



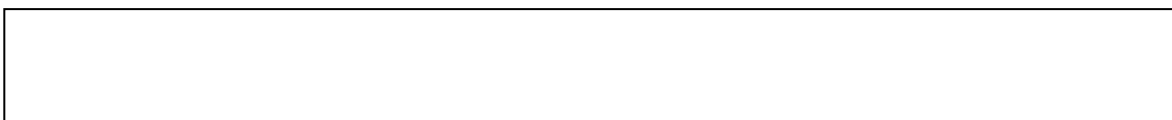
*RE-397*

***APPROACH PAPER:  
EVALUABILITY REVIEW OF BANK  
PROJECTS 2011***

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*Office of Evaluation and Oversight, OVE*

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## I. INTRODUCTION

- 1.1 Evaluation is an important tool for any organization to promote learning and improve its effectiveness. However, very often the capacity of an evaluator to do a proper assessment of a project's progress and results is hindered by project design. Lack of baseline data, inadequate indicators, and weak mechanisms for data collection can undermine the ability to learn from ongoing projects. Measuring the evaluability of a project ex ante is a way to determine whether a project will be capable of being evaluated ex-post; i.e. evaluability is *“the extent to which an activity or a program can be evaluated in a reliable and credible fashion.”*(OECD, 2002)
- 1.2 During the last decade the IDB has strongly promoted an agenda to increase project evaluability. In 2001 the Office of Evaluation and Oversight (OVE) developed tools to assess project evaluability<sup>1</sup> and applied them to all projects approved in that year. The exercise was repeated in 2005 and 2009.<sup>2</sup> OVE's 2009 evaluability exercise was performed parallel to the development by IDB management of the Development Effectiveness Matrix (DEM), a self-assessment tool on evaluability that is now required for all projects presented to the Board. Two different types of DEMs were developed, one for non-sovereign-guaranteed (NSG) loans and the other for sovereign-guaranteed (SG) loans.<sup>3</sup>
- 1.3 The IDB-9 agreement reinforced the importance of evaluability at the Bank. Currently, projects have to score five or more (out of a possible 10) on the DEM in order to be approved. In addition, OVE is expected to report annually to the Board of Executive Directors on project evaluability:

*“Governors endorse a further strengthening of the Operations Policy Committee (OPC) and the programming process (...), to ensure that projects meet minimum evaluability thresholds. In this respect, Management will amend operational procedures (...): (i) all SG and NSG projects must be rated for evaluability; (ii) the evaluability score includes only the dimensions of evaluability of the DEM; (iii) SPD will support teams in meeting evaluability standards from project profile to project proposal, and will validate the final evaluability score for OPC consideration (...); OVE will report annually to the Board of Executive Directors on project evaluability (ex-ante), as well as validate achieved results in completed projects (ex-post); (iv) a minimum evaluability threshold of 5 will be required for all operations to be submitted to the Board of Executive Directors ...”* (AB-2764).

- 1.4 OVE and Management have been working to harmonize criteria to assess evaluability. Management revised the DEM criteria and process, taking into consideration inputs from OVE, and SPD/VVP Development Effectiveness Officers began to work more proactively with project teams (GN-2489-5). Comments are now sent to teams at the

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<sup>1</sup> Details about the evaluability tools developed by OVE in 2001 can be found in the Working Paper OVE WP-01/00 of December 2000.

<sup>2</sup> The results of the three moments in which OVE assessed project's evaluability can be found in RE-275, RE-333 and RE-379.

<sup>3</sup> The NSG DEM was defined in the SCF Development Effectiveness Framework (GN-2473-1) and is based on ECG-GPS. It has been adopted by SCF and OMJ, while the SG DEM was developed by SPD and its original guidelines can be found in GN-2489.

Project Profile (PP) stage, and an Evaluability Note is sent at the QRR stage. After management's final validation of the DEM, a short note on the project's evaluability is written and sent to the Board along with the project for approval.

- 1.5 Given the contributions of the DEM and the self-evaluation system for evaluability, OVE can now move away from a wholly separate system of reviewing project evaluability (as was done in 2001, 2005, and 2009) toward a system of continuous validation, on a sample basis, of DEM scores produced by management. The initial exercise outlined in this approach paper aims at piloting an approach to such validation while also establishing a baseline measure of how projects are performing according to the new criteria. OVE will also use this first report as an opportunity to review the DEM criteria.

## II. SCOPE AND EVALUATION QUESTIONS

- 2.1 In October 2011 OVE will begin to validate, on a continuous rolling basis, a sample of DEMs of projects approved. This validation process will be used as the main source of information for OVE to report on the evaluability of projects each year as required by IDB9. The first cohort of DEMs to be validated will be for projects approved through the end of 2011 and will serve as a pilot for setting up OVE's validation system. Through this exercise it will be possible to define in a more rigorous way the sampling design to be used, the necessary resources to be allocated, and the most efficient way to implement the system. The exercise will address two questions discussed below.
- 2.2 **What has been the Bank's performance in terms of evaluability since the adoption of the new DEM in April 2011?** This first question is the standard one expected to be addressed through OVE's validation process. The DEM of each validated project will be reviewed by an evaluability team (composed of a Staff Member and a Research Fellow) with knowledge of that sector, and all such teams will be coordinated and overseen by a panel to ensure consistency. Teams will rate project evaluability following the same guidelines used by management (GN-2489-5) and will report them next to management's ratings in one of the forms included in Annex, depending on whether the project is sovereign-guaranteed or non-sovereign guaranteed.
- 2.3 The first cohort of DEMs to be validated in this pilot phase will be composed of approximately one third of the projects approved between April 1<sup>st</sup>, 2011 and December 15<sup>th</sup>, 2011 that have been subject to all new DEM requirements.<sup>4</sup> Projects will be selected in a random fashion, i.e., for each project approved there will be a 1/3 chance of being selected.<sup>5</sup> The sample is expected to be representative of the Bank's portfolio as a whole, though it is unlikely to be possible to make inferences by sector or by instrument in a

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<sup>4</sup> According to the Revision of the DEF, "Management will implement the changes presented in this document to all projects that will hold their QRR meetings on or after April 1, 2011." In practice, all projects that went to the Board after April already had the new DEM, even those that did not go through the entire process of interaction with management.

<sup>5</sup> A random series has been generated with values 1, 2 or 3. Projects will be ordered according to date of approval and linked to this series according to their number of order. All projects associated to value 1 will be included in the sample, while projects to which a 2 or a 3 were attributed will not be part of this study.

given year. However, as the validation system continues for a longer period of time, a multi-year sample should become representative for smaller subsets.

- 2.4 The draft of each validation will be sent to management for comment, and OVE will meet with project teams as needed to discuss findings. OVE will then finalize the validation. In addition to the validations themselves, two other products are expected from this exercise. The first is the overview of the findings of the validation of Apr.-Dec. 2011 projects, which will serve as a baseline for future validations. The second, for internal use only, will be a list of recommendations for the implementation of the ongoing validation system.
- 2.5 **How well do the criteria in the DEM reflect the evaluability standards adopted by the Bank?** According to GN-2489-6, “*Directors agreed that the new DEM was a “work in progress” which would require adjustments as it is being implemented. (...) It was also agreed that OVE should evaluate its application at the end of the first year.*” The validation process provides a good opportunity to provide feedback to management regarding the criteria being used. OVE will analyze how the main evaluability principles adopted by the Bank (as stated in GN-2489-5) are being captured through the DEM and whether the DEM is leaving out any requirements specified in these principles. Particular attention will be given to the issue of how the evaluability principles can be adequately considered in the DEM for different types of instruments. The goal will be to suggest improvements at the margin without disrupting the progress made to date in the implementation of the DEM process.

### III. TASK TEAM AND TIMELINE

- 3.1 The team leader for this task is Anna Crespo. A broad group of OVE staff and Research Fellows are expected to participate in the validation exercises. The final report is expected to be submitted to the Board in March, 2012, as shown in the timetable in Table 1.

**Table 1. Timetable**

Activity/Product	Date
Finalization of Approach Paper	September 2011
Draft for internal review	January 2012
Draft for management review and comment	February 2012
Distribution of final report to Board	March 2012