of the formal logic, the analysis has been based on two basic elements extracted from the logical framework:

- The vertical logic: the relationship of cause and effect between the different parts of a problem that correspond to the four levels of objectives (activities, components, purpose, and goals).
- The horizontal logic: the relationship or correspondence that links each level of the objectives with the measures of achievement (indicators and means of

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<sup>28</sup> It is true that from other points of view - different from those regarding evaluability - it might be appropriate to formulate other questions regarding the logic of the project, such as: Why this amount for the project? Why this loan modality? Now, while those elements are indeed relevant from the point of view of the Bank's Management, they are not so relevant from the perspective of evaluability since these questions have already been formulated and answered in studies conducted prior to the preparation of project documents.

verification) and with the conditions that could affect its execution and subsequent performance.

The vertical logic postulates that if certain activities are carried out, certain components (or outputs) will be obtained, thereby creating a necessary and sufficient relationship between the proposed activities and their corresponding outputs, as long as the assumptions hold. The production of these outputs will contribute to the achievement of the purposes of the project (outcomes). From there, the next level implies that if the purpose is achieved, there will be a significant contribution to the achievement of the goals of the project.

In this ascending logical chain, the appropriate definition of the different links that make it up – activities, outputs, purpose, and goal – constitute an essential point of departure for assessing a project's vertical logic. In other words, vertical logic implies the existence of a “model” for transforming a particular reality into a specific outcome. The absence of a clearly specified model is a serious hindrance for the assessment of project logic.

Horizontal logic is a description of how the project managers, those in charge of the monitoring and supervision of the project, and evaluators can measure the achievement of the expected results at each level of the previously described ascending scale. In this regard, it is essential, along with the aforementioned adequate definition of the objectives, that the project incorporates appropriate indicators for each level of the scale.

#### **D. Assumptions and Risks**

Given the diversity in the use of the terminology, it is necessary to clearly identify the concepts of “risk” and “assumption.” The term risk denotes two aspects: uncertainty about its occurrence and the impact generated by its occurrence. From this perspective, we can define risk as the probability of occurrence of an undesirable event that is “external” to the program and that will hinder in some way the achievement of its objectives.

In contrast to risks, “assumptions” are those events or situations whose occurrence or satisfaction is necessary for the achievement of project objectives. The assumptions and risks are outside the executor's control but the assumptions are formulated as positive conditions and are to be directly related to the project itself.

Assumptions and risks are, therefore, two sides of a coin; they are interrelated and make up an overall analysis of present or future externalities whose occurrence or not will directly affect the execution of the project and the attainment of its goals. Many of the risks can be identified ahead of time. It is true that the probability of their concretion is unknown, but their identification often implies the possibility of mitigation. For this reason, the management of these assumptions and risks constitutes a key element for all projects since a good risk analysis can give way not only to the mitigation of the harmful effects of the risks, but also to their elimination.

The evaluability instrument identifies two key elements for the assessment of project evaluability in this dimension: the identification of the conditions needed for the execution of the project and the achievement of the objectives, and the identification of the follow-up measures to demonstrate the validity of the assumptions. The elements that have been taken into account to assess the projects have been the following:

- The quality of the analysis of the identification of the assumptions and risks.
- The presence or not of risk evaluation, meaning the quantification and gradation of the risks.
- The adoption or not of follow-up measures and the measurement of the assumptions and risks.
- The adoption or not of risk mitigation or incentive measures for the identified assumptions.

Regarding the first of these aspects, it should be noted that private sector institutions usually formulate and implement a risk policy. They determine what type of risks may be assumed and to what degree. The Bank does not have a clearly defined policy, particularly, in the case of public sector projects. As a result, an adequate identification of the risks for each project is of major importance. It is evident that an exhaustive characterization of all the risks and assumptions involved in a specific project not only constitutes an unattainable ideal, but would also be impractical. Consequently, risk identification should focus on those elements with significant impact, not only on the execution of the project but also on the achievement of its objectives and goals. The identification of these risks therefore requires not only a careful analysis of the project and a review of past experiences, but also an analysis of the sociopolitical reality in which the project will be carried out. It is in this aspect where the risk analysis complements the diagnosis.

Risks can be grouped into three large categories:

- Known risks, which are those that are derived from the Bank's previous experience in the sector or country.
- Predictable risks, which are those that may be identified from the very definition of the project with regard to the content of the same or the sector in which the project is implemented.
- Unpredictable risks, which are those whose appearance depends on factors that are completely beyond the control of the project team, the executor, or the Bank, and the materialization of which is not assumable from the logical point of view.

Examples can illustrate the nature of the risks we are referring to. The institutional weaknesses of a country's public sector in addressing profound structural reforms constitute a type of "known risk". An example of predictable risk is resistance to changes brought about by a project when these changes imply an important shift in an organization's culture. An example of unpredictable risk is the negative effects on international trade and the tourism sector as a consequence of the events of September 11, 2001.

Of these categories, only the first two, known risks and predictable risks, should be the object of analysis in a project document. A great number of classifications could be made within these two categories, but for the effects of this exercise, one should be noted, namely that which distinguishes among:

- *Operational risks*, which are those that affect the normal development of the execution of the project. This category can include, among many others, political, social, economic, etc. risks.
- *Financial risks*, which affect repayment capacity.
- *Institutional risks*, whose occurrence can affect the Bank's institutional image or its perception by society or groups affected by the operation.
- *Development risks*, which are those that can affect the impact on the development sought by the operation.

The second element taken into account in the exercises was the quantification or gradation of the identified risks. This gradation should be produced at three levels:

- The level of probability of the occurrence.
- The degree of the impact on the project and on its objectives and goals.
- The ordering of the risks in terms of the need for intervention and mitigation. The previous gradation is a consequence of the two previous ones to the extent that those risks that present a greater index of probability and that can have a major impact will be deemed a priority.

The third element refers to the adoption of measures for monitoring and assessing risks. Once a risk has been identified and assessed, it is necessary to implement measures for monitoring changes in the probability of its occurrence or variations in its hypothetical impact. For this, it is necessary to establish a series of indicators and benchmarks that can alert us regarding its evolution.

The fourth and last of these elements is the adoption of mitigation measures. The selection of the specific measures should depend precisely on the results of the risk assessment performed: determining under which conditions to go ahead with the project, which mitigation measures to implement to prevent risks from occurring or to minimize their impact if they do materialize, and determining the conditions for the implementation of previously defined contingency plans.

## **E. Outcome Indicators**

The selection of appropriate indicators is key to the process of determining the attainment of project's objectives. A good indicator should specify information on three dimensions: quantity, quality, and time.

Other important characteristics of good indicators are: validity, reliability, accuracy, exhaustiveness, and mutual exclusiveness.

The condition of *validity* of an indicator refers to measuring what is really intended to be measured. The condition of *reliability* refers to the consistency or dependability of data and evaluation judgments when repeated observations using similar instruments under similar conditions produce similar results. The condition of *accuracy* implies that the indicator not be erroneous, meaning that it be based on the greatest number of distinctions possible, which requires a correct identification of the variables involved. The condition of *exhaustiveness* implies that the categories inferred from the same be sufficient so that the reality or situation to be measured not be fractured. Finally, the condition of *mutual exclusivity* implies that the indicator not overlap with other indicators in a way that affects the understanding of the event being measured.

Despite the indications in the preceding paragraph, it is possible that the construction of an indicator can present serious technical problems or be too costly. In such cases, it might be advisable to use *substitute or proxy indicators*. These are indicators that, without referring to the central issue, when measured, provide sufficient information to infer its evolution. The selection of these indicators should be made with great care and should be explicitly acknowledged.

The effort made in selecting and defining indicators can be hampered if baseline information is not available to serve as point of comparison. But, in turn, to the degree that measuring the changes in a particular situation is difficult or requires several indicators it may be necessary to predetermine the “value(s)” at which the objectives are deemed satisfied. It may also be convenient to define a point of reference or *benchmark* for each of the selected indicators on the basis of information derived from the experience of other countries.

Likewise, the indicators selected should reflect the changes in a situation within a given period of time and should establish “when” the objectives are to be fulfilled. *Milestones* should be defined to measure progress toward the expected target. The indicators selected should be measured at a reasonable cost and, if possible, by means of information generally available.

The quality of the indicators selected will affect greatly the efficiency and effectiveness of the monitoring and evaluation systems. In the cases where indicators are absent, evaluators are forced to reconstruct the past in order to compare it with the present. In these circumstances the assessment of project results is extremely difficult and margins of error are likely to be very wide.

The Logical Framework Matrix documentation used for training Bank staff in its application and use establishes four criteria of verification in the design of the outcome indicators<sup>29</sup>:

- The goal indicators are verifiable in terms of quality, quantity, and time.
- The purpose indicators only measure what is important.
- The purpose indicators have measurements of quantity, quality, and time.
- The purpose indicators measure the outcomes expected at the end of the project.

The evaluability instrument establishes three key elements for this dimension:

- Purpose indicator(s) identify quantitative or qualitative measures of expected results (outcomes) at end of project execution.
- Component indicator(s) identify quantitative or qualitative measures of the expected benefits resulting from the production of goods and services delivered during project execution.
- Outcome indicators for purpose and components clearly specify expected target levels during and at end of project.

It should be noted, in this regard, that the OVE evaluability instrument gives credit to projects that identify first order benefits (outcomes) that result from the delivery of goods and services generated by a project component; e.g. when beneficiaries make use of project outputs during project execution and obtain a benefit (or outcome).

## **F. Output Indicators**

Output indicators present fewer complexities than outcome indicators. These indicators measure whether the proposed actions have been executed within the expected period of time, in the desired manner and for the cost initially established and that these actions have produced the desired outputs in terms of quantity, quality and time.

Component indicators should be brief, clear descriptions of each of the products that should be generated during the execution of the project. They should specify quantity, quality and the period of time expected for their delivery of the goods, works and services generated through the execution of the project.

As with the outcome indicators, the output indicators should be valid, reliable, and unequivocal, oriented toward the measurement of products, practical, verifiable, and independent.

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<sup>29</sup> This approach defines outcomes only at the goal and purpose level and does not specifically recognize the possibility of having benefits or outcomes being generated or produced from specific project components during execution.

The key elements identified in this dimension in the evaluability instrument are:

- That the output indicators for the purpose and components identify the quantitative and qualitative measures of the expected benefits as a result of the products and services to be delivered during the execution of the project.
- That the output indicators clearly specify the level of the objectives expected during and at the end of the project.

### **G. Baselines for Outputs**

Baselines are *ex-ante* assessments of the state of the indicators chosen to monitor both outputs and outcomes. It is quite possible to have an indicator without a baseline, but such an exercise can be quite misleading. Baselines establish where the project is starting from, and are essential for measuring progress and accomplishment at some later date.

The effort involved in the selection of the indicators and in their definition can be nullified if accurate baseline information is not available to serve as a point of comparison. If the problem is properly formulated and conceptualized, that is to say if a proper diagnosis has been developed, it will be easier to determine what information is necessary for these purposes. Without a clear conceptualization of the problem, it is very difficult to choose the most suitable alternative for its solution.

Baselines for outputs define the goods and services being offered prior to the initiation of the project.

Baselines for outcomes provide *ex-ante* information on conditions that are expected to change as the result of the project.

Adequate baselines must specify *ex-ante* the *timing*, *quantity* and *quality* of outputs to be delivered. For example, if the proposed output is a group of training courses and there had been no prior training whatsoever, the baseline would be zero. If, however, previous training had been undertaken, then the baseline must gather information regarding the quality of previous training courses, the system to measure it and the attendance criteria. If the expected outcome of this training is a change on job performance, baseline information needs to provide a measure of *ex-ante* job performance.

### **H. Baselines for Outcomes**

Also, baselines for outcomes provide *ex-ante* information on conditions that are expected to change as the result of the project. The same conditions discussed in section G apply in the definition of baselines for outcomes.

The process for obtaining the baseline information has three phases: the first defines the problem or situation and identifies its characteristics; the second gathers the information that is pertinent to the theoretical formulation effected; and the third orders and analyzes the data pursuant to pre-established criteria.

The phase of the definition of the problem and identification of the characteristics presented, in relation to the baseline information, are of crucial importance since this



information cannot include all the variables that can be of interest, but rather must select those that are relevant.

A typical baseline problem concerns the absence or lack of reliability of data. While data problems are chronic, a good baseline assessment should, at minimum, provide some assessment of the data which should be developed prior to project execution. Building such data-gathering capacity is both a contribution to the individual project and a contribution to the development of the country's own evaluation capacity.

## **I. Monitoring and Evaluation**

Interventions should have both monitoring and evaluation components. Each serve as an aid to execution and as a means for generating information regarding results achieved. The monitoring system can also be called efficiency auditing and should be designed to measure the efficacy and efficiency of the programs, actions, and components.

Monitoring implies the development of four basic actions: gathering, describing, explaining, and interpreting information with the objective of transforming it into useful inputs for the execution of the project.

In terms of efficiency, the monitoring system will have the following specific objectives:

- To determine the progress of the program with regard to the established goals.
- To identify the problematic areas or obstacles encountered during its implementation.
- To help define the description of precise incentives for the development of the program.
- To improve productivity and generate a greater aggregate value of the actions and disbursements.
- To determine the success or failure of the program or the objectives with regard to the attainment or achievement of the predicted outputs.

In the formal aspects, an appropriate monitoring system implies the following:

- A specific entity, with the necessary bureaucratic and administrative arrangements, is responsible for conducting monitoring activities.
- The entity is integrated into the structures of the administration of the corresponding sector and helps to construct reinforce the institutional capacity for an adequate monitoring of the programs and projects, thereby guaranteeing future sustainability.
- A clear conceptual framework of the monitoring program has been defined.

- The baseline information for the monitoring system has been collected.

A good monitoring system should ensure:

- That the established monitoring system guarantees feedback to the execution process in order to eliminate project execution obstacles or problems, adjusting the expected time frames, defining and implementing the systems and procedures that improve the efficiency of the execution process.
- That the identification of the outcome indicators and data sources avoid the duplication of information-gathering efforts, employing for such purpose, whenever possible, available sources of data.
- That milestones are set to allow for the detection of degrees of progress in terms of certain specific periods of time.
- That the factors, conditions, or elements that could introduce measurements errors or biases in terms of variations in the information-gathering systems, or as a cause of the variations in information-gathering criteria or standards, be identified.
- That the total costs implied by the defined monitoring system be rational and proportionate to the total cost of the project.

Evaluation is linked to, but separate from, project monitoring. Evaluation activities are designed to provide feedback on results achieved, and should be carried out by individuals or organizations not directly responsible for execution. Evaluations can be of two types: in-process and ex post.

In process evaluations are developed during the execution of the project and analyzes the management, some of its activities or components, or the intermediate outcomes obtained in terms of the purpose of the operation. Examples of such evaluations are the mid-term reviews held for some Bank projects in which executing agencies directly responsible for execution meet with Bank staff not directly involved to discuss progress and problems. Process evaluations need not produce documents (although this is often helpful) but they are a valuable vehicle for providing a moment for reflection on achievements and on project design.

Ex post evaluations are developed once the execution is concluded and seek to determine the degree of compliance with the general objectives, purpose, and goal of the project. Likewise, while the first is directed toward introducing changes or improvements in the execution, or toward introducing changes in the programming of the same, the second attempts to assess results and transform them into appropriate knowledge applicable to future operations.

In both cases, and from the point of view of the evaluability, the definition of these evaluation systems should respond to the following matters:

- What is the reason for the evaluation? There is no rule or principle indicating that all projects should be the object of an ex-post evaluation and much less an intermediate one. When it is thus determined, it is necessary to explain the reasons that support this, meaning why the evaluation will be carried out, or why it will not.
- Who are the stakeholders? In other words, to whom will the outcomes of the evaluation be directed?
- What are the essential topics that are the object of the evaluation, meaning the identification of the key elements to be evaluated?
- Who performs the evaluation, what are the required basic conditions and qualities, and what is the budget assigned to the same and its source?
- What are the requirements of stakeholders, i.e., what are the time needs, the resource needs, or the information needs that must be reinforced to ensure a reasonable development of the evaluation in the country or sector where this will occur?
- In what form or manner is the planned evaluation connected to the evaluation systems established in a country or institution in order for it to generate aggregate value of the country's evaluative capacity?

The evaluability instrument incorporates five key aspects to be considered by the project teams in the area of monitoring and evaluation to ensure the evaluability of the program. These elements are<sup>30</sup>:

- Bank and borrowers have defined a data gathering system to generate information on indicators.
- Resources have been identified and committed to ensure that predefined data will be collected and analyzed.
- Provisions have been made for using the information for project monitoring.
- Sources of information are specified for all indicators.
- Beneficiaries are expected to participate in monitoring and evaluation.

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<sup>30</sup> The information obtained could be used among actors for measuring improvements in project execution efficiency.

## DESCRIPTION OF THE UNIVERSE OF PROJECTS STUDIED

During 2001, the OVE analyzed a total of 90 projects.<sup>31</sup> These projects were the object of a double analysis: the first was of the documentation presented to the Loan Committee and the second was of the final version of the project presented to the Board of Directors. This second analysis was centered on the verification of the changes the project document had undergone as a result of the review effected by the Loan Committee. These changes were individually assessed by the same OVE officials who had analyzed the version of the document distributed to the Committee and, although a new note was not presented to the Administration, an internal note was written reflecting the significance of the changes detected and the manner in which the score assigned to the project was affected by them.<sup>32</sup> Copies of all the notes presented and of the internal notes are attached to this document as an annex.

Of the total of 90 projects reviewed by the OVE during the evaluability exercise developed in 2001, 65 were analyzed by the Board of Directors and the Loan Committee, 17 were analyzed only by the Board, and 8 were analyzed only by the Loan Committee.<sup>33</sup> These differences are as follows:

a.- The 17 projects analyzed by OVE at the level of the Board of Directors and not by OVE at the level of the Loan Committee correspond to private sector projects and those projects that went to the Loan Committee in 2000 and were approved by the Board of Directors in 2001. It should be noted that OVE only reviewed the private sector projects (PRI) upon the distribution of the documents to the Board of Executive Directors because the loan committee versions of those documents were not available to OVE. These projects were :

- AR-0291. Private sector. OVE reviewed only the Board of Directors version.
- BR-0354. Private sector. Reviewed only by the Board of Directors.
- BR-0361. Private sector. Reviewed only by the Board of Directors.
- CH-0162. Private sector. Reviewed only by the Board of Directors.
- DR-0140. Private sector. Reviewed only by the Board of Directors.
- RG-0054. Private sector. Reviewed only by the Board of Directors.

The 11 remaining projects are:

- AR-0262. Approved by the Board of Directors in January 2001 and by the Loan Committee in November 2000.

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<sup>31</sup> Of these 90, the Board of Directors has not approved three. One of them, AR-0291, was withdraw for consideration after been submitted at the Board of Directors. Loans ES-0138 and HO-0186, despite having been considered by the Loan Committee, have been withdrawn from the pipeline.

<sup>32</sup> The verification of the changes experienced by the project documents was carried out, in the majority of the cases, by means of an analysis of the “marked version” of the project document presented to the Board of Directors.

<sup>33</sup> The total list of projects analyzed is attached in an annex.

- BA-0055. Approved by the Board of Directors in August 2001 and by the Loan Committee in October 2000.
- BH-0029. Approved by the Board of Directors in May 2001 and by the Loan Committee in November 2000.
- BO-0180. Approved by the Board of Directors in March 2001 and by the Loan Committee in Nov. and December 2000.
- BR-0270. Approved by the Board of Directors in January 2001 and by the Loan Committee in October 2000.
- CH-0164. Approved by the Board of Directors in February 2001 and by the Loan Committee in October 2000.
- ES-0129. Approved by the Board of Directors in April 2001 and by the Loan Committee in October 2000.
- GU-0131. Approved by the Board of Directors in June 2001 and by the Loan Committee in September 2000.
- ME-0213. Approved by the Board of Directors in August 2001 and by the Loan Committee in October 2000.
- NI-0081. Approved by the Board of Directors in February 2001 and by the Loan Committee in June 2000.
- PR-0118. Approved by the Board of Directors in February 2001, Loan Committee in June 2000.

b. The 8 loans presented to the Loan Committee during 2000, but the consideration of which by the Board of Directors was postponed until 2002, are:

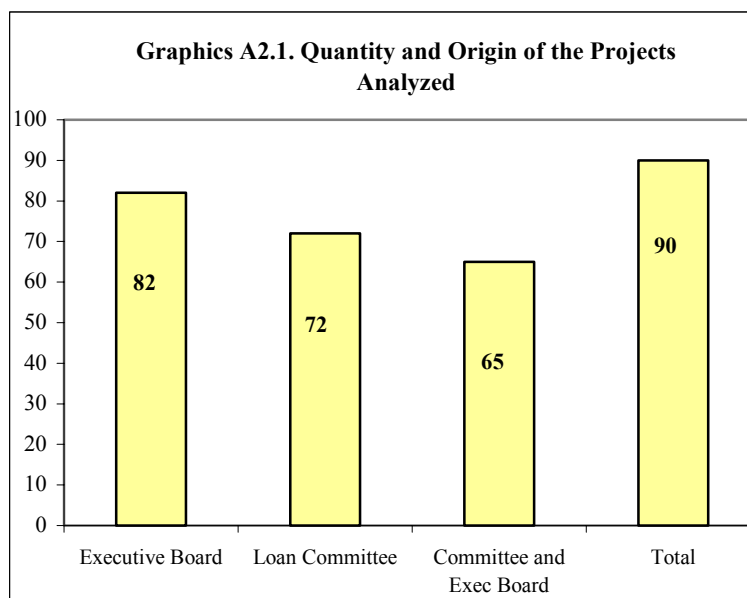
- BR-0301. Loan Committee in June 2001. (approved)
- ES-0116. Loan Committee in May 2001. (approved)
- ES-0130. Loan Committee in October 2001. (approved)
- ES-0138. Loan Committee in November 2001.
- GU-0119. Loan Committee in October 2001. (approved)
- HO-0175. Loan Committee in July 2001.
- HO-0186. Loan Committee in May 2001.
- TT-0050. Loan Committee in October 2001.

It should be noted that 8 loans approved in 2002 were not analyzed individually by the OVE. These and the reasons therefore are as follows:

- AR-0284. Technical Cooperation.
- CA-0035. Reformulation of 2 previous loans.
- CO-0261. Technical Cooperation (was analyzed jointly with CO-0252).
- ES-0148. Emergency Loan.

- ES-0150. Emergency Loan.
- GU-0152. Facility.
- PE-0215. Emergency Loan.
- UR-0145. Technical Cooperation (was analyzed jointly with UR-0130).

The following graph shows the number of projects analyzed in each instance, for a total of 82 projects reviewed by the Board of Directors, 72 by the Loan Committee, and 90 total.<sup>34</sup>



These 82 projects are distributed by type of loan instrument and by sector and sub-sector (according to the Bank's internal project classification), according to the following table:

Type of Instrument	Number of projects	Sector	Number of projects	Sub-sector	Number of projects
Investment	63	Infrastructure	13	Energy	5
Policy based	13	State Reform	22	Sanitation	4
Private sector	6	Productive	12	Education	5
		Social	35	Transportation	9
				Agriculture	7
				Social Investment	16
				Urban Development	5

<sup>34</sup> The complete list of reviewed projects, as well as the notes on each, is incorporated to this report as Annex 1.

Type of Instrument	Number of projects	Sector	Number of projects	Sub-sector	Number of projects
				Environment	4
				State Reform	20
				Health	2
				Tourism	1
				Industry	3
				Science and Technology	1
<b>Total</b>	<b>82</b>	<b>Total</b>	<b>82</b>	<b>Total</b>	<b>82</b>

Project	LC 2000	LC 2001	BD 2001	BD 2002	Reviewed LC	Reviewed BD	LC Reason No.	BD Reason No.
AR-0176		X	X		X	X		
AR-0262	X		X		No	X	LC 2000	
AR-0266		X	X		X	X		
AR-0280		X	X		X	X		
AR-0284			X		No	No	Tec. Coop.	Tec. Coop.
AR-0291					No	X	PRI	
BA-0019		X		X	X	X		
BA-0055	X		X		No	X	LC 2000	
BH-0029	X		X		No	X	LC 2000	
BL-0017		X	X		X	X		
BO-0174		X		X	X	X		
BO-0180	X		X		No	X	LC 2000	
BO-0196		X	X		X	X		
BO-0197		X	X		X	X		
BO-0203		X	X		X	X		
BR-0246		X	X		X	X		
BR-0269		X	X		X	X		
BR-0270	X		X		No	X	LC 2000	
BR-0295		X	X		X	X		
BR-0298		X	X		X	X		

Table A2.2. Official list of approvals and documents reviewed by the OVE during the exercise								
Project	LC 2000	LC 2001	BD 2001	BD 2002	Reviewed LC	Reviewed BD	LC Reason No.	BD Reason No.
BR-0301		X		X	No	No		BD 01/2002
BR-0327		X	X		X	X		
BR-0331		X	X		X	X		
BR-0351		X		X	X	X		
BR-0354			X		No	X	PRI	
BR-0355		X		X	X	X		
BR-0360		X	X		X	X		
BR-0361			X		No	X	PRI	
CA-0034		X	X		X	X		
CA-0035			X		No	No	Reformulation	Reformulation
CH-0162			X		No	X	PRI	
CH-0164	X		X		No	X	LC 2000	
CH-0170		X		X	X	X		
CO-0234		X		X	X	X		
CO-0240		X	X		X	X		
CO-0251		X		X	X	X		
CO-0252		X	X		X	X		
CO-0261			X		No	No	Tec. Coop.	Tec. Coop.
CR-0141		X	X		X	X		
DR-0137			X		No	X	PRI	
DR-0140		X	X		X	X		
EC-0191		X	X		X	X		
EC-0198		X	X		X	X		
EC-0203		X	X		X	X		
EC-0204		X	X		X	X		
ES-0087		X	X		X	X		
ES-0116		X		X	X	No		BD 02/2002
ES-0119		X	X		X	X		
ES-0120		X	X		X	X		
ES-0129		X	X		X	X		
ES-0130		X		X	X	No		BD 04/2002
ES-0138		X		X	X	No		W/D Pipeline



Table A2.2. Official list of approvals and documents reviewed by the OVE during the exercise								
Project	LC 2000	LC 2001	BD 2001	BD 2002	Reviewed LC	Reviewed BD	LC Reason No.	BD Reason No.
ES-0148			X		No	No	Emerg. Loan	Emerg. Loan
ES-0150			X		No	No	Emerg. Loan	Emerg. Loan
GU-0119		X			X	No		BD 04/2002
GU-0131	X		X		No	X	LC 2000	
GU-0152			X		No	No	Facil. Sect.	Facil. Sect.
GY-0056		X	X		X	X		
GY-0061		X	X		X	X		
HO-0175		X		X	X	No		BD 05/2002
HO-0179		X	X		X	X		
HO-0185		X	X		X	X		
HO-0186		X		X	X	No		W/D Pipeline
HO-0193		X	X		X	X		
HO-0203		X	X		X	X		
HO-0206		X	X		X	X		
JA-0043		X	X		X	X		
JA-0105		X	X		X	X		
JA-0113		X	X		X	X		
JA-0115		X	X		X	X		
ME-0213	X		X		No	X	LC 2000	
ME-0231		X	X		X	X		
ME-0233		X	X		X	X		
ME-0244		X		X	X	X		
NI-0081	X		X		No	X	LC 2000	
NI-0101		X	X		X	X		
NI-0141		X	X		X	X		
NI-0146		X	X		X	X		
NI-0147		X	X		X	X		
NI-0153		X	X		X	X		
NI-0156		X	X		X	X		
PE-0107		X	X		X	X		
PE-0140		X	X		X	X		
PE-0212		X	X		X	X		

Table A2.2. Official list of approvals and documents reviewed by the OVE during the exercise								
Project	LC 2000	LC 2001	BD 2001	BD 2002	Reviewed LC	Reviewed BD	LC Reason No.	BD Reason No.
PE-0215			X		No	No	Emerg. Loan	Emerg. Loan
PN-0076		X	X		X	X		
PR-0100		X	X		X	X		
PR-0118	X		X		No	X	LC 2000	
RG-0054			X		No	X	PRI	
SU-0017		X	X		X	X		
SU-0019		X	X		X	X		
TT-0050				X	X	No		BD 05/2002
UR-0130		X	X		X	X		
UR-0132		X	X		X	X		
UR-0133		X	X		X	X		
UR-0145			X		No	No	Tec. Coop.	Tec. Coop.
VE-0057		X	X		X	X		
VE-0125		X	X		X	X		

### GOVERNORS' STATEMENTS

“We appreciate the Administration’s efforts in certifying that the operations financed by the IDB have a clear impact on development, aligning the internal processes, procedures, and incentives toward the achievement of results.”<sup>35</sup>

“It gives us pleasure to confirm that the IDB is committed to efficiency in terms of development and that the promotion of quality has come to occupy first place in the Bank’s agenda ... the conclusions of this report clearly show the need for the Bank to establish follow-up and evaluation systems in order to increase the efficiency of its credit and non-credit activities.”<sup>36</sup>

“Our government, along with many others, considers the capacity to demonstrate results to be increasingly important. We should show how our taxpayers’ money has been part of the visible improvements in the life of the people ...”<sup>37</sup>

“Public institutions throughout the world are the object of increasing scrutiny in terms of their efficiency and should show the results of their measures ... I approve of the current and intensified debate on development effectiveness and what it necessarily implies: greater emphasis on outcomes and impact instead of supplies and products ...”<sup>38</sup>

“Taxpayers throughout the world, who are in fact shareholders of this Bank, should be able to see how their money is spent and what results have been achieved with it. We therefore firmly support the measures taken to obtain evaluable indicators and projects ... measurable objectives should be set and performance indicators established, not only for purposes of knowing the results at the end of a project or program, but also to follow up on these during the execution.”<sup>39</sup>

“Quality should be present in each project from the start of its design, before its presentation to the Board, with clearly stipulated outcome-based objectives.”<sup>40</sup>

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<sup>35</sup> Speech by the Interim Governor for Italy, Mr. Lorenzo Bini Smaghi, at the second plenary session.

<sup>36</sup> Speech by the Temporary Interim Governor for Norway, Ms. Ingrid Glad, at the fifth plenary session.

<sup>37</sup> Speech by the Interim Governor for Sweden, Ms. Ann Uustalu, at the fifth plenary session.

<sup>38</sup> Speech by the Governor for Switzerland, Mr. Oscar Knapp, at the third plenary session.

<sup>39</sup> Speech by the Temporary Interim Governor for the Netherlands, Mr. Jan Willem van der Kaaij, at the third plenary session.

<sup>40</sup> Speech by the Temporary Interim Governor for the United States, Mr. John Taylor, at the second plenary session.

## CONCEPTUALIZATION OF THE DIMENSIONS OF THE EVALUABILITY INSTRUMENT

This annex describes the conceptual contents of each one of the dimensions that constitute the evaluability instrument. It outlines the principal elements of the dimensions.

### A. Diagnosis

For the diagnosis, the evaluability instrument incorporates the following as key elements for the analysis:

- The problem or need that the project attempts to address is clearly identified through consultation with stakeholders (borrowers, executing agencies, beneficiaries, other interested parties)
- The causes of the problem are identified.
- The potential beneficiaries are clearly identified

In the first place, the diagnosis of the problem or problems should be “well” defined, meaning that the diagnosis should incorporate accurate information to respond to the question of *why* a certain situation is perceived as problematic. An adequate response to this question implies that the diagnosis should incorporate the following:

- Clear, accurate, and adequate information about the situation.
- The reasons why the situation constitutes a problem requiring a solution, including the consistency of the project with the Bank’s strategy in the specific country and sector.
- The relationships and interactions that occur among the factors and elements that constitute the problem.
- The historical, political, social, and economic context in which the problem arose, as well as those in which its solution will be attempted.
- The basic quantitative and qualitative data that allow for an adequate dimensioning of the problem.
- The conditions or implicit assumptions that need to occur for the problem to be solved and the risks implied by the solution itself.

It is true that the identification of a problem, its description, and analysis is often not easy. In any case, the identification of the problem should be intimately related to the Bank’s general objectives. Given that the Bank has a specific mission, objectives and operational strategies, no individual aspect of a country’s reality should constitute, in and of itself, a problem to be addressed by an operation financed by the Bank, but rather only those that are related to the Bank’s objectives and mission. This is why the Bank’s strategies in the country play a relevant role. Only those problems whose solution have a bearing on the implementation of the defined strategies for one period, one country, and one specific sector in the Bank’s programming process are, or should be considered as,

“problems” that should be addressed by an operation and its corresponding formulation and diagnosis.

It has already been indicated that an essential part of the diagnosis is the adequate identification of the relationships and interactions among the elements or components identified as part of the problem. The identification of these relationships and its description is crucial for the logic of the project and for a good diagnosis. A diagnosis that does not identify the factors that make up the essential core of the problem, that does not define the relative weight of the elements of the problem in a precise manner, and that incorrectly identifies the interactions and relationships among them, does not provide an adequate framework for Bank action. The presence of these relationships is what differentiates a “description of problems” from a diagnosis, which should be the explication of the problem in “solvable form”. The absence of these relationships will inevitably lead to a project with a substantially reduced potential for solving the problem.

These factors and elements do not interact in a vacuum, but rather in a certain historical, social, political, and economic context in which, on many occasions, its ultimate roots are found. Therefore, an essential part of the diagnosis is the clear and accurate description of the relevant factors that, without being strictly a part of the problem, have a bearing on its occurrence and solution. Without this description, the diagnosis will lack essential elements and will not be able to identify the assumptions and risks that contribute to or impede the solution derived from the diagnosis.

All diagnoses incorporate, implicitly or explicitly, the key elements related to the desired future situation (the current reality is analyzed from this), what level of deficiency is tolerable in the future, or what is inadmissible because it implies the permanence of the problem being diagnosed. The answers to these questions are the basis for determining the parameters for assessing the success or failure of the project, whether in terms of benchmarks, milestones or targets.

Finally, the identification of the beneficiaries is one of the key elements in determining the quality of the diagnosis because the appropriate identification of the beneficiaries is key in the analysis of its adjustment, present or future risks, and the assumptions implied in the project. The “beneficiaries” should constitute the basic point of reference for the diagnosis.

The diagnosis is, in essence, an intellectual process in which a problematic situation is translated into a specific problem. This means that the diagnosis is a process whereby the general perception of something that does not work, or does not work well, is converted into a detailed analysis of the what and the why of the situation; of the elements, factors, and components the problem breaks down into technically; of how these interact; of what their relative weight is in the general situation; of where their roots are found and the causes of their presence; and of what are, definitively, the consequences and effects of this set of factors.

## **B. Definition of the Objectives**

Regarding the definition of the objectives, the evaluability instrument establishes as a key element that the outcomes expected at the end of the project be clearly linked to the problems and needs identified in the diagnosis. The Logical Framework Matrix distinguishes between goal, purpose, component, and activity. The goal will respond to the question of why, in the last analysis, the project is being performed, meaning that it indicates how the project will contribute to solving a problem. The purpose describes the direct impact or immediate result that will be obtained from the utilization of the components, meaning the expected outcome at the end of the execution of the project. For their part, the components determine what the project should produce, the goods and services that will be produced as a consequence of the executor's activity. Finally, the activities indicate how said components will be produced, meaning they describe the specific actions that imply the use of resources.

Since every project is a response to a detected problem, the goal of a project is a description of the solution to the diagnosed problem. The appropriate description of that goal is a key element to the project's evaluability. A project with diffuse or poorly defined goals may be interpreted in many different ways, and it might be entirely possible that no consensus is reached regarding what the project has been attempting and under what conditions.

For its part, the purpose determines what the project expects to achieve at the end of its performance. This implies that the definition of the objectives should incorporate temporal dimensions and qualitative and quantitative measures of success or failure. This aspect also means that the objectives should comply with two basic principles. The first is that the objective defined in the project not imply that it will, in and of itself, be capable of achieving the goal, that is of providing a solution to the diagnosed problem, but rather that it will contribute in a significant manner to its achievement. The second principle is that this expected effect need not be produced exactly at the conclusion of the project, but rather that it is about the attainment of a long-term goal to which the project will contribute in a more or less significant manner over a certain period of time.

The objectives of a project in and of themselves define the project's reason for being. It is in the achievement of the objectives where the reason for the existence of the operation is found. The objectives, precisely because they are the description of what is to be attained upon the completion of the project, cannot be understood to be an "empty box," as something that can be described in several ways without affecting essentially the content of the project. To the contrary, the objectives are the natural and logical link between the diagnosis and the defined activities and components.

The objectives should be carefully defined, and it is necessary that the greatest level of consensus possible be achieved in their definition insofar as it is in that definition that the criteria for evaluating the success or failure of the project are found. This means that the objectives should clearly define how the performance of the project would make the problem less severe than it would be without the project. For this reason, the objectives,

when defined properly, clearly describe which are the expected outcomes and who are the beneficiaries of the project.

It was indicated previously that not all aspects of reality constitute a problem to be addressed by an operation, but rather only those that relate to the Bank's objectives and mission. These objectives are identified in the Bank's country strategies, which define the development objectives, strategies, and goals, and indicators.<sup>26</sup> When the objectives established in the projects are articulated with each country's development goals, the possibility of identifying the cause-effect relationship between the Bank's action and the attainment of these goals is strengthened.<sup>27</sup>

But this is not the only condition the objectives must satisfy. The definition of the objectives should satisfy six basic criteria: they must be specific, realistic, have temporal characterization, be measurable, agreed upon, and clearly identify the beneficiaries and those responsible for their achievement.

**Specific** means that they should have sufficient clarity and concretion so that anyone can understand, without difficulty, the goal, the time allowed for performance, how the proposed aims will be achieved, and the criteria for measuring the program's success.

**Realistic** means that the objectives should be defined in such terms that render their achievement possible.

**Temporal characterization** is understood to be the condition of the objectives by which these are subject to a timeframe within which they are to be achieved, and to some specific checkpoints to indicate their progress toward the same.

**Measurable** indicates that the objectives should be defined in such a manner that it is possible to determine the project's degree of success or failure in terms of the level of achievement of the defined objective. This condition, however, should not only be predicated only in quantitative terms, meaning by what percentage the proposed objective has been achieved, but also in qualitative terms, meaning which is the expected benefit.

**Agreed upon** implies that the Bank and the country, as well as the executing agencies and generally those parties who are involved, should be in complete and total consensus regarding which are the objectives being sought. This should be based on which objectives will be used for the final measurement of the success or failure of the activity. Lastly, an adequate definition of the objectives implies that these clearly identify the beneficiaries of the operation, the expected benefits of the project, and those responsible for achieving these objectives by means of the identification of activities, which is the last stage in the design of the objectives.

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<sup>26</sup> See Country Papers Guidelines, approved by the Board of Directors at the beginning of 2002. GN-2020.

<sup>27</sup> Speech by President Enrique Iglesias at the Eighty-Sixth Meeting of the Committee of the Board of Governors. Fortaleza, Brazil.

### C. Logic of the Project

The following elements were taken into account when assessing project logic:

- Project objectives (goal, purpose in LF terminology), components and activities are clearly stated.
- All Components contribute to the achievement of the purpose.
- All Components include necessary actions to attain the purpose.
- All project elements are logically related.

The logic of the project constitutes one of the key elements for its evaluability. The analysis of project logic must be carried out taking into account two different elements: substantive logic and formal logic. Substantive logic refers to the analysis of the intrinsic reasons that justify the project's existence and the selection of its aims and objectives, while formal logic is understood to be the analysis of the relationships among the different elements of the project.

From the point of view of substantive logic, that is whether the project's objectives and components are clearly established, the analysis has not sought the presence of logical relationships among the projects elements, but rather the identification of the project's reason for being. In other words, a response to a series of questions has been sought: Why the project? Why this intervention and not another? Why now, meaning at this time and under these specific conditions?<sup>28</sup>

The answers to these questions are significant from the point of view of evaluability. If answers to it are not obtained from a reading of the document, a basic element for the subsequent evaluation of the project's results will be absent. Thus, for example, how can the adequacy of a project's components for the achievement of its aims and objectives be evaluated if the reasoning for the proposed approach is not discernible from the project document?

From the point of view of the formal logic, the analysis has been based on two basic elements extracted from the logical framework:

- The vertical logic: the relationship of cause and effect between the different parts of a problem that correspond to the four levels of objectives (activities, components, purpose, and goals).
- The horizontal logic: the relationship or correspondence that links each level of the objectives with the measures of achievement (indicators and means of

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<sup>28</sup> It is true that from other points of view - different from those regarding evaluability - it might be appropriate to formulate other questions regarding the logic of the project, such as: Why this amount for the project? Why this loan modality? Now, while those elements are indeed relevant from the point of view of the Bank's Management, they are not so relevant from the perspective of evaluability since these questions have already been formulated and answered in studies conducted prior to the preparation of project documents.



verification) and with the conditions that could affect its execution and subsequent performance.

The vertical logic postulates that if certain activities are carried out, certain components (or outputs) will be obtained, thereby creating a necessary and sufficient relationship between the proposed activities and their corresponding outputs, as long as the assumptions hold. The production of these outputs will contribute to the achievement of the purposes of the project (outcomes). From there, the next level implies that if the purpose is achieved, there will be a significant contribution to the achievement of the goals of the project.

In this ascending logical chain, the appropriate definition of the different links that make it up – activities, outputs, purpose, and goal – constitute an essential point of departure for assessing a project's vertical logic. In other words, vertical logic implies the existence of a “model” for transforming a particular reality into a specific outcome. The absence of a clearly specified model is a serious hindrance for the assessment of project logic.

Horizontal logic is a description of how the project managers, those in charge of the monitoring and supervision of the project, and evaluators can measure the achievement of the expected results at each level of the previously described ascending scale. In this regard, it is essential, along with the aforementioned adequate definition of the objectives, that the project incorporates appropriate indicators for each level of the scale.

#### **D. Assumptions and Risks**

Given the diversity in the use of the terminology, it is necessary to clearly identify the concepts of “risk” and “assumption.” The term risk denotes two aspects: uncertainty about its occurrence and the impact generated by its occurrence. From this perspective, we can define risk as the probability of occurrence of an undesirable event that is “external” to the program and that will hinder in some way the achievement of its objectives.

In contrast to risks, “assumptions” are those events or situations whose occurrence or satisfaction is necessary for the achievement of project objectives. The assumptions and risks are outside the executor's control but the assumptions are formulated as positive conditions and are to be directly related to the project itself.

Assumptions and risks are, therefore, two sides of a coin; they are interrelated and make up an overall analysis of present or future externalities whose occurrence or not will directly affect the execution of the project and the attainment of its goals. Many of the risks can be identified ahead of time. It is true that the probability of their concretion is unknown, but their identification often implies the possibility of mitigation. For this reason, the management of these assumptions and risks constitutes a key element for all projects since a good risk analysis can give way not only to the mitigation of the harmful effects of the risks, but also to their elimination.

The evaluability instrument identifies two key elements for the assessment of project evaluability in this dimension: the identification of the conditions needed for the execution of the project and the achievement of the objectives, and the identification of the follow-up measures to demonstrate the validity of the assumptions. The elements that have been taken into account to assess the projects have been the following:

- The quality of the analysis of the identification of the assumptions and risks.
- The presence or not of risk evaluation, meaning the quantification and gradation of the risks.
- The adoption or not of follow-up measures and the measurement of the assumptions and risks.
- The adoption or not of risk mitigation or incentive measures for the identified assumptions.

Regarding the first of these aspects, it should be noted that private sector institutions usually formulate and implement a risk policy. They determine what type of risks may be assumed and to what degree. The Bank does not have a clearly defined policy, particularly, in the case of public sector projects. As a result, an adequate identification of the risks for each project is of major importance. It is evident that an exhaustive characterization of all the risks and assumptions involved in a specific project not only constitutes an unattainable ideal, but would also be impractical. Consequently, risk identification should focus on those elements with significant impact, not only on the execution of the project but also on the achievement of its objectives and goals. The identification of these risks therefore requires not only a careful analysis of the project and a review of past experiences, but also an analysis of the sociopolitical reality in which the project will be carried out. It is in this aspect where the risk analysis complements the diagnosis.

Risks can be grouped into three large categories:

- Known risks, which are those that are derived from the Bank's previous experience in the sector or country.
- Predictable risks, which are those that may be identified from the very definition of the project with regard to the content of the same or the sector in which the project is implemented.
- Unpredictable risks, which are those whose appearance depends on factors that are completely beyond the control of the project team, the executor, or the Bank, and the materialization of which is not assumable from the logical point of view.

Examples can illustrate the nature of the risks we are referring to. The institutional weaknesses of a country's public sector in addressing profound structural reforms constitute a type of "known risk". An example of predictable risk is resistance to changes brought about by a project when these changes imply an important shift in an organization's culture. An example of unpredictable risk is the negative effects on international trade and the tourism sector as a consequence of the events of September 11, 2001.

Of these categories, only the first two, known risks and predictable risks, should be the object of analysis in a project document. A great number of classifications could be made within these two categories, but for the effects of this exercise, one should be noted, namely that which distinguishes among:

- *Operational risks*, which are those that affect the normal development of the execution of the project. This category can include, among many others, political, social, economic, etc. risks.
- *Financial risks*, which affect repayment capacity.
- *Institutional risks*, whose occurrence can affect the Bank's institutional image or its perception by society or groups affected by the operation.
- *Development risks*, which are those that can affect the impact on the development sought by the operation.

The second element taken into account in the exercises was the quantification or gradation of the identified risks. This gradation should be produced at three levels:

- The level of probability of the occurrence.
- The degree of the impact on the project and on its objectives and goals.
- The ordering of the risks in terms of the need for intervention and mitigation. The previous gradation is a consequence of the two previous ones to the extent that those risks that present a greater index of probability and that can have a major impact will be deemed a priority.

The third element refers to the adoption of measures for monitoring and assessing risks. Once a risk has been identified and assessed, it is necessary to implement measures for monitoring changes in the probability of its occurrence or variations in its hypothetical impact. For this, it is necessary to establish a series of indicators and benchmarks that can alert us regarding its evolution.

The fourth and last of these elements is the adoption of mitigation measures. The selection of the specific measures should depend precisely on the results of the risk assessment performed: determining under which conditions to go ahead with the project, which mitigation measures to implement to prevent risks from occurring or to minimize their impact if they do materialize, and determining the conditions for the implementation of previously defined contingency plans.

## **E. Outcome Indicators**

The selection of appropriate indicators is key to the process of determining the attainment of project's objectives. A good indicator should specify information on three dimensions: quantity, quality, and time.

Other important characteristics of good indicators are: validity, reliability, accuracy, exhaustiveness, and mutual exclusiveness.

The condition of *validity* of an indicator refers to measuring what is really intended to be measured. The condition of *reliability* refers to the consistency or dependability of data and evaluation judgments when repeated observations using similar instruments under similar conditions produce similar results. The condition of *accuracy* implies that the indicator not be erroneous, meaning that it be based on the greatest number of distinctions possible, which requires a correct identification of the variables involved. The condition of *exhaustiveness* implies that the categories inferred from the same be sufficient so that the reality or situation to be measured not be fractured. Finally, the condition of *mutual exclusivity* implies that the indicator not overlap with other indicators in a way that affects the understanding of the event being measured.

Despite the indications in the preceding paragraph, it is possible that the construction of an indicator can present serious technical problems or be too costly. In such cases, it might be advisable to use *substitute or proxy indicators*. These are indicators that, without referring to the central issue, when measured, provide sufficient information to infer its evolution. The selection of these indicators should be made with great care and should be explicitly acknowledged.

The effort made in selecting and defining indicators can be hampered if baseline information is not available to serve as point of comparison. But, in turn, to the degree that measuring the changes in a particular situation is difficult or requires several indicators it may be necessary to predetermine the “value(s)” at which the objectives are deemed satisfied. It may also be convenient to define a point of reference or *benchmark* for each of the selected indicators on the basis of information derived from the experience of other countries.

Likewise, the indicators selected should reflect the changes in a situation within a given period of time and should establish “when” the objectives are to be fulfilled. *Milestones* should be defined to measure progress toward the expected target. The indicators selected should be measured at a reasonable cost and, if possible, by means of information generally available.

The quality of the indicators selected will affect greatly the efficiency and effectiveness of the monitoring and evaluation systems. In the cases where indicators are absent, evaluators are forced to reconstruct the past in order to compare it with the present. In these circumstances the assessment of project results is extremely difficult and margins of error are likely to be very wide.

The Logical Framework Matrix documentation used for training Bank staff in its application and use establishes four criteria of verification in the design of the outcome indicators<sup>29</sup>:

- The goal indicators are verifiable in terms of quality, quantity, and time.
- The purpose indicators only measure what is important.
- The purpose indicators have measurements of quantity, quality, and time.
- The purpose indicators measure the outcomes expected at the end of the project.

The evaluability instrument establishes three key elements for this dimension:

- Purpose indicator(s) identify quantitative or qualitative measures of expected results (outcomes) at end of project execution.
- Component indicator(s) identify quantitative or qualitative measures of the expected benefits resulting from the production of goods and services delivered during project execution.
- Outcome indicators for purpose and components clearly specify expected target levels during and at end of project.

It should be noted, in this regard, that the OVE evaluability instrument gives credit to projects that identify first order benefits (outcomes) that result from the delivery of goods and services generated by a project component; e.g. when beneficiaries make use of project outputs during project execution and obtain a benefit (or outcome).

## **F. Output Indicators**

Output indicators present fewer complexities than outcome indicators. These indicators measure whether the proposed actions have been executed within the expected period of time, in the desired manner and for the cost initially established and that these actions have produced the desired outputs in terms of quantity, quality and time.

Component indicators should be brief, clear descriptions of each of the products that should be generated during the execution of the project. They should specify quantity, quality and the period of time expected for their delivery of the goods, works and services generated through the execution of the project.

As with the outcome indicators, the output indicators should be valid, reliable, and unequivocal, oriented toward the measurement of products, practical, verifiable, and independent.

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<sup>29</sup> This approach defines outcomes only at the goal and purpose level and does not specifically recognize the possibility of having benefits or outcomes being generated or produced from specific project components during execution.

The key elements identified in this dimension in the evaluability instrument are:

- That the output indicators for the purpose and components identify the quantitative and qualitative measures of the expected benefits as a result of the products and services to be delivered during the execution of the project.
- That the output indicators clearly specify the level of the objectives expected during and at the end of the project.

### **G. Baselines for Outputs**

Baselines are ex-ante assessments of the state of the indicators chosen to monitor both outputs and outcomes. It is quite possible to have an indicator without a baseline, but such an exercise can be quite misleading. Baselines establish where the project is starting from, and are essential for measuring progress and accomplishment at some later date.

The effort involved in the selection of the indicators and in their definition can be nullified if accurate baseline information is not available to serve as a point of comparison. If the problem is properly formulated and conceptualized, that is to say if a proper diagnosis has been developed, it will be easier to determine what information is necessary for these purposes. Without a clear conceptualization of the problem, it is very difficult to choose the most suitable alternative for its solution.

Baselines for outputs define the goods and services being offered prior to the initiation of the project.

Baselines for outcomes provide ex-ante information on conditions that are expected to change as the result of the project.

Adequate baselines must specify ex-ante the *timing*, *quantity* and *quality* of outputs to be delivered. For example, if the proposed output is a group of training courses and there had been no prior training whatsoever, the baseline would be zero. If, however, previous training had been undertaken, then the baseline must gather information regarding the quality of previous training courses, the system to measure it and the attendance criteria. If the expected outcome of this training is a change on job performance, baseline information needs to provide a measure of ex-ante job performance.

### **H. Baselines for Outcomes**

Also, baselines for outcomes provide ex-ante information on conditions that are expected to change as the result of the project. The same conditions discussed in section G apply in the definition of baselines for outcomes.

The process for obtaining the baseline information has three phases: the first defines the problem or situation and identifies its characteristics; the second gathers the information that is pertinent to the theoretical formulation effected; and the third orders and analyzes the data pursuant to pre-established criteria.

The phase of the definition of the problem and identification of the characteristics presented, in relation to the baseline information, are of crucial importance since this

information cannot include all the variables that can be of interest, but rather must select those that are relevant.

A typical baseline problem concerns the absence or lack of reliability of data. While data problems are chronic, a good baseline assessment should, at minimum, provide some assessment of the data which should be developed prior to project execution. Building such data-gathering capacity is both a contribution to the individual project and a contribution to the development of the country's own evaluation capacity.

## **I. Monitoring and Evaluation**

Interventions should have both monitoring and evaluation components. Each serve as an aid to execution and as a means for generating information regarding results achieved. The monitoring system can also be called efficiency auditing and should be designed to measure the efficacy and efficiency of the programs, actions, and components.

Monitoring implies the development of four basic actions: gathering, describing, explaining, and interpreting information with the objective of transforming it into useful inputs for the execution of the project.

In terms of efficiency, the monitoring system will have the following specific objectives:

- To determine the progress of the program with regard to the established goals.
- To identify the problematic areas or obstacles encountered during its implementation.
- To help define the description of precise incentives for the development of the program.
- To improve productivity and generate a greater aggregate value of the actions and disbursements.
- To determine the success or failure of the program or the objectives with regard to the attainment or achievement of the predicted outputs.

In the formal aspects, an appropriate monitoring system implies the following:

- A specific entity, with the necessary bureaucratic and administrative arrangements, is responsible for conducting monitoring activities.
- The entity is integrated into the structures of the administration of the corresponding sector and helps to construct reinforce the institutional capacity for an adequate monitoring of the programs and projects, thereby guaranteeing future sustainability.
- A clear conceptual framework of the monitoring program has been defined.

- The baseline information for the monitoring system has been collected.

A good monitoring system should ensure:

- That the established monitoring system guarantees feedback to the execution process in order to eliminate project execution obstacles or problems, adjusting the expected time frames, defining and implementing the systems and procedures that improve the efficiency of the execution process.
- That the identification of the outcome indicators and data sources avoid the duplication of information-gathering efforts, employing for such purpose, whenever possible, available sources of data.
- That milestones are set to allow for the detection of degrees of progress in terms of certain specific periods of time.
- That the factors, conditions, or elements that could introduce measurements errors or biases in terms of variations in the information-gathering systems, or as a cause of the variations in information-gathering criteria or standards, be identified.
- That the total costs implied by the defined monitoring system be rational and proportionate to the total cost of the project.

Evaluation is linked to, but separate from, project monitoring. Evaluation activities are designed to provide feedback on results achieved, and should be carried out by individuals or organizations not directly responsible for execution. Evaluations can be of two types: in-process and ex post.

In process evaluations are developed during the execution of the project and analyzes the management, some of its activities or components, or the intermediate outcomes obtained in terms of the purpose of the operation. Examples of such evaluations are the mid-term reviews held for some Bank projects in which executing agencies directly responsible for execution meet with Bank staff not directly involved to discuss progress and problems. Process evaluations need not produce documents (although this is often helpful) but they are a valuable vehicle for providing a moment for reflection on achievements and on project design.

Ex post evaluations are developed once the execution is concluded and seek to determine the degree of compliance with the general objectives, purpose, and goal of the project. Likewise, while the first is directed toward introducing changes or improvements in the execution, or toward introducing changes in the programming of the same, the second attempts to assess results and transform them into appropriate knowledge applicable to future operations.

In both cases, and from the point of view of the evaluability, the definition of these evaluation systems should respond to the following matters:



- What is the reason for the evaluation? There is no rule or principle indicating that all projects should be the object of an ex-post evaluation and much less an intermediate one. When it is thus determined, it is necessary to explain the reasons that support this, meaning why the evaluation will be carried out, or why it will not.
- Who are the stakeholders? In other words, to whom will the outcomes of the evaluation be directed?
- What are the essential topics that are the object of the evaluation, meaning the identification of the key elements to be evaluated?
- Who performs the evaluation, what are the required basic conditions and qualities, and what is the budget assigned to the same and its source?
- What are the requirements of stakeholders, i.e., what are the time needs, the resource needs, or the information needs that must be reinforced to ensure a reasonable development of the evaluation in the country or sector where this will occur?
- In what form or manner is the planned evaluation connected to the evaluation systems established in a country or institution in order for it to generate aggregate value of the country's evaluative capacity?

The evaluability instrument incorporates five key aspects to be considered by the project teams in the area of monitoring and evaluation to ensure the evaluability of the program. These elements are<sup>30</sup>:

- Bank and borrowers have defined a data gathering system to generate information on indicators.
- Resources have been identified and committed to ensure that predefined data will be collected and analyzed.
- Provisions have been made for using the information for project monitoring.
- Sources of information are specified for all indicators.
- Beneficiaries are expected to participate in monitoring and evaluation.

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<sup>30</sup> The information obtained could be used among actors for measuring improvements in project execution efficiency.

## DESCRIPTION OF THE UNIVERSE OF PROJECTS STUDIED

During 2001, the OVE analyzed a total of 90 projects.<sup>31</sup> These projects were the object of a double analysis: the first was of the documentation presented to the Loan Committee and the second was of the final version of the project presented to the Board of Directors. This second analysis was centered on the verification of the changes the project document had undergone as a result of the review effected by the Loan Committee. These changes were individually assessed by the same OVE officials who had analyzed the version of the document distributed to the Committee and, although a new note was not presented to the Administration, an internal note was written reflecting the significance of the changes detected and the manner in which the score assigned to the project was affected by them.<sup>32</sup> Copies of all the notes presented and of the internal notes are attached to this document as an annex.

Of the total of 90 projects reviewed by the OVE during the evaluability exercise developed in 2001, 65 were analyzed by the Board of Directors and the Loan Committee, 17 were analyzed only by the Board, and 8 were analyzed only by the Loan Committee.<sup>33</sup> These differences are as follows:

a.- The 17 projects analyzed by OVE at the level of the Board of Directors and not by OVE at the level of the Loan Committee correspond to private sector projects and those projects that went to the Loan Committee in 2000 and were approved by the Board of Directors in 2001. It should be noted that OVE only reviewed the private sector projects (PRI) upon the distribution of the documents to the Board of Executive Directors because the loan committee versions of those documents were not available to OVE. These projects were :

- AR-0291. Private sector. OVE reviewed only the Board of Directors version.
- BR-0354. Private sector. Reviewed only by the Board of Directors.
- BR-0361. Private sector. Reviewed only by the Board of Directors.
- CH-0162. Private sector. Reviewed only by the Board of Directors.
- DR-0140. Private sector. Reviewed only by the Board of Directors.
- RG-0054. Private sector. Reviewed only by the Board of Directors.

The 11 remaining projects are:

- AR-0262. Approved by the Board of Directors in January 2001 and by the Loan Committee in November 2000.

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<sup>31</sup> Of these 90, the Board of Directors has not approved three. One of them, AR-0291, was withdraw for consideration after been submitted at the Board of Directors. Loans ES-0138 and HO-0186, despite having been considered by the Loan Committee, have been withdrawn from the pipeline.

<sup>32</sup> The verification of the changes experienced by the project documents was carried out, in the majority of the cases, by means of an analysis of the “marked version” of the project document presented to the Board of Directors.

<sup>33</sup> The total list of projects analyzed is attached in an annex.

- BA-0055. Approved by the Board of Directors in August 2001 and by the Loan Committee in October 2000.
- BH-0029. Approved by the Board of Directors in May 2001 and by the Loan Committee in November 2000.
- BO-0180. Approved by the Board of Directors in March 2001 and by the Loan Committee in Nov. and December 2000.
- BR-0270. Approved by the Board of Directors in January 2001 and by the Loan Committee in October 2000.
- CH-0164. Approved by the Board of Directors in February 2001 and by the Loan Committee in October 2000.
- ES-0129. Approved by the Board of Directors in April 2001 and by the Loan Committee in October 2000.
- GU-0131. Approved by the Board of Directors in June 2001 and by the Loan Committee in September 2000.
- ME-0213. Approved by the Board of Directors in August 2001 and by the Loan Committee in October 2000.
- NI-0081. Approved by the Board of Directors in February 2001 and by the Loan Committee in June 2000.
- PR-0118. Approved by the Board of Directors in February 2001, Loan Committee in June 2000.

b. The 8 loans presented to the Loan Committee during 2000, but the consideration of which by the Board of Directors was postponed until 2002, are:

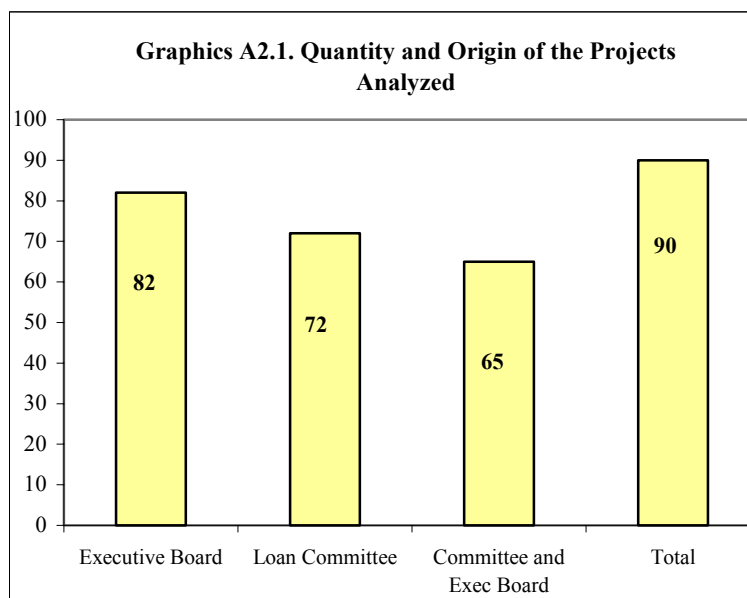
- BR-0301. Loan Committee in June 2001. (approved)
- ES-0116. Loan Committee in May 2001. (approved)
- ES-0130. Loan Committee in October 2001. (approved)
- ES-0138. Loan Committee in November 2001.
- GU-0119. Loan Committee in October 2001. (approved)
- HO-0175. Loan Committee in July 2001.
- HO-0186. Loan Committee in May 2001.
- TT-0050. Loan Committee in October 2001.

It should be noted that 8 loans approved in 2002 were not analyzed individually by the OVE. These and the reasons therefore are as follows:

- AR-0284. Technical Cooperation.
- CA-0035. Reformulation of 2 previous loans.
- CO-0261. Technical Cooperation (was analyzed jointly with CO-0252).
- ES-0148. Emergency Loan.

- ES-0150. Emergency Loan.
- GU-0152. Facility.
- PE-0215. Emergency Loan.
- UR-0145. Technical Cooperation (was analyzed jointly with UR-0130).

The following graph shows the number of projects analyzed in each instance, for a total of 82 projects reviewed by the Board of Directors, 72 by the Loan Committee, and 90 total.<sup>34</sup>



These 82 projects are distributed by type of loan instrument and by sector and sub-sector (according to the Bank's internal project classification), according to the following table:

Type of Instrument	Number of projects	Sector	Number of projects	Sub-sector	Number of projects
Investment	63	Infrastructure	13	Energy	5
Policy based	13	State Reform	22	Sanitation	4
Private sector	6	Productive	12	Education	5
		Social	35	Transportation	9
				Agriculture	7
				Social Investment	16
				Urban Development	5

<sup>34</sup> The complete list of reviewed projects, as well as the notes on each, is incorporated to this report as Annex 1.

Type of Instrument	Number of projects	Sector	Number of projects	Sub-sector	Number of projects
				Environment	4
				State Reform	20
				Health	2
				Tourism	1
				Industry	3
				Science and Technology	1
<b>Total</b>	<b>82</b>	<b>Total</b>	<b>82</b>	<b>Total</b>	<b>82</b>

Project	LC 2000	LC 2001	BD 2001	BD 2002	Reviewed LC	Reviewed BD	LC Reason No.	BD Reason No.
AR-0176		X	X		X	X		
AR-0262	X		X		No	X	LC 2000	
AR-0266		X	X		X	X		
AR-0280		X	X		X	X		
AR-0284			X		No	No	Tec. Coop.	Tec. Coop.
AR-0291					No	X	PRI	
BA-0019		X		X	X	X		
BA-0055	X		X		No	X	LC 2000	
BH-0029	X		X		No	X	LC 2000	
BL-0017		X	X		X	X		
BO-0174		X		X	X	X		
BO-0180	X		X		No	X	LC 2000	
BO-0196		X	X		X	X		
BO-0197		X	X		X	X		
BO-0203		X	X		X	X		
BR-0246		X	X		X	X		
BR-0269		X	X		X	X		
BR-0270	X		X		No	X	LC 2000	
BR-0295		X	X		X	X		
BR-0298		X	X		X	X		

Table A2.2. Official list of approvals and documents reviewed by the OVE during the exercise								
Project	LC 2000	LC 2001	BD 2001	BD 2002	Reviewed LC	Reviewed BD	LC Reason No.	BD Reason No.
BR-0301		X		X	No	No		BD 01/2002
BR-0327		X	X		X	X		
BR-0331		X	X		X	X		
BR-0351		X		X	X	X		
BR-0354			X		No	X	PRI	
BR-0355		X		X	X	X		
BR-0360		X	X		X	X		
BR-0361			X		No	X	PRI	
CA-0034		X	X		X	X		
CA-0035			X		No	No	Reformulation	Reformulation
CH-0162			X		No	X	PRI	
CH-0164	X		X		No	X	LC 2000	
CH-0170		X		X	X	X		
CO-0234		X		X	X	X		
CO-0240		X	X		X	X		
CO-0251		X		X	X	X		
CO-0252		X	X		X	X		
CO-0261			X		No	No	Tec. Coop.	Tec. Coop.
CR-0141		X	X		X	X		
DR-0137			X		No	X	PRI	
DR-0140		X	X		X	X		
EC-0191		X	X		X	X		
EC-0198		X	X		X	X		
EC-0203		X	X		X	X		
EC-0204		X	X		X	X		
ES-0087		X	X		X	X		
ES-0116		X		X	X	No		BD 02/2002
ES-0119		X	X		X	X		
ES-0120		X	X		X	X		
ES-0129		X	X		X	X		
ES-0130		X		X	X	No		BD 04/2002
ES-0138		X		X	X	No		W/D Pipeline

Table A2.2. Official list of approvals and documents reviewed by the OVE during the exercise								
Project	LC 2000	LC 2001	BD 2001	BD 2002	Reviewed LC	Reviewed BD	LC Reason No.	BD Reason No.
ES-0148			X		No	No	Emerg. Loan	Emerg. Loan
ES-0150			X		No	No	Emerg. Loan	Emerg. Loan
GU-0119		X			X	No		BD 04/2002
GU-0131	X		X		No	X	LC 2000	
GU-0152			X		No	No	Facil. Sect.	Facil. Sect.
GY-0056		X	X		X	X		
GY-0061		X	X		X	X		
HO-0175		X		X	X	No		BD 05/2002
HO-0179		X	X		X	X		
HO-0185		X	X		X	X		
HO-0186		X		X	X	No		W/D Pipeline
HO-0193		X	X		X	X		
HO-0203		X	X		X	X		
HO-0206		X	X		X	X		
JA-0043		X	X		X	X		
JA-0105		X	X		X	X		
JA-0113		X	X		X	X		
JA-0115		X	X		X	X		
ME-0213	X		X		No	X	LC 2000	
ME-0231		X	X		X	X		
ME-0233		X	X		X	X		
ME-0244		X		X	X	X		
NI-0081	X		X		No	X	LC 2000	
NI-0101		X	X		X	X		
NI-0141		X	X		X	X		
NI-0146		X	X		X	X		
NI-0147		X	X		X	X		
NI-0153		X	X		X	X		
NI-0156		X	X		X	X		
PE-0107		X	X		X	X		
PE-0140		X	X		X	X		
PE-0212		X	X		X	X		

Table A2.2. Official list of approvals and documents reviewed by the OVE during the exercise								
Project	LC 2000	LC 2001	BD 2001	BD 2002	Reviewed LC	Reviewed BD	LC Reason No.	BD Reason No.
PE-0215			X		No	No	Emerg. Loan	Emerg. Loan
PN-0076		X	X		X	X		
PR-0100		X	X		X	X		
PR-0118	X		X		No	X	LC 2000	
RG-0054			X		No	X	PRI	
SU-0017		X	X		X	X		
SU-0019		X	X		X	X		
TT-0050				X	X	No		BD 05/2002
UR-0130		X	X		X	X		
UR-0132		X	X		X	X		
UR-0133		X	X		X	X		
UR-0145			X		No	No	Tec. Coop.	Tec. Coop.
VE-0057		X	X		X	X		
VE-0125		X	X		X	X		



### GOVERNORS' STATEMENTS

“We appreciate the Administration’s efforts in certifying that the operations financed by the IDB have a clear impact on development, aligning the internal processes, procedures, and incentives toward the achievement of results.”<sup>35</sup>

“It gives us pleasure to confirm that the IDB is committed to efficiency in terms of development and that the promotion of quality has come to occupy first place in the Bank’s agenda ... the conclusions of this report clearly show the need for the Bank to establish follow-up and evaluation systems in order to increase the efficiency of its credit and non-credit activities.”<sup>36</sup>

“Our government, along with many others, considers the capacity to demonstrate results to be increasingly important. We should show how our taxpayers’ money has been part of the visible improvements in the life of the people ...”<sup>37</sup>

“Public institutions throughout the world are the object of increasing scrutiny in terms of their efficiency and should show the results of their measures ... I approve of the current and intensified debate on development effectiveness and what it necessarily implies: greater emphasis on outcomes and impact instead of supplies and products ...”<sup>38</sup>

“Taxpayers throughout the world, who are in fact shareholders of this Bank, should be able to see how their money is spent and what results have been achieved with it. We therefore firmly support the measures taken to obtain evaluable indicators and projects ...measurable objectives should be set and performance indicators established, not only for purposes of knowing the results at the end of a project or program, but also to follow up on these during the execution.”<sup>39</sup>

“Quality should be present in each project from the start of its design, before its presentation to the Board, with clearly stipulated outcome-based objectives.”<sup>40</sup>

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<sup>35</sup> Speech by the Interim Governor for Italy, Mr. Lorenzo Bini Smaghi, at the second plenary session.

<sup>36</sup> Speech by the Temporary Interim Governor for Norway, Ms. Ingrid Glad, at the fifth plenary session.

<sup>37</sup> Speech by the Interim Governor for Sweden, Ms. Ann Uustalu, at the fifth plenary session.

<sup>38</sup> Speech by the Governor for Switzerland, Mr. Oscar Knapp, at the third plenary session.

<sup>39</sup> Speech by the Temporary Interim Governor for the Netherlands, Mr. Jan Willem van der Kaaij, at the third plenary session.

<sup>40</sup> Speech by the Temporary Interim Governor for the United States, Mr. John Taylor, at the second plenary session.