



Approach Paper

Japanese Trust Fund

Proposal for a
Second Independent
OVE Evaluation





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I. EVALUATION BACKGROUND

- 1.1 Historically, Japanese Trust Funds administered by the IDB (JTF) have been among the most significant sources of external funding for IDB technical cooperation activities. As such, a former evaluation shows that JTF has played an important role in supporting IDB's efforts to promote social and economic progress in Latin America and the Caribbean (LAC). It is estimated that by the end of 2012, JTF will have committed almost US\$350 million in support of more than 600 projects at IDB.
- 1.2 Over time, the Government of Japan (GoJ) has shown a strong commitment towards independent evaluation at IDB. This has served to enhance accountability for the use of taxpayer provided funds in JTF, as well as to further verify the results obtained to date. Both the Donor and the JTF Management Team at IDB seek to utilize lessons learned from evaluation to uncover opportunities for additional improvements in the application of existing and future resources from Japan.
- 1.3 Systematic evaluation of results has also become an accepted standard among the donor community. It is an increasingly important component of developmental work to which specific resources are being allocated. Evaluation resource allocations vary depending on particular objectives and circumstances, but usually range around 1 to 2% of program resources. Evaluation is now more often considered an investment, whose payback takes the form of useful lessons learned to ensure that future - progressively scarcer - resources are more relevantly, effectively and efficiently applied.
- 1.4 At the request of - and with funding provided by - the GoJ, the IDB Office of Evaluation and Oversight (OVE) conducted the first comprehensive External Independent Evaluation of the Japanese Trust Funds at IDB five years ago (C/S-3746). It was presented in August 2007 and covered 129 JTF projects completed before December 31st, 2005. The JTF OVE evaluation was widely disseminated; and the GoJ has continued requesting independent evaluations along similar lines at most of the other International Financial Institutions (IFIs), including the World Bank (WB), the International Monetary Fund (IMF) and the Asian Development Bank (ADB), all of which also manage Japanese Trust Funds.
- 1.5 OVE is now being requested to submit a proposal to conduct a similar second independent evaluation of the subsequent 225 JTF projects completed between January 1st, 2006 and December 31st, 2012, involving approximately US\$89 million in Japanese contributions.
- 1.6 The First JTF OVE Evaluation sought to assess the results obtained with JTF financing and point out issues related to the management of those funds, as well as opportunities for improvement. The evaluation encompassed an overall review of JTF program management, as well as individual project analyses along ten evaluative dimensions designed to reflect the JTF objectives at IDB. Drivers of performance in each dimension were analyzed and documented in a standardized template format and scores were assigned to compare relative performance. Overall, the evaluation found positive performance in terms of relevance, effectiveness, sustainability and internal controls. In

contrast, projects were weaker in monitoring and evaluation, innovation, additionally, lessons learned, efficiency and visibility of Japan's contribution. This Second JTF OVE Evaluation proposes to follow a substantially similar methodology and tools.¹

- 1.7 The First JTF OVE Evaluation provided recommendations on two fronts. The first concerned the need to tighten up the JTF Operating Guidelines to reflect the agreement between the Donor and the Bank and to address the operational issues identified by the evaluation (Box 1). The second concerned the need to ensure coherence by “ *fully integrat[ing] JTF into the IDB's programming activities and annual business planning exercises, thus ensuring that the use of JTF resources match the demands from the LAC region. Since, the IDB [was] currently redefining its strategic tools and mechanisms as well as the responsibilities for addressing technical cooperation; it is recommended that the Donor and the IDB agree[d] on appropriate strategic and programming interaction mechanisms in order to [also] better incorporate Donor's needs and requirements.*”

Box 1 - First JTF OVE Evaluation - JTF Operating Guidelines Recommendations

*a. **Evaluability:** Require TCs to incorporate complete logical frameworks containing appropriate indicators, clear baselines and measurable targets.*

*b. **Verification of results:** Ensure the periodic, independent, and timely verification of project results. For this purpose, it is recommended that JTF projects be independently evaluated biannually, while back-up project documentation be made readily available – ideally on-line.*

*c. **Risk identification and mitigation:** Ensure that the IADB implements a system to gather past experience (by country and thematic areas) and that the information from that system is used to identify the most frequent risks affecting past operations as well as the most effective mitigation actions; so that they can be incorporated, together with the current situation analysis, into the plan of operations of future JTF projects.*

*d. **Visibility:** Develop and implement a JTF visibility policy and guidelines as well as a menu of standardized tools. Require that each TC operation select the most suitable tools from that menu, allocating the appropriate resources when needed. One possible tool to enhance visibility could be the use of a logo that readily identifies the contribution of Japan.*

*e. **Collaboration with other Japanese agencies:** Ascertain the Donor's desired collaboration and synergies with other Japanese agencies by defining and implementing guidelines. To that effect, it should specify the types of agencies and degree of collaboration, taking into consideration the opportunities to enhance the contribution of Japanese know-how so that it can be taken into account by project teams at the design stage and incorporated into the Plan of Operation for each TC.*

*f. **Stakeholder participation:** Ensure an adequate institutional assessment to understand the various stakeholders involved, their interests and institutional capacity. Also seek the participatory involvement of the beneficiaries and all other relevant stakeholders at the different stages of the project cycle. This includes enhancing the TC design through consensus building and other participatory mechanisms, which in turn enhance ownership by the involved stakeholders.*

*g. **Innovation and additionality:** Certify the use of the JTF for innovative projects, particularly those where Japan has a particular know-how or competitive advantage. Generate greater knowledge transference processes or interactions with similar initiatives inside and out of the IDB as in the cases of additionality and/or economies of scale in other JTF operations when innovations are properly*

¹ Please refer to methodological annexes of the First JTF OVE Evaluation - External Independent Evaluation of the Japanese Trust Funds at IDB (CS-3746) for detailed project, sector and country analysis templates.

disseminated. Define the most important innovative elements for the IDB and the Donor and establish criteria to finance projects in terms of their innovative potential. Use the experience from lessons learned to heighten the innovative elements in each project by systematizing and storing lessons learned and making them easily accessible to project teams in similar areas.

*h. **Gather and systematize the lessons learned:** Ensure that lessons from past experiences, are compiled, systematized, and utilized by project teams, for their application in the design and execution of future JTF TCs. Those lessons should serve, among other objectives, to establish realistic time frames for project execution. This requires a reasonable analysis of the time for the selection and hiring of consultants, the time required for the completion of technical studies and other activities. These lessons should also serve to develop benchmarks to guarantee project efficiency by developing comparative standards for typical costs of specific activities and studies.*

*i. **Ready availability of project documentation:** For each project, require the ready availability of digitized project documentation for a period that complies or exceeds the auditing standards of both the Donor and the IDB. This documentation should include at a minimum, the approved Plan of Operation, formal agreements for the financing, selection and hiring of consultants, procurement of services and goods, as well as the mid-term and final evaluations of the project and of the consultants hired to carry out the necessary studies.*

*j. **Improved IDB information system:** It is recommended that the Donor require that, within a specified time frame, the IDB implement an information system that will allow an on-line review and follow-up on the IDB's approval, execution and evaluation processes for JTF technical cooperations, and includes an enhanced registration of procurement documentation and procedures. Provisions and incentives must be generated so that quality of information is assured and actually fed into this system with the necessary quality controls incorporated. In parallel with this improved information system, each project must incorporate evaluation and monitoring tools such as well thought-out logical frameworks. Furthermore, reporting on the progress of performance of indicators should be applied on a more consistent and systematic manner.*

1.8 In addition, a key cross-cutting finding of the First JTF OVE Evaluation was that good project results were inherently related to the capabilities of the processes used by the Bank to manage JTF. This connection was particularly strong for monitoring, supervision, evaluation and dissemination processes; areas that extended beyond the traditional Bank's focus on approval and disbursement. As a follow up, OVE produced an Evaluation of the Bank's Processes for Managing Technical Cooperation (RE-364). In September 2011, IDB partially addressed these issues by once again changing operating guidelines for TC products (GN-2629), thus superseding 2008 procedures (GN-2469). This Second JTF OVE Evaluation will assess the early effects of these changes on the batch of JTF projects under evaluation.

A. Japanese Trust Funds at the IDB

1.9 Since 1988, Japan has accounted for about 40% of all single-donor-country trust fund contributions to the IDB. Within it, the Japan Special Fund (JSF), whose mission is to flexibly contribute to innovative IDB projects, accounts for roughly 55% of JTFs used for TC's completed between 2006 and 2012. Two smaller funds, the Japanese Trust Fund for Consultancy Services (JCF) and the Japan Poverty Reduction Program (JPO), account for another 25% and 20% respectively. The JCF aims to facilitate the application of Japanese know-how and development experience. The JPO provides financial support to aid poverty alleviation efforts of borrowing member countries, mostly at the community level.

- 1.10 As established in the 1988 Letter of Agreement between the Government of Japan and the IDB, the Japanese Trust Funds at IDB pursue objectives aligned with those of the Bank: “to help recipient developing member countries accelerate the process of economic and social development.” As further established in the Agreement: “the Grants will be utilized in accordance with the Bank’s policies, procedures and practices ... to finance ... technical assistance for project preparation, pre-investment and institutional support, [to finance] small projects, [to co-finance on a non-reimbursable basis] sector loans, emergency assistance loans, [and] technical assistance to recipient sub-regional financial institutions”.
- 1.11 Although in theory all sectors of Bank work were open to support from JSF, until 1998 there was a clear emphasis on infrastructure and the environment. In 1998, the GoJ realigned its support along the lines of IDB-8, with a growing relevance of social and emergency management concerns. In 2001, the GoJ further reaffirmed its support for social development by “specifically including social protection and women in development activities as well as nutrition, health and education” as priority areas. As the Bank undertakes a new strategic prioritization under IDB-9, the GoJ is likely to continue adapting its scope of support to match the emerging development needs of the region.
- 1.12 This emphasis on social issues was further reaffirmed in 2001, with the GOJ’s decision to establish a Japan Special Fund, Poverty Reduction Program (JPO), as a carve-out of the JSF. JPO targeted specific social development objectives in two areas: (i) enhancing capacity at the community level (CBP) and (ii) improving IDB’s social projects to further benefit poor and vulnerable groups in beneficiary countries (LEP). The CBP component supported: (a) capacity building of organizations that work with low-income communities to provide sustainable solutions for poverty reduction; and (b) greater stakeholder participation (NGOs, civil society groups, and local governments) at the community level. The LEP component: (a) complemented loan operations with poverty reduction activities not financed by the loan facility; and (b) contributed towards sustainable poverty reduction on operations and programs in borrowing member countries.
- 1.13 Similarly, over the years, operational guidance on the Japan Special Fund (JSF) and Japanese Trust Fund for consultancy Services further refined their objectives and priorities. The September 2004 JSF/JCF Guidelines establish support for both Loan preparation and implementation (LPG), as well as Stand Alone Grants (SAG) for “activities which the Bank places high priority in its institutional strategy or in its future programs based on the beneficiary countries’ needs to address development needs of the region.” Thus, JSF activity places a particular emphasis on facilitating ongoing Bank work (LPG), but also on filling relevant gaps and/or fostering innovative areas within the Bank’s strategy (SAGs). JCF was a subcategory initially envisioned to promote the participation of consulting firms or individual consultants that are nationals of Japan. The Bank is the executing agency of JCF projects. Lately, JCF has focused on providing the expertise of Japanese individuals within different IDB departments on a temporary basis.
- 1.14 Apart from the pursuit of these developmental objectives, operational guidelines provide for a high level of transparency, as well as collaboration and visibility of the Japanese contribution. As per these guidelines: “Project teams will be encouraged to establish the

visibility of the JSF/JCF by promoting local awareness in borrowing countries. Following are the desirable activities which will be carried out under close coordination and communication with the Japanese Executive Director's Office of the Bank: (a) Sharing information about projects under preparation and after approval with the Japanese embassy; (b) Encouraging involvement of Japanese aid agencies at the time of creation of projects; (c) Utilizing the media to promote visibility; (d) Disseminating outcomes of projects in close collaboration with Japanese aid agencies; and (e) communicate contributions of JSF/JCF in Loan Documents.”

- 1.15 Like most technical cooperation at the Bank, JTF projects fall – although not always clearly - into two main typologies: (i) Loan Preparation Grants (LPG), aimed at providing technical assistance to enhance the quality of IDB investment operations; and (ii) Stand-Alone Grants (SAG), aimed at developing capacity at recipient countries for policy formulation and implementation. About 40% of the JTF projects to be evaluated corresponded to loan preparation activities (LPGs). The rest were stand-alone initiatives (SAGs), involving the application of new development tools, policies and processes to address specific, sector-related issues. All borrowing member countries of the Bank remain eligible for JTF funding. Eligibility is also open to all types of projects: country-specific, regional, and private sector.
- 1.16 JTF support was aligned with four of the five strategic priorities of the Bank detailed in the recent capital increase (IDB9): Social Policy for Equity and Productivity (SCL), Institutions for Growth and Social Welfare (ICF), Infrastructure for Competitiveness and Social Welfare (INF) and Environment, Climate Change, Renewable Energy and Food Security (ECC). JTF also supported one of the two IDB9 strategic goals: Development through the Private Sector (PSD). By contrast, and perhaps due to their access to other funding, the JTF projects to be evaluated in this batch provided scarce direct support to IDB's efforts in Haiti (SVC) and Competitive Regional and Global Integration (REG).
- 1.17 *Social sector (SCL)* accounted for 46% of JTF projects and 39% of JTF resources in this batch. JTF activities sought to promote a new generation of social programs to foster equality of opportunities, increase the quality and relevance of education, improve health outcomes, protect households against risks, and protect income effectively while promoting increases in labor productivity. Areas of engagement included building well-articulated safety nets, improving the functioning of labor markets, raising the quality and equity of education and health, and tackling cross-cutting gender and diversity issues.
- 1.18 *Infrastructure (INF)* continued being a focus of JTF, with 13% of JTF projects, but 25% of JTF resources. Japanese expertise and/or resources target the large positive externalities associated with low transport costs, dense networks for balanced regional development and the breaking of geographical isolation, promoting access to sustainable sources of energy, low-cost telecommunications and reliable water and sanitation services. The average size of JTF projects in this area have tended to be larger, about twice than the JTF average, and involve specialized consulting firms. Infrastructure area also used to receive a larger share of support from Japanese consulting firms. Yet, in the recent past much of this funding, linked to the Japanese Trust Fund for Consultancy Services (JCF), has been shifted towards seconding Japanese professionals within IDB.

- 1.19 *Environment, Climate Change, Renewable Energy and Food Security (ECC)* activities accounted for 12% of JTF projects and 14% of JTF resources. Work in this area is intensive in technical assistance to assist countries in designing green policies, develop adequate institutional and regulatory frameworks to allow investments in sustainable transport, alternative fuels, renewable energy and energy efficiency, adapt to climate change impacts in priority sectors such as water supply, agriculture and energy, deliver local interventions to protect and better prepare vulnerable populations, and further build food security through enhanced agricultural productivity.
- 1.20 *Public sector institutional strengthening (ICF)* activities accounted for 13% of JTF projects and 17% of JTF resources. JTF sought to contribute to building strong and effective institutions, promote successful decentralization in the delivery of citizen services, and ensure that well-functioning institutions responsible for citizens' security play a critical role for democracy and social welfare. JTF priorities in this area are also related to private sector development, via the promotion of strong and effective regulatory capabilities by the public sector, in order to further the development of credit, financial markets and the private provision of public services.
- 1.21 Finally, *Development through the Private Sector (PSD)* involved 16% of JTF operations and only 5% of JTF resources. JTF's support towards this IDB9 strategic goal sought to help remove some barriers that impeded investment, firm expansion, job creation, and sustainable growth, by engaging in activities with potentially high demonstration effects. Japanese support was meant to help markets develop by removing market failures, and thus promoting development through the private sector. In particular, JTF targeted assistance to micro, small and medium enterprises seeking to strengthen them as a cornerstone of economic development and welfare improvements in LAC countries. This category also includes other miscellaneous JTF projects, aimed at supporting IDB.²

B. Supervision and Monitoring of JTF

- 1.22 In the early 1990s, the Bank created a centralized area to administer technical assistance contributions under more than 30 trust funds, and about a dozen special programs. JTF has historically been the largest one, only recently matched in scale by contributions from Spain, Korea and China. After the 2007 IDB realignment, that central administrative area was renamed as the Grants and Co-Financing Management Unit (GCM). It was initially placed under the Vice Presidency for Countries, to be later moved under the Office of Outreach and Partnerships (ORP), reporting directly to the President of the IDB.
- 1.23 GCM undertook an effort to standardize the handling of TC contributions at IDB, leading to the approval of a new Policy and Guidelines for Technical Cooperation in 2008 (GN-2469). As part of the reform, Donors would be required to deposit the contributions in multi-donor funds to be set up by the Bank, which will then proceed to allocate the funds, and report to Donors on an ex-post basis. Approval of funding was meant to be decoupled

² For example, there are a number of temporary secondments of Japanese professionals, mostly at IDB headquarters, that are being financed with JCF resources. This also includes staff support to the MIF.

from specific Donor requirements, adopting instead standardized rules based on project size, with \$150,000 and \$750,000 selected as thresholds to determine internal approval levels. This approach generated tensions with some Donors that perceived a downplaying of their interests. At the request of the GoJ, JTF remained partially under the prior rules.

- 1.24 Descriptive annual reports on JTF activities are produced by GCM and submitted to the GoJ. This ongoing reporting tends to focus on individual project details. This has generated information too narrow to assess the overall results of a particular approach or to provide lessons learned on a sectorial or country portfolio basis. A comprehensive evaluation, like the one proposed, seeks to contribute to filling that void by helping identify what works and what doesn't from a wider perspective, and on that basis developing recommendations for improving future results. Moreover, it seeks to build on OVE's prior work on TC processes and incentives by assessing the initial effects of recent process changes on JTF's institutional performance.

II. EVALUATION SCOPE AND OBJECTIVES

C. Goals, Scope, and Methodology of the Evaluation

- 2.1 The evaluation will seek to verify to what extent the most recent batch of JTF operations meet the objectives expressed in the agreement establishing the Japanese Trust Funds at the IDB, and their subsequent amendments and sectorial preferences, as detailed below. Similar to the First JTF OVE Evaluation, OVE will seek to verify results at the project level to the extent possible given methodological considerations (discussed below). As before, OVE will also consider project results in the context of the respective countries and sectors and their potential contribution to broader developmental outcomes. Finally, OVE will assess the effect of the Bank's trust fund management processes on observed results and stakeholder satisfaction, as well as ascertain the degree of implementation of the recommendations of the First JTF OVE Evaluation.
- 2.2 This evaluation will cover the 225 JTF projects that completed disbursement between January 1st 2006 and December 31st 2012; amounting to approximately US\$89 million in Japanese contributions. Among them, 16 projects are yet to be completed, but will be included in the evaluation because they are likely to conclude before the December 31st, 2012 cut-off date. By contrast, the evaluation will not assess the results of JTF projects that have yet to disburse more than 80% of approved amounts. If relevant, and only in the context of the analysis of TC processes, some uncompleted, slow disbursing projects may be used to highlight design, execution or supervision issues related to the performance of JTF management processes at IDB.
- 2.3 Given the enduring limitations of the Bank's TC results reporting systems, the scope of the evaluation will include both desk reviews and field work. It's OVE's experience that for a variety of reasons, the reality in the field differs from reported results as they would be reflected by a desk review. In addition, the opportunity to directly engage other stakeholders, beyond the particular executing agencies, usually yields a richer picture of

developmental effects. Although not rising to the level of an impact assessment, it allows reporting on intermediate outcomes and unexpected benefits that go beyond the mere outputs documented in project supervision reports. It also allows a better understanding of what works and what doesn't, and perhaps more importantly the reasons behind this.

- 2.4 Finally, a smaller section of the evaluation will look at the experience of other MDBs with JTF, as evidenced by available evaluation studies, as well as any trends that may be relevant to recommendations for JTF at IDB. Several relevant audiences will also be approached as to their perceptions, needs and use of JTF resources. These will include Bank Specialists, Bank Managers, Executing Agencies in the field, selected consulting providers and representatives of civil society. This relatively small investment in outreach to other stakeholders will seek to avoid an excessive “inward focus” in the evaluation. It will also open up the evaluation to other experiences and views, and thus it will likely enrich the independence of the analysis and the viability of the recommendations.
- 2.5 The evaluation methodology relies heavily on the approach developed by OVE to conduct the First JTF OVE Evaluation. Like in that case, the assessment of project results will be conducted through two complementary perspectives: bottom-up and a top-down. The bottom-up assessment will be based on a desk review of all projects and a detailed review of a representative sample of the projects under evaluation. In both cases OVE will utilize a standardized template: a *Project Brief Template* for the desk reviews and a *Project Case Template* for the detailed studies, which will include field visits. Desk reviews will also be supported by remote data collection techniques such as surveys of executing agencies, beneficiaries and IDB staff members.
- 2.6 Project Case Templates will be developed only for a sample of the 225 projects under evaluation. The sampling approach will seek to balance representativeness with the potential for extracting useful lessons learned. A direct sampling approach would be problematic, because segmenting this population into interest categories, such as type of JTF fund, country group, sector, or size of operation, will leave relatively small subgroups. Applying randomized selection and seeking a reasonable error /confidence interval range within each subgroup (or stratum, in statistical terms) would require sample sizes very similar to the whole population, thus making the evaluation too costly.
- 2.7 Instead OVE will employ a hybrid approach: covering its accountability mandate with a lighter desk review on 100% of the projects, and doing a smaller number of in depth case studies (72) for learning / quality verification purposes. Both Project Brief and Project Case Templates will be designed along common evaluative dimensions, including relevance, effectiveness, efficiency, sustainability, and innovation. They will differ on the tools employed and the depth of OVE's independent verification. These common results will be aggregated, tabulated and analyzed to uncover any patterns that may be relevant for the recommendations. For example, OVE will compare results within individual sectors and countries to see if there may be broader sector- or country-wide results or systemic issues in design or implementation. Performance will also be compared between C&D and A&B countries Results will also be compared with the First JTF OVE Evaluation to see if there appear to be changes over time.

- 2.8 To the extent possible, due to the relatively small contribution of the JTF and IDB vis-à-vis the size of the region, a top-down assessment will complement the prior analysis, by contextualizing project results within thematic clusters. In OVE's experience, project results cannot be fully assessed unless they are weaved into the network of interactions with other sector and country initiatives, by both the IDB and other development actors. Likewise, development results tend to be path-dependent, and thus the sequence of interventions in a sector is relevant to both the assessment and recommendations. OVE will attempt to reflect this evolution and learning demonstrated by the JTF's approach towards solving key sector issues. For this batch, JTF's contribution to the following five themes will be assessed in a sectorial context: Social sector (SCL), Infrastructure (INF), Environment and Climate Change (ECC), Institutional Strengthening (ICF) and Private Sector Development (PSD).
- 2.9 The analysis of project results will be complemented by an assessment of the processes used by the Bank to manage JTF and, by implication, Trust Funds more generally. These include processes for project selection, programming, approval, disbursement, supervision, monitoring and evaluation, record-keeping, and donor coordination. The evaluation will also include an assessment of the performance and effectiveness of JTF's guidelines used to ensure the transparency, collaboration, as well as visibility of Japan's contributions. The final evaluation will be available in both English and Spanish as per IDB's normal practice, and OVE can arrange for translation into Japanese if so desired. The final evaluation will be delivered to IDB's Board of Executive Directors and to Japanese counterparts and will be made publicly available as per IDB's disclosure policy. Prior to its being finalized, a draft report will be shared with IDB Management and Japanese counterparts for comment. Thematic annexes will complement the report.

B. Indicative Evaluation Questions - Project Level Analysis

- 2.10 As discussed earlier, JTF's projects fall into two typologies: (i) Stand Alone Grants (SAG) aimed at developing the capacity of recipient countries in the region for policy formulation and implementation, as well as assisting other beneficiaries in developmental initiatives; and (ii) Loan Preparation Grants (LPG) aimed at providing technical assistance to prepare IDB investment operations. The latter account for about 40% of the JTF projects to be evaluated in this batch; while SAGs account for the rest. Even though the Donor is currently reducing its emphasis on LPG projects, for accountability purposes OVE will review the ones in this batch, but with relatively less emphasis than SAGs.
- 2.11 The evaluation methodology will be adapted to each type of project because their success is measured in different terms. While LPGs are usually assessed in connection with improvements to the loans they support, SAGs lack that point of reference. Therefore the SAG assessment methodology will be tailored to consider issues such as the relevance, efficiency, sustainability and innovation of the stand-alone JTF intervention. By contrast, the LPG methodology will be tailored to attempt to discern the effects of relatively smaller technical assistance contributions, which are usually dwarfed by the much larger, associated loans. LPG evaluation will also be limited by the potential fungibility of JTF and IDB's own resources that may make LPG's effects even more difficult to discern.

1. Stand-Alone Grants (SAGs)

- 2.12 SAGs have also been deployed in a wide variety of sectors, in all IDB borrowing countries. Because they are normally used to address unique needs, SAGs tend to be very diverse. There are however, some ad-hoc lines of activity for certain typologies of projects being demanded in several countries. There are also, a few predefined lines of work, such as the ones under the Japan Poverty Reduction Program (JPO). The evaluation of SAGs will include an assessment of the rationale for selecting these particular projects, as well as the identification of any innovative aspect brought about by JTF. Similarly, given that there is no clear follow-up support via any related loan, the evaluation of SAGs will highlight sustainability issues, as well as effectiveness in the completion of the planned outputs. Finally, the assessment will consider efficiency in the use of JTF, and any potential synergies among similar SAGs.
- 2.13 Therefore, the proposed analysis for SAGs will attempt to address, to the extent possible, the following key evaluative questions:
- **Relevance:** Were SAGs relevant to LAC countries' development challenges? Were SAGs relevant to the sector priorities laid out in the JTF agreement? Did SAGs help leverage any particular IDB comparative advantage?
 - **Innovation:** How effective were SAGs in promoting innovative approaches? Did SAGs have any demonstration effects? Were there differences by sector or country? Are there any cross-cutting lessons on how to foster innovative characteristics?
 - **Effectiveness:** Did the SAG design fit with country context and accord with good practice in the relevant sector? To what extent were planned outputs produced? Were they of the expected quality? Did they involve relevant stakeholders? Did they achieve the expected results?
 - **Efficiency:** Were SAG resources used efficiently? Were actual costs per unit of output as expected? Were costs reasonable and commensurate with the products delivered? Has the project adequately managed and leveraged coordination with other development actors, including Japanese agencies? Have administrative and audit procedures been followed?
 - **Sustainability:** At approval's time, was there adequate consideration of sustainability aspects of SAGs? How was financial sustainability assessed and reinforced? How were non-financial sustainability issues, e.g., institutional and human capacity - addressed? Are there any cross-cutting lessons on how to strengthen sustainability?

2. Loan Preparation Grants (LPG)

- 2.14 Given the nature of LPGs, their evaluation will attempt to assess their contribution to enhancing the corresponding loans, addressing to the extent possible the following key evaluative questions:

- **Relevance and coherence:** What factors influenced the allocation of LPGs to particular projects? Does the overall pattern of allocations accord with stated JTF priorities regarding sector or country focus? Were those allocations and the underlying projects they supported relevant to the development challenges in the respective countries?
- **Effectiveness and Efficiency:** Did LPGs improve the quality of the investment loans they supported? In what ways did they influence project design, including in areas such as evaluability, cost-benefit analyses, innovation, sustainability, and generation of co-financing possibilities? In what ways did they affect loan implementation? Is there evidence that they improved overall project results? Is there evidence that they had a multiplication effect, affecting the magnitude of overall IDB investments in key strategic sectors? Were LPG resources used in an efficient and cost-effective manner?

C. Indicative Evaluation Questions - Process / Program Level Analysis

- 2.15 In addition to looking at individual project design and results, the evaluation will assess the performance of the Bank's trust fund management processes, with a particular focus on the effect of changes recently introduced by the Bank. OVE's approach will be based on a customized process-diagnostic methodology, including the following: (i) Desk review of policies, procedures, manuals and prior trust fund evaluations; (ii) High-level process mapping validated via interviews and workshops; (iii) Benchmarks of selected processes at comparator entities; (iv) Process performance assessment; and (v) Survey of Trust Fund Team Leaders, Trust Fund Users, and Country Representatives.
- 2.16 While OVE will use, to the extent possible, the Bank's Trust Fund management processes, it has also identified three main streams of Trust Fund processes to help provide its assessment: (i) *delivery processes*, including design & approval, start up, procurement, disbursement, monitoring, and audit & closure; (ii) *strategy and planning processes*, including strategy setting and programming; and (iii) *support processes*, including alliances and partnerships, legal compliance, knowledge management and management of covenants, e.g., such as those committed with the Donor. Therefore, the proposed analysis will attempt to address, within each process stream and to the extent possible, the following key evaluative questions:
- **Effectiveness & Efficiency:** Is the JTF process design functional to country demands? To what extent do JTF processes help achieve the quality of the expected project results? Do JTF processes permit adequate management and coordination with other development actors? Do JTF processes allow for the monitoring and achievement of the efficient use of resources? Are JTF processes conducive to the production of expected results in a timely manner? Were the processes designed in the most efficient way compared to alternatives? Are the JTF processes underlying assumptions appropriate?
- 2.17 The Trust Fund process assessment section will consist of the following analytical modules (with particular reference to JTF processes to the extent they are different for processes for other Trust Funds): (i) Analysis of the current Trust Fund management

processes; (ii) Metrics of current Trust Fund processes in terms of cost, quality and time indicators, identifying baselines whenever available; (iii) Identification of explicit (or implicit) process performance targets, as defined by Management; and (iv) Analysis of evidence regarding the assumptions underlying the existing, as well as the newly redesigned, Trust Fund processes and systems.

- 2.18 The evaluation will also review the Trust Fund program management, including (i) compliance with the objectives of the Donor and the applicable IDB policies, (ii) appropriateness of the project's management structure, procurement processes, and financial auditing activities, (iii) quality of program oversight, monitoring, and evaluation (iv) adequacy of the reporting of Trust Fund activities to the donor and the public, and the extent to which they reflect the effectiveness, efficiency, and transparency of the Trust Fund activities, and (v) compliance with procedural issues and controls, including procurement aspects.

III. EVALUATION ORGANIZATION AND WORKPLAN

D. Organization

- 3.1 As indicated in OVE's Proposed 2013-2014 Work Program and Budget (RE-421) presented to the Board of Executive Directors of IDB in October 2012: "*the Japanese Government has formally requested that OVE undertake a second evaluation of the Japanese Trust Fund for IDB, similar in design to the evaluation OVE undertook five years ago. This evaluation is expected to be completed in late 2013 or early 2014. Like the previous one, it is expected to be fully financed by the Japanese Government.*"
- 3.2 OVE will have technical and administrative responsibilities for conducting the evaluation, including the selection and hiring of external consultants, the definition of evaluative questions, and the selection of projects to be reviewed and countries to be visited on field missions. To ensure appropriate interaction, OVE will share an evaluation plan with the JTF and representatives of the GoJ (including the Office of the Executive Director for Japan at the IDB (OED-J) and Japan's Ministry of Finance, to the extent needed) and will be available to answer questions throughout the process. As noted earlier, the GoJ will have an opportunity to comment on the draft evaluation before it is finalized.
- 3.3 The evaluation will be managed by a senior OVE staff member, who will also participate actively in the substantive work. A team of local and external consultants will work with the team leader to carry out the evaluation. The project desk reviews are expected to require the support of 2-3 junior consultants or research fellows, who will also be expected to support the task team leader in managing the evaluation. The evaluation of selected projects in the field is expected to require the support of about six local consultants or firms to perform country specific research, gather information, and follow-up on missions. One or more senior technical experts may be engaged to work with the team on specialized sector and process issues.

E. Timeline, Budget and Key Deliverables

- 3.4 Assuming that funding from JTF is approved by the end of 2012, the evaluation work will be performed over the 12 months following approval of this proposal, with formal delivery by the end of December 2013. The proposed schedule for the evaluation is shown in Table 3.1.

Table 3.1: Proposed Evaluation Schedule

DELIVERABLES / MILESTONES	TIMING
Consultant Selection process	December 2012 / March 2013
Preparation of standardized evaluation tools, such as project analysis templates, evaluation outlines and survey questionnaires	February / April 2013
Mission to pilot application of templates and evaluation tools	April 2013
Preparation of Project Results Report (LPG & SAGs) – Desk reviews and missions to countries by OVE / JTF Team	May / September 2013
Review of JTF TC processes guidelines and JTF and Bank's policies.	June/ September 2013
Interviews and possible survey of JTF stakeholders (Executing Agencies & IDB Staff)	June / August 2013
Review of Draft Report by IDB Management and Government of Japan	November 2013
Delivery of final OVE Report to IDB Board and Government of Japan	December 2013

- 3.5 Total cost is estimated at \$550,000, including \$450,000 for external consultants and travel and \$100,000 for OVE staff time and travel. OVE's 2013-14 Work Program, which was discussed and approved by the Board's Policy and Evaluation Committee on October 16, 2012, noted that the Government of Japan was expected to pay for this evaluation. When OVE has been contracted to undertake special evaluations upon request, such as those for MIF and IIC, the full costs have been covered by the requesting parties. It would be ideal if a similar arrangement could be found in this case, given the expectation of the Board and the demand-driven nature of the exercise.
- 3.8 The Office of the Executive Director representing the GoJ at IDB has indicated a keen interest in minimizing the evaluation's cost to the extent possible. OVE is very sensitive to this request by the GoJ and has adapted this proposal to this end while still adhering to high standards of independent evaluation. OVE will seek savings by leveraging the project analysis methodology developed in the prior evaluation, by using local consultants to the extent possible, and by seeking synergies with recent and ongoing evaluations of other IDB programs, such as Country Program Evaluations, where some JTF activities may have already been analyzed by OVE. However, it also needs to be recognized that this second JTF OVE evaluation covers almost double the number of

projects of the first one (225 projects versus 129 in the first one). Even if sampling is used to reduce costs, the sample size will need to be relatively large to generate reliable findings. In addition, since the first evaluation there has been an increase in the portfolio of the Japanese Poverty Reduction Fund (JPO) has increased, and the smaller and more dispersed nature of these operations add to evaluation cost.

- 3.9 OVE will produce detailed documentation of the work performed. Standardized templates will be prepared for each one of the individual projects analyzed. In addition, project findings will be aggregated and summarized in an overall evaluation report, with thematic and country annexes as appropriate. OVE expects to have interaction with stakeholders, including JTF management and GoJ, in carrying out the evaluation.