



***RE-311***

***OVE's 2004 - 2005 Annual  
Report and Proposed 2006 Work  
Program and Budget***

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***Office of Evaluation and Oversight, OVE***

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## ACRONYMS

ARPRE	Annual Report on Portfolio Management, Performance, and Results
BES	Bank Evaluation System
CABEI	Central American Bank for Economic Integration
CPE	Country Program Evaluation
ECB	Evaluation Capacity Building
EIA	Ex-post Impact Evaluations
EPSA	Ex-post Performance and Sustainability Assessment
GDP	Gross Domestic Product
GN	Documents on General Matters
ICT	Information and Communication Technology
IER	Impact Evaluation Report
IPEA	Brazilian Institute for Research in Applied Economics
LAC	Latin America and the Caribbean
PCR	Project Completion Reports
PPMR	Project Performance Monitoring Reports
PRI	Private Sector Department
RE	Documents of the Oversight and Evaluation System
REDEVAL	Latin American Network of Evaluation Programs

## I. INTRODUCTION

### A. Purpose and Nature of the Report

- 1.1 This report constitutes the 2004-2005 Annual Report and the proposed 2006 work program and budget request of the Office of Evaluation and Oversight (OVE). The report consists of two sections: the first is a report on OVE activities during the October 2004-September 2005 period. The first section presents a retrospective on the role of evaluation within the New Lending Framework. The second discusses the proposed work program and budget for the coming year.

### B. Evaluation and the Bank's Focus on Results

- 1.2 During the 2004-2005 period Management launched a number of new initiatives aimed at furthering the objective of improving the results-focus of Bank operations. New policies to enhance the Bank's response capacity to the new challenges of its borrowers were approved. Pursuant to Resolution AG-1/02 of March 1, 2002, the Board of Governors approved the Agreement on Measures for Enhancing the Response Capacity of the Inter-American Development Bank. A New Lending Framework was approved and implemented as of January 1, 2002 as part of this agreement. In approving the New Lending Framework, the Board of Governors required that the Board of Executive Directors review the results of implementation of the Lending Framework, report on its findings and provide recommendations for consideration of the Board of Governors at the Annual Meeting of the Board of Governors that took place in 2005 in Okinawa, Japan. The governors also requested that this review include the implementation of (a) measures to enhance the Bank's development effectiveness; (b) measures to enhance the development effectiveness of each lending category, particularly Policy-Based lending and Emergency Lending; and (c) the establishment and utilization of new lending instruments.<sup>1</sup>
- 1.3 As a part of the process of complying with this mandate, the Board of Executive Directors asked OVE to conduct a review of the lending instruments as input to the deliberations of Executive Directors and Governors regarding the future of lending framework. In reponse, OVE conducted an evaluation of IDB lending modalities (RE-300), which was distributed to the Policy and Evaluation Committee of the Board on September 1, 2004. Management prepared a document entitled The New Lending Framework: Assessment Report and Recommendations (GN-2200-13) which presents a review of the implementation of the Bank's New Lending Framework (NLF) in effect since 2002, and provides recommendations for future adjustments.
- 1.4 Most of the findings and recommendations presented by OVE reports have the purpose of ensuring the development of a management-by-results business model

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<sup>1</sup> Proposed resolutions Lending Framework (Amendment to resolution AG-1/02), AB-2374. Okinawa, Japan; April 6, 2005.

for the Bank that can be aligned to country's programs, systems and procedures. It is important to highlight that the Bank has made considerable progress in specific areas of this business model: lending policy framework, development effectiveness, the private sector, governance of the Bank and lastly, the New Lending Framework.

- 1.5 The most noteworthy of the actions taken by Management in recent years partially in response to OVE recommendations have been: (a) revision of the guidelines for country strategy preparation to focus much more attention on indicators and outcomes; (b) the redesigning of the two key project monitoring tools (Project Completion Reports (PCRs) and Project Performance Monitoring Reports (PPMRs) to incorporate significantly more information on results; (c) the creation of a new administrative unit to focus on Development Effectiveness of Bank operations; (d) the initiation of a process of quality at entry assessment for projects, and (e) improvement made in the results reporting in the Annual Report on Portfolio Management, Performance and Results (ARPRE). These and other Management initiatives in this area are described in the recently-approved Medium Term Action Plan for Development Effectiveness ([GN-2324-1](#)) prepared by the Office of Development Effectiveness.
- 1.6 This increased focus on results has significant implications for both self and independent evaluation in the Bank, as well as for the interactions between the Bank and its borrowing member governments. On the self-evaluation front, Management's acceptance of results-based management will require the development and implementation of new systems of indicators to track the effectiveness of Bank interventions, to measure progress toward results, to benchmark institutional and organizational unit performance against external standards, and to monitor project execution in ways that contribute to improving the results obtained from Bank activities.
- 1.7 Of more importance to the ultimate success of the results agenda is the development by the borrowing member countries of their own systems for managing for results. Without a strong and well-institutionalized evaluation practice in the countries, the Bank will have difficulty translating its commitment to results into projects that are effective in consistently delivering results on the ground. The central role of country capacity for managing and evaluating results has been emphasized both by OVE, in its 2002 report on Evaluation Capacity development, and by Management in its recent discussion of the "external pillar" to the Medium Term Action Plan for Development Effectiveness.
- 1.8 OVE has a specific mandate, derived from the Board of Directors, to oversee the Bank Evaluation System (BES). The document creating the office (RE-238) established four principles to guide the work of the office:
  - First, evaluation is *a tool*, not an end in itself. Like other tools, the evaluation must constantly be scrutinized to determine if it continues to be relevant to perform well, or whether it needs to be sharpened or modified to more effectively accomplish its basic tasks.

- Second, evaluation is focused *on institutional learning*, which should be the standard applied to assess the relevance and effectiveness of evaluation activity.
- Third, evaluation must focus on assessing the *development effectiveness* of Bank activities. This mandates a focus on those activities of the Bank which are directed toward contributing to the economic and social development of borrowing member countries. While Bank activities could theoretically be the focus for evaluation work, the Governor's mandate keeps the focus of evaluation work on the interface between the Bank and the borrowing member countries.
- Fourth, evaluation must focus on the *results* of Bank-financed activities. The Bank must look not only at its outputs (projects approved, funds lent), but also at the outcomes of its actions in the borrowing member countries. Evaluation work is thus an essential part of the process of moving the Bank toward a results-based operational style.<sup>2</sup>

1.9 Following these principles, OVE undertook a broad range of activities in its multi-year work plan which are grouped under the five themes: Oversight, Country Program Evaluation, Sector, Thematic and Ex-Post Evaluation, Policy and Instrument Evaluation, and Evaluation Capacity Development. The next section of this report addresses accomplishments and contributions made by OVE under each of these themes.

### C. Oversight Activities

1.10 As part of its mandate, OVE performs periodic evaluations of supervision activities and on the Bank's overall oversight responsibilities. The following oversight reports were presented to the Board of Executive Directors for their consideration and approval during the September 2004 - September 2005 time period.

1.11 **Evaluability Assessment of Programming Documents.** In 2002, the Board of Directors modified the Guidelines for Bank country strategies with a view to making these documents more results-focused and based on performance indicators. During 2004 and 2005, OVE reviewed 11 country strategy documents prepared since the new Guidelines took effect in order to assess compliance with the Guidelines and the overall evaluability of the strategies themselves. The oversight review noted progress over the period in improving the evaluability of

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<sup>2</sup> The connection between evaluation and the results agenda was established by the Board of Governors in the IDB-8 Replenishment stating that "*The new Bank Evaluation System (BES) will aim at using evaluation as a tool for institutional learning and as an instrument for systematic assessment of the effectiveness of Bank development policies, of the results of Bank financed activities, and related processes.*" In response to this mandate the President of the Bank formed a task force for the recalibration of the Bank's Evaluation System (BES). The task force presented its recommendations in its report "Strengthening Oversight and Rebuilding Evaluation in the Bank" ([RE-238](#)) which was approved by the Board of Executive Directors in June 1999.

Bank country strategy documents, but found that additional improvements were likely to be needed if future strategies were to comply fully with the expectations established by the Governors in the recently approved New Lending Framework.

- 1.12 **Validation of Project Completion Reports (PCRs) and Project Performance Monitoring Reports (PPMRs).** In compliance with the Core Standards for Project Completion Reporting (PCR) endorsed by the Evaluation Cooperation Group of the Multilateral Development Banks, OVE is performing “*Independent validation of completion reporting through two-stage performance review, utilizing ‘desk reviews’ of all completion reports and ‘full reviews’ of selected operations.*” OVE will review and validate all PCRs produced, and will also validate a sample of PPMRs each year.
- 1.13 The proposed methodology for this PPMR validation consists of two activities: (i) a desk-review which limits itself to verify the presence of the relevant information in the report and analyze face-value analysis of internal (i.e. between ratings and supervision information) and external (i.e. against the project’s logical framework) consistency, and (ii) an in-country-verification exercise, focusing on the corroboration of PPMR contents and ratings with actual evidences and facts simply obtained by simulating project monitoring.
- 1.14 The validation sample is expected to include 20 PPMRs which will include projects that will be included in OVE’s work plan. While the desk review is expected to include the last series of three PPMRs in order to enable the assessment of the quality of the updates, the in country verification is proposed to focus exclusively in the PPMRs of December 2004 and June 2005.
- 1.15 Two additional oversight studies, one on Country Portfolio Reviews, and one on Risk Assessment in projects were undertaken during 2005. Reports on these two studies are expected to be sent to the Board before the end of 2005.
- 1.16 IIC. During 2005, OVE also provided evaluation services to the IIC. This work was focused on assisting the Corporation in developing an internal system of monitoring and evaluation for private sector projects that is consistent with the good practice standards in this area set by the Evaluation Cooperation Group (ECG) of the multilateral development Banks. In the most recent benchmark survey conducted by the ECG, the Corporation scored very favorably on measures of compliance with self-evaluation standards. It is expected that this support work with the Corporation will continue in 2006.

#### **D. Country Program Evaluations**

- 1.17 OVE has been asked by the Board to conduct country program evaluations in advance of the preparation of each new country strategy document. The Board-approved Guidelines for country strategy preparation require a new country strategy document whenever there is major national election. This fixed timetable produces significant variation in the volume of CPEs required each year, as illustrated in Table 1.1 below.

**Table 1.1: Country Program Evaluations: 2001-2004**

Doc. Number	Document Name	Number of Recommendations
<b>Reviewed by the Board in 2001- 2002</b>		
<a href="#">RE-256</a>	Country Program Evaluation: Trinidad and Tobago	8
<a href="#">RE-259</a>	Country Program Evaluation: Mexico	4
<a href="#">RE-262</a>	Country Program Evaluation: Peru	0
<a href="#">RE-263</a>	Country Program Evaluation: Honduras	5
<a href="#">RE-266</a>	Country Program Evaluation: Guyana	10
<b>Reviewed by the Board in 2003</b>		
<a href="#">RE-272</a>	Country Program Evaluation: Nicaragua	4
<a href="#">RE-274</a>	Country Program Evaluation: Haiti	11
<a href="#">RE-277</a>	Country Program Evaluation: Costa Rica	7
<a href="#">RE-278</a>	Country Program Evaluation: Bahamas	6
<a href="#">RE-280</a>	Country Program Evaluation: Colombia	10
<b>Reviewed by the Board in 2004</b>		
<a href="#">RE-294</a>	Country Program Evaluation (CPE) Paraguay: 1991-2002	3
<a href="#">RE-295</a>	Country Program Evaluation (CPE) Ecuador: 1990-2002	4
<a href="#">RE-296</a>	Country Program Evaluation (CPE) Belize: 1993-2003	7
<a href="#">RE-297</a>	Country Program Evaluation (CPE) Bolivia: 1990-2002	2
RE-298	Country Program Evaluation (CPE) Brazil: 1993-2003	5
<a href="#">RE-299</a>	Country Program Evaluation (CPE) Argentina: 1990-2002	4
<b>Distributed and Reviewed in 2005</b>		
<a href="#">RE-304</a>	Country Program Evaluation (CPE) Guatemala	6
<a href="#">RE-305</a>	Country Program Evaluation (CPE) Panama	11
<a href="#">RE-306</a>	Country Program Evaluation (CPE) Dominican Republic	5
<a href="#">RE-307</a>	Country Program Evaluation (CPE) El Salvador	6
*	Country Program Evaluation (CPE) Jamaica	
*	Country Program Evaluation (CPE) Barbados	
*	Country Program Evaluation (CPE) Suriname	
*	Country Program Evaluation (CPE) Uruguay	

\* *To be distributed*

- 1.18 The table above provides hyperlinks to the CPEs that have been publicly disclosed. Prior to 2004, the Bank's information disclosure policy provided for the disclosure of only summaries of evaluation reports, but a new disclosure policy, approved in 2003, mandates full disclosure of evaluation documents.
- 1.19 Country program evaluations are intended as input to the development of the next Bank country strategy. They are not designed as decision documents themselves, but rather as a mechanism for bringing to the attention of Management and the Board some critical issues relating to the past activities of the Bank in the country. As such they play a dual role, providing an account regarding of results of Bank-funded programs to the Board, and creating an opportunity for reflection and lesson learning as a way to improve future programs.

- 1.20 Country program evaluations are a new and complex challenge for the Bank. Because they focus on a reasonably long historical period, they frequently involve attempts to evaluate program interventions that are not explicitly designed to be evaluated. Many country programs have no clear objectives, no obvious indicators, few explicit targets and no milestones to measure the pace of progress. As Management moves to implement the new country strategy guidelines in the coming years, country program evaluations will become more straightforward, since the country program itself will be inherently more evaluable and much of the information for the exercise will be more readily available. However, it is advisable to remain realistic: country program evaluations will never be easy to perform.
- 1.21 While the countries evaluated presented very different contexts for Bank action, some generalizations do emerge from this segment of OVE's work. In terms of development challenges, all the CPEs found that the Bank emphasized the pace and distribution of economic growth, along with inequality, poverty and social exclusion as critical areas for intervention. Most also addressed political instability and/or problems in governance as challenges.
- 1.22 The CPEs consistently find similar issues related to the quality of Bank programming. Programming documents approved over the past 10 years lacked measurable goals and indicators of accomplishment, and contained development goals that were so general as to preclude the construction of a strategic and operational model for Bank activities. Goals lack good indicators of performance, and country strategy documents generally do not provide an extensive evaluation of the results of prior programming cycles. Similarly, every CPE reports problems with program and project reporting and monitoring systems, with the result that it is difficult to find sound data on program or project development outcomes.
- 1.23 CPE analyses of results show that outputs tend to be realized, especially in infrastructure and equipment - but the Bank has less information regarding its achievements in changing outcomes or institutions.
- 1.24 Each CPE contains recommendations for the next programming cycle. Some of these are specific to the country, but a number have a more generic character: improve the results frameworks in programming documents; address debt dynamics; invest more in analytical work to understand the problems of the country; focus Bank interventions in a more strategic fashion. While these recommendations may be similar across countries, they point to persisting issues in how the Bank organizes itself to serve country needs and produce development results.

**E. Sector, Thematic and Ex-Post Evaluations**

- 1.25 These evaluations are designed to examine particular developmental themes that affect a range of Bank projects across several countries. Where relevant, these

evaluations also examine the specific strategic guidance offered to project teams by Management and Board through formally-approved strategy documents.

- 1.26 **Budget Process Evaluation**. During 2005, OVE completed sector and thematic evaluations related to three components of the Bank's approach to improving the budgetary process in the borrowing member countries. Specific thematic evaluations were carried out on 3 of the 4 stages of budget preparation and execution: approval (in the legislature); execution (through the use of the Financial Administration systems); and control (by the Supreme Audit Institutions).
- 1.27 Given the large amount of money already allocated by the Bank in the sector and because these operations are recent, it seemed the right time to have an outside expert look at Bank's operations. To achieve this, OVE and INT worked together to implement this project through three regional technical cooperations financed by the Spanish General Fund. The evaluations were carried out by Universidad de Salamanca, Quasar Consultores, and the Spanish Supreme Audit Institution.
- 1.28 The evaluations showed that there is still a lot to be learned when working with these subsectors; mainly, that the incentives of the managers of public monies are as important as the systems in place to determine the efficiency in the allocation of resources and the use of information for public decision making. Given the NLF, where public financial management and country auditing have become central to Bank operations, these projects acquired greater relevance, and it was then deemed pertinent to present the results in the context of a seminar for the Board of Directors.
- 1.29 **Multisector Credit/Financial Sector Reform**. In the 2005 work program, OVE had included an evaluation of multi-sector credit operations. Such operations have been a prominent feature of the lending program for many years, and are the principal mechanism through which the Bank has historically supported the private sector in borrowing member countries. Multi-sector credit operations are also often connected to a broader agenda of financial sector reform, and at the request of the Board, the proposed multi-sector credit evaluation was broadened to encompass this topic as well. Because of the additional work required, this evaluation will be completed and sent to the Board in early 2006.
- 1.30 In addition, OVE undertook two other sectoral evaluations: **health, and taxation and fiscal reform**. Work on these evaluations is expected to be largely completed during 2005, and both studies should be sent to the Board early in 2006.
- 1.31 **Ex-Post Evaluations**. During the period covered in this report, the Board adopted a new policy on ex-post evaluation designed to strengthen the Project Completion Report as an early form of ex-post self-evaluation by Management, and mandated that OVE conduct two new types of independent ex-post evaluation: Ex-post

Performance and Sustainability Assessments (EPSAs) and Ex-Post Impact Evaluation Reports (IERs).

- 1.32 During 2005, OVE both carried out the ex-post evaluations required by the policy, and produced an overview report that looked at the policy itself and the role of ex-post evaluations in the Bank's overall approach to development effectiveness. The **Ex-Post Project Evaluations-2004 Annual Report** ([RE-308](#)) draws lessons from the experience of the first year's implementation of the ex-post evaluation policy. Three types of conclusions were drawn from this effort: (i) the substantive issues raised by individual projects evaluated, (ii.) the systemic features of the Bank's monitoring and evaluation system, and (iii.) evaluative method standards.
- 1.33 The substantive conclusions relate to lessons learned from the projects evaluated. During 2004, 6 pilot impact evaluations were completed, along with briefer EPSA-level evaluations of 13 other projects. Projects were clustered in two thematic areas: neighborhood improvement and land tenure regularization.
- 1.34 **Land Tenure.** The Bank has for many years supported projects to provide clear title to land in rural areas. The working hypothesis was that clear title would bring several benefits: increased property values, improved access to credit owing to ability to collateralize lending, increased investment and increased productivity. The land regularization evaluations show a large and unambiguous positive impact only in the case of property values. Beneficiaries of Land Regularization projects saw property values for their land increase in every project evaluated. However, for the other purported development effects (greater productivity, increased investment, and greater access to credit), no unambiguous treatment effects were found. The findings suggest that such programs cannot expect that just having a title will imply that formal credit institutions will automatically accept them as collateral, particularly in contexts of credit rationing and where informational asymmetries dominate the microcredit environment.
- 1.35 **Neighborhood improvement:** The overall conclusion regarding the small sample of projects evaluated is that they were successful at providing the target populations with greater coverage of certain public services. To the extent that these services are considered merit goods, their provision constitutes a positive result. In addition, in two of the cases, this impact was more pronounced for the poorest segments included in the treated population. Beyond this, very little else can be said. The impact on the objectives related to human capital formation and income were not demonstrated. In the case of health interventions, perhaps the intervention type most directly linked to sanitation services; there has been no demonstrated link between the interventions and outcomes, even for the poorest segments of the beneficiary population. There was also no consistent evidence showing an increase in variables related to housing values in the three projects reviewed. With respect to the impact of the titling component of the projects, an additional evaluation will have to be undertaken, given that these components had not disbursed. The paucity of treatment effect evaluations conducted in this

thematic area leaves open whether a “multiple treatment” has synergy effects or not.

- 1.36 At the level of the ex-post policy as a whole, the principal conclusion of the exercise was that the costs and benefits of ex-post evaluation are directly related to the quality of data collected and maintained by the project sponsor during the life of the project. Where data collection has been sound and consistent, the knowledge payoff of the evaluation is high and the costs of data analysis are relatively modest. When data collection has not been a principal focus of the project, the ex-post generation of data is very expensive and the knowledge payoff is lower because key data elements such as the pre-project baseline cannot be credibly reconstructed after project completion.
- 1.37 The 2004 cycle of ex-post evaluations produced the following general conclusions:
- a. The key to successful ex-post evaluation is quality evaluative design on approval and data collection during project implementation. That project’s development outcomes are defined during preparation and data generated during execution was found to be exception rather than the rule, with the results of forcing retrofitted evaluations. Neither a reflective nor a treatment effect evaluation could be carried out based on the Bank’s existing store of data. A retrofitted evaluation is possible but problematic. While better than nothing, it increases evaluation costs and evaluates based on available third party data rather than most accurately reflect the development objectives of the project.
  - b. To answer the evaluative questions posed in the EPP, reflective evaluations will probably generate misleading findings. Treatment effect evaluations that establishes casual links between actions and outcomes may be considered the desired standard for partial coverage public projects, complemented by analyses of costs, benefit incidence, and institutional effects, among others. The costs of data collection for such evaluations depend on the aspects mentioned, and could be substantial, but are small relative to the magnitude of the lending.
  - c. Stand-alone project evaluations findings are difficult to assess; it is difficult to separate effects that are idiosyncratic to that project or its context versus the systematic result of project design. This problem can be addressed by evaluating a cluster of similar projects.
  - d. The success of the results agenda and the role of ex-post evaluation within it depends on borrowing country development of their own results management and evaluation agenda, and not only the Bank’s internal capacity. The existing system of “shared responsibility” is not working well neither for concurrent monitoring nor for ex-post evaluability of a project.
  - e. Better and early collaboration between Management, OVE, and borrowers in the planning and execution of evaluations leads to better quality, more

relevant evaluations. Further, the value added of concurrent and collaborative evaluation suggests that EPP timing requirements with regard to IER and EPSA may be unnecessary.

- f. The six treatment effect evaluations undertaken during 2004 do show that the Bank's interventions have significant development effect for at least one declared development objective. These findings suggest that the Bank may currently be understating its contribution to development.

## **F. Policy and Instrument Evaluations**

- 1.38 Policies are explicit guidance for Bank action aimed at defining the space within which Bank actions are possible. Whereas strategies define approaches and priorities, policies define limits to action. Policies are always explicit and subject to approval by the Board. An important sub-set of policies is the one defining distinct instruments available to support development in the region. At the end of 2004, OVE completed a major overview evaluation of the Bank's **Lending Instruments**, and in 2005, carried out evaluations of the Bank's **Private Sector Lending Program**, the **Private Sector Action Plan** for C and D Group Countries; **Regional Policy Dialogues**; and **In-Country Economic and Sector work**.
- 1.39 **An Evaluation of IDB Lending Modalities (RE-300)** For much of its existence, the Bank has followed a business model based on providing long-term debt finance for individual "projects." Projects are seen as largely self-contained attempts to create productive assets for countries by providing significant net transfers of resources to finance a specific, pre-identified series of expenditures. Projects are designed by the Bank usually in conjunction with country authorities, and executed by the borrower. The project model is implemented through two broad families of lending instruments: "investment" loans that finance identified expenditures, (historically expenditures associated with public sector capital formation); and "policy based" loans that provide funds unconnected to specific expenditures in response to compliance with policy reform objectives.
- 1.40 Both types of lending instrument are potentially capable of making a positive contribution to country development, but this contribution needs to be defined and measured in the form of economic rates of return. Debt as a form of development assistance can prove problematic if future returns generated do not exceed the future costs of debt service.
- 1.41 The evaluation found that Bank lending instruments did not generally contain adequate safeguards to ensure adequate assessment of the future benefits arising from lending projects. Only a minority of Bank loans contained some form of rate of return or cost/benefit calculation. Safeguards in Bank investment loan instruments tended to concentrate on fiduciary issues related to where the money was spent, rather than issues related to what the money accomplished.

- 1.42 Policy-based lending instruments also did not attempt to define the future returns from their activities, and had the additional problem of combining two objectives in a single instrument. PBL operations combine country finance objectives (often in times of economic crisis) with policy reform objectives, making it difficult to discern ex-post precisely what objectives such loans were pursuing.
- 1.43 At the same time, the analysis found that country needs are evolving in a way that challenges the continued relevance of the project model of development finance. Fiscal restraints make it harder to manage the interface between domestic budgetary systems and internationally financed, stand-alone projects, and the transaction costs associated with the project model make less sense in a world of increased fiscal accountability and transparency at the national level. Countries need for the multilateral development finance institutions to integrate more effectively with domestic budgetary and accountability systems, and to combine policy and institutional reform with the financing of specific expenditures required to make reform effective.
- 1.44 In light of these findings, the report recommended that the Bank deepen substantially the analytical underpinnings of all Bank operations. All proposed interventions, whether focused on new investment or on efficiency gains through policy reform, should describe clearly the future economic and financial returns anticipated, and compare those returns analytically to the future costs of the debt acquired to finance them. It also recommended that the Bank focus on countries rather than instruments and seek greater integration of Bank activities with those of the country through the implementation of program-focused rather than project-focused interventions. This could involve joining with other multilateral organizations in developing and applying best practices for assessing country fiduciary management capacity and delegating such functions to those countries whose oversight institutions are deemed adequate.
- 1.45 **The Bank's Private Sector Lending Program: 1995-2003** (RE-303). OVE reviewed 55 projects providing direct lending to the private sector, which represent 82% of private sector approvals and 91% of signed projects. The evaluation found that limited use had been made of the authorized lending capacity, which was set at 10% of total Bank outstandings but never rose above even the 5% ceiling originally set for this form of lending. The Bank was able to provide financing that combined amounts, tenors, and rates which are not easy to find in the market, and provided the implicit assurance or "comfort" its involvement affords to the State or regulatory agencies. In addition, the Bank's operations contributed significant social and environmental additionality. In terms of effectiveness, a cardinal lesson coming out of this evaluation is that the Bank has been most successful when its efforts have focused on producing a demonstration effect.
- 1.46 However, the premises that originally endowed the Bank with certain competitive advantages, at least partially, have been eroding because of changing markets and

the ineffectiveness of political and regulatory risk insurance<sup>3</sup>, a situation that offers new possibilities and presents challenges in terms of types of intervention.

- 1.47 For the most part, Bank-financed projects executed by the private sector were brought in on time and on budget and the vast majority of them are delivering the promised services to an acceptable standard of quality. The evaluation concluded with a series of recommendations designed to improve the program's operation, in light of the weaknesses observed, changes in the market, and the Bank's non-integrated approach to the private sector.
- 1.48 Instrument evaluations of **regional policy dialogues**, and **economic and sector work** were undertaken during 2005 and will result in reports being sent to the Board prior to the close of 2005. The evaluation of the **private sector action plan for C and D group countries** will be completed early in 2006, to allow OVE to examine data for all of 2005.

#### **G. Evaluation Capacity Development**

- 1.49 Working with Bank staff and borrowing countries to improve evaluation capacity in the region has been a function of the Bank's Evaluation Office since 1994. OVE has pursued this element of its work program through providing technical assistance upon request to project teams, reviewing and commenting on Management initiatives in evaluation and results-based management, providing consulting services to the Central American Bank for Economic Integration, funding evaluation studies by CABEI and the Caribbean Development Bank, and working with the Brazilian Institute for Research in Applied Economics (IPEA) in the design and implementation of a regional technical cooperation operation (ATN/SF-5574-RG) to promote awareness of evaluation issues in public sector institutions through the Inter-American Roundtable on Evaluation and Performance Management. This TC produced various studies on the state of the evaluation function in the region and established the basis for expanding and formalizing a network of evaluators (REDEVAL) in the region.
- 1.50 In 2004 and 2005, OVE has contributed to formalizing this network by providing a web-based clearinghouse for news, comment and information on evaluation activities in the region. Participation in the network will be open to staff in government agencies, universities and non-governmental organizations, and OVE will publish on the network webpage summaries of evaluations done by participants.
- 1.51 OVE has also found that the conduct of ex-post evaluations can have an important secondary benefit of building evaluation capacity in the region. In the pilot exercise on impact evaluation, OVE contracted public entities in Argentina and Brazil, and a private research institute in Peru to perform the bulk of the

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<sup>3</sup> Management disagrees with OVE's conclusion on the effectiveness of risk insurance. See their comments in RE-303-1, February 16, 2005.

evaluation work on Bank projects in those countries. This approach results in both completed ex-post evaluations and a substantial increase in the experience base for evaluation work in the countries. OVE estimates that over half of the total budget request for ex-post evaluation will be spent in 2005 through contracts to agencies in the region. To the extent possible, and in compliance with Bank procurement processes, OVE will endeavor to contract future evaluations through the REDEVAl network.

## **H. Tracking the Impact of Evaluations**

- 1.52 As of September 2005, OVE had produced and forwarded to the Board of Executive Directors 51 studies that included a total of 288 recommendations for enhancing the Bank's effectiveness. OVE studies are generally presented to the Board accompanied by written comments from Management, and Management is also invited to participate in the Board discussions of OVE reports. A review of these comments show that Management generally agreed with the thrust of OVE recommendations, and that disagreement has been voiced on less than 10 percent of the recommendations. To facilitate the tracking and follow-up on OVE recommendations, the complete list of such [recommendations](#) has been placed on the OVE website, along with a place for Management to comment on progress achieved. Once this matrix is completed, OVE will report in June of each year on recommendations it considers to have been fully complied with and those where action is either pending or incomplete.

## **II. PROGRESS REPORT ON 2005, AND PROPOSED PROGRAM FOR 2006-07**

- 2.1 As detailed in the previous sections, OVE builds its multi-year workplan around a balanced program of work in 5 areas: (1) Oversight of Evaluation Activities in the Bank, (2) Country Program Evaluation, (3) Sector, Thematic and Ex-Post Evaluations, (4) Policy and Instrument Evaluation, and (5) Evaluation Capacity Building.
- 2.2 Table 2.1 summarizes OVE's accomplishments in 2005 and presents a detailed work plan for 2006 and a tentative plan for 2007. Column 1 of the table shows the items which OVE has completed by September 2005 (marked C05) and those which are expected to be completed before the end of 2005 (marked TBC05). Studies initiated and substantially completed in 2004 but which will not be finalized until 2006 are marked TBC06. Column 3 provides a listing of proposed work in 2006, while column 4 indicates some of the items to be included in the 2007 work plan.
- 2.3 In the aggregate, by the end of 2005 OVE will have delivered to the Board 19 evaluation reports, and will have substantially completed work on another 5 reports that will be delivered to the Board early in 2006. Several ongoing activities (evaluability assessments of programming documents, validation reviews of PCRs and PPMRs), will produce summary information reports in

2005, and will be incorporated as ongoing activities in the 2006-07 work program. The individual project evaluations which are carried out as part of OVE's country, sector and thematic and policy evaluations are not sent directly to the Board but are available for inspection in the OVE archives.

**Table 2.1: Status of OVE's Multi-Year Work Plan 2005-2007**

2005	Status	2006	2007
<b>Oversight Studies</b>			
Annual Report and budget 2004/5	C04	Annual Report and Budget	Annual Report and Budget
Risk assessment and mitigation in projects	TBC05	Quality review of supervision	Validation of PPMRs and PCRs
Validation of PCRs	O	Validation of PCRs and PPMRs	PRODEV
Evaluability assessment of country strategies	C05	Use of Human Resources*	
Evaluability Assessment of Projects	TBC06	Review of the Bank's Capital Adequacy Model	
Country Portfolio Reviews	TBC05	Oversight of MTAP	
Validation PPMR	O	MIF	MIF
IIC		IIC	IIC
<b>Country Program Evaluations</b>			
Guatemala	C05	Chile	Ecuador
Suriname	TBC05	Costa Rica	Brazil
Panama	C05	Guyana	Nicaragua
Dominican Republic	C05	Peru	Bahamas
El Salvador	C05	Colombia	
Jamaica	C05	Venezuela	
Barbados	TBC05	Honduras	
Uruguay	C05	Haiti	
Review of CPE Protocol	TBC06	Mexico	
<b>Sector, Thematic And Ex-Post Evaluations</b>			
Budget Process Evaluation	C05	Early Childhood Programs	Integrated Rural Development
Health Sector Evaluation	TBC05	Public service Reform	Compensating for Adjustment
Taxation and Fiscal Reform	TBC05	Transportation	Housing
Multi-sector credit/ Financial Sector Reform	TBC06	Science and Technology	
Report on Ex-Post Evaluations EPSAs and IERs	C05	EPSAs and IERs	EPSAs and IERs
<b>Policy and Instrument Evaluations</b>			
Private Sector Action Plan for C and D Countries	TBC06	Public Utilities Policy: Energy	Programmatic lending
The Bank's Private Sector Lending	C05		
Regional Policy Dialogues	TBC05	Economic Analysis in Lending Instruments	IIRSA
Evaluating Studies (ESW)	TBC05		Plan Puebla-Panama
<b>Evaluation Capacity Development</b>			
		REDEVAL, team support	

Status Codes: C05=completed in 2005; TBC05=to be completed by December, 2005; TBC06=to be completed first semester 2006; O=ongoing

\* Pending Board Decision

## A. Oversight Studies

- 2.4 A principal focus of OVE's activities throughout its existence has been the development of mechanisms to assist the Bank in improving the effectiveness of its operations in delivering positive development results to the borrowing member countries. This was the principal mandate given to the Office by the Board when it approved its creation (in RE-238, 1999).
- 2.5 Over the past several years, the need to focus on results has become the central objective of the institution. The IDB joined other multilateral development Banks in supporting a management for results paradigm,<sup>4</sup> adopted a Medium Term Plan for Enhancing Development Effectiveness (GN-2324), and created a dedicated department within Management to pursue these objectives. At the last Annual Meeting, the Board of Governors adopted a New Lending Framework agreement that made the following institutional commitment:
- The Bank will continue to implement measures to improve development effectiveness of its programs and projects, and to provide support to member countries to strengthen their own monitoring and evaluation systems. The progress observed in the area of development effectiveness is to be consolidated into a results-focused corporate system including baseline, implementation and outcome indicators to monitor projects and country programs.*
- 2.6 OVE was charged by the Board with the responsibility for: "overseeing the quality of all evaluation systems involving program and project performance in the Bank." Since these systems are key to the objective of consolidating "a results-focused corporate system," a large share of the work program for the coming two years will focus on oversight studies and activities supporting this institutional consolidation.
- 2.7 The 2005 work program established the broad outlines of the oversight activities of the Office. Attestation reviews of PCRs and PPMRs were initiated in 2005 and are expected to continue as an ongoing activity. A follow-up review to the 2002 **evaluability study** on projects will be completed for the 2005 project year, and a study sent to the Board early in 2006. A **quality review of the Bank's supervisory** system was established as a follow-up to the 2004 report on supervision (RE-293), and a review of the Bank's **capital adequacy model** was included for the 2006 work program at the request of the Board.
- 2.8 During the discussion of the 2005 work program, some Directors had suggested that OVE conduct an evaluation of the Bank's **use of its human resources**. An issues paper was prepared by OVE on this topic, and a decision was made at that time not to proceed with the evaluation until a later date. The item is included as

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<sup>4</sup> Statement of the Heads of MDBs "Better Measuring, Monitoring, and Managing for Development Results", Monterrey, March 19, 2002.

- a possible item for the 2006 work program, should Directors determine that the timing is appropriate for the review proposed in the 2004 issues paper.
- 2.9 A major new oversight activity was approved by the Board in 2004 for the 2006 work program: a review of the **Implementation of the Medium Term Action Plan for Development Effectiveness (MTAP)**. The purpose of this review is to support the development of specific standards for measuring and monitoring institutional effectiveness in the borrowing member countries. Standards and measurement are key methodological tools for keeping the Board informed as to progress in this critical area.
- 2.10 As a part of this oversight review, a particular focus will be put on two key systems: the administrative budget; and electronic information systems.
- **Administrative Budget:** Although the Bank is committed to a focus on results, its own administrative budget remains largely focused on organizational units and items of expense. In the Medium Term Action Plan, Management affirmed its intent to shift toward “corporate business plans that are more focused on results, and provide the basis to request *budgets* designed to attain them.” To support this shift, OVE will review the 2005 and 2006 administrative budget’s proposed by Management with a view to identifying results indicators in proposed business plans and the extent to which the achievement of results was linked to subsequent budgetary allocations. The study will be designed to offer suggestions for deepening the results focus for the 2007 budget.
  - **Information Systems.** In order to track and monitor the development effectiveness of its interventions, the IDB develops and maintains a series of linked databases that contain factual information on Bank operations. The staff of the Bank draw on these data bases for both internal tracking and external reporting on Bank activities. Recent OVE evaluations have found, however, significant problems with the systems used to track operational information. Some key systems do not maintain updated links to other key databases, errors in data on operations are frequent, and inconsistent information is maintained in multiple different systems. This oversight study will describe and analyze these problems in greater depth, and make recommendations for the consolidation of information systems as part of building the results focused corporate system.
- 2.11 **MIF and IIC.** As part of its work plan, OVE has for the past three years provided independent evaluation services to the IIC. OVE reviews and attests to the quality of internal self-evaluation work done by the IIC and provides technical support in meeting the internal evaluation guidelines for private sector operations established by the Evaluation Cooperation Group of the multilateral financial institutions. For 2006, the MIF has requested similar assistance in meeting internal self-evaluation standards, and OVE has agreed to provide it. As separate legal entities, both MIF and IIC contract directly with OVE for these services, and

those payments are shown in OVE's budget under the line "Administrative Income and Reimbursements."

## **B. Country Program Evaluations**

- 2.12 **Country program evaluations** are designed to support the increased emphasis being placed on country programming by both Board and Management. These multi-year evaluations of the full range of Bank instruments provide an opportunity to examine the results of Bank activities at the level of an entire country program, not simply at the level of an individual loan or technical cooperation operation. Country program evaluations are tied to the production of Bank country strategies, which, in turn, are tied to the electoral calendar in the region. In 2006, however, OVE intends to produce nine CPEs, including several second round evaluations of countries where earlier country program evaluations had been produced.
- 2.13 The New Lending Framework recently approved by Governors continues to place a strong emphasis on improving the quality of the country programming process. Recommendation 6 of that document calls on the Bank to:

*Strengthen country programming to enhance country focus. The programming system should play a key role in deciding the adequate mix of IDB instruments to be utilized by each country, taking into account its development goals, institutional progress, and financial needs. To this end, further efforts should be undertaken to strengthen the country programming process through the review of the Country Strategy Guidelines that the Board of Executive Directors will consider in 2005.*

- 2.14 As part of its 2005 work program, OVE reviewed the evaluability of country strategies prepared under the Guidelines approved by the Board in 2002, and this evaluation will provide input to Management in conducting the review mandated in the NLF. It is anticipated that Management will propose revisions to the Country Strategy Guidelines to incorporate new elements from the NLF, and when that review is complete, OVE will send to the Board a proposal to **revise the existing protocol** for the conduct of country program evaluations, taking into account the new Guidelines.

## **C. Sector Thematic and Ex-Post Evaluations**

- 2.15 This category includes evaluations that deal with topics that recur across countries and appear in a variety of Bank-financed interventions. The goal of such work is to explore the behavioral model underlying the interventions and to examine results data to see whether the assumptions in the model are borne out in actual practice. In 2005, work was completed with support from the Government of Spain on three topics in public sector modernization: legislative strengthening, audit and control entities, and financial management. The results of this exercise were reported to the Board in a Seminar held on June 23, 2005.

- 2.16 Thematic evaluations on health interventions and taxation and fiscal reform are expected to be completed before the end of 2005. OVE also launched an evaluation of the Bank's multisector credit lending programs in 2005, and at the request of the Board, has worked to incorporate a broader review of the experience of financial sector reform into this evaluation. It is anticipated that the work will be completed on this evaluation during 2005, but that the report itself will be delivered to the Board early in 2006.
- 2.17 In prior year work plans, Ex-Post Evaluation activities were reported as a separate category in work program of the office. During the 2005 ex-post evaluation exercise, OVE concluded that the work mandated by the Board in this area would have the greatest utility if projects were selected for ex-post impact evaluation on the basis of a common thematic. As a result, for the 2006 work plan, individual ex-post evaluations will be carried out wherever possible as part of broader thematic evaluations. OVE will continue to produce the two types of ex-post evaluations called for by the policy (EPSAs and IERs), and will make individual ex-post evaluation reports available on its website, but intends to send only the sector and thematic evaluations supported by these individual project evaluations to the Board for its consideration.
- 2.18 Three thematic studies were scheduled for 2006 in the 2005 multi-year work program: **Early Childhood Programs**, **Public Service Reform**, and **Transportation**. The transportation sector evaluation will incorporate ex-post project evaluations on rural roads that were completed in 2005, while ex-post evaluations of early childhood programs are part of the 2006 ex-post evaluation work program. A thematic evaluation of the Bank's **science and technology** program was undertaken as part of the 2005 ex-post evaluation exercise, and a thematic report on this subject is scheduled for delivery in early 2006.
- 2.19 For 2007, three thematic evaluations are proposed: compensating for structural adjustment, housing, and agricultural services.
- 2.20 **Compensating for Structural Adjustment**. Several recent OVE country program evaluations have provided evidence supporting the consensus in the economics profession that structural adjustment policies, including trade liberalization, fiscal consolidation, capital market opening and monetary restraint may in some cases have a negative impact on the distribution of income, and in many cases have worsened the poverty problem, at least in the short run. While the consensus also holds that such policies are likely to increase the steady-state growth rate, the transitional costs of the policies are sufficiently high that many countries have requested Bank support for programs to ameliorate the negative income distribution consequences of structural reform measures. These include social investment funds, transfer payment programs, skills training programs, and rural adjustment programs, among others. This evaluation will look at the design and implementation of such ameliorative interventions and attempt to determine how effective they have been in mitigating the negative transitional impacts of major structural reform initiatives.

- 2.21 **Housing**. The Bank's interventions in housing have over the past decade focused on three types of programs: urban upgrading, credit for housing, and demand-side subsidies for housing purchases and improvements. The results from OVE's continuous exercise of CPEs, as well as the Office's review of selected housing programs in 2004, raised evaluative questions regarding the effectiveness of housing interventions. Some of these include how effective are housing interventions at reaching the poor? Do the Bank's housing programs enhance access to housing and credit markets for the different income strata in borrowing countries? What is the importance of formal institutions (such as urban land titles) in providing effective property rights, and what is the role of these rights in developing housing and equity markets? In order to answer these questions, as well as more fundamental questions regarding the effectiveness of housing interventions as a mechanism of improving welfare, OVE will review the Bank's experience in the housing sector in 2007.
- 2.22 **Agricultural Services**. IDB support for Agricultural Services (STA) Programs takes in knowledge generating operations (research and development) and technology services, that together make up around 17% of the Bank's total rural lending. STA approvals in the past decade fall into two distinct groups: from 1991 to 1993 the Bank directed support to national agricultural technology institutes, as it had been doing since the 1960s when it first began funding these organizations. The twin focus of this first group of projects was capital goods finance (buildings, laboratories, vehicle purchases) and human resources training (graduate fellowships for study abroad). Since 1995 the focus of agricultural research support has shifted to improving government basic research and partnering it with private enterprise by promoting competitive funds to pay for research and heightening the emphasis on research output delivery.
- 2.23 In this new era of falling trade barriers and increased technical demands for competitive production, farmers need more than ever to find better ways of organizing production, but the options open to them have changed. As this structural shift has unfolded it also has become clear that government extension services for low-income farmers are often inadequate. To keep pace with these changes over the past decade the Bank pursued a number of avenues to improve its assistance to small farmers. This evaluation will review these avenues as a single thematic cluster evaluation in 2007.

#### **D. Policy and Instrument Evaluations**

- 2.24 In 2004, OVE conducted a major review of the Bank's lending instruments as input for the establishment of the New Lending Framework. The 2005 work program in this area examined the **Bank's Private Sector Lending Program** (RE-303), and undertook evaluations of The **Private Sector Action Plan for C and D** countries, the **Regional Policy Dialogues**, and examined the nature and use of in-country **economic and sector work**. The Private Sector Action plan review will be delivered in the first quarter of 2006, to allow OVE to review the entire three-year history of the initiative as mandated by the Board. The studies

- of the Regional Policy dialogues and economic and sector work will be delivered by the end of 2005.
- 2.25 One policy evaluation (**Public Utilities as applied to Energy**) and one instrument evaluation (**economic analysis in projects**) are included in the 2006 work program as a carryover from 2005. The energy evaluation was substantially completed in 2005, and should be delivered early in 2006. The economic analysis evaluation was intended for completion in 2005, but a review of projects found that too few of them contained formal economic or rate of return analysis to provide a sufficient basis for the study. Management has undertaken its own review of the use of economic analysis in projects, and it is expected that projects sent forward in 2006 are likely to make more extensive use of this technique, so the evaluation was postponed from 2005 to 2006.
- 2.26 Instrument evaluations of expiring Bank initiatives were mandated by the Budget Committee of the Board in 2004, leading to a study of the regional policy dialogues in 2005, and reviews of **IIRSA** and the **Plan Puebla-Panama** for the 2007 work program.
- 2.27 In 2006, OVE will initiate work on an evaluation of the **programmatic lending** instrument. A major goal of the New Lending Framework was to create the conditions for greater use of programmatic lending by the borrowing member countries. There are now several Bank instruments (SWAPS, Performance Driven Loans) that allow the Bank to pursue the NLF objective of: "...utilizing all IDB instruments available to help countries implement programs and achieve commonly set objectives in sectors or areas of activities where there are conditions to effectively implement such an approach." Given the importance of these instruments, OVE needs to develop a methodology for evaluating programmatic lending, and will do so through an evaluation of programmatic lending initiatives that have been approved in the past several years.

#### **E. Evaluation Capacity Development**

- 2.28 The OVE work program has always included the provision of small amounts of technical support to both Bank project teams and evaluation units in borrowing member countries. OVE has developed a network of independent evaluation professionals in the region, and has designed its ex-post evaluation activities to be conducted largely through contracts to individuals and institutions in the region as a way to develop evaluation capacity through the actual conduct of evaluation studies. It is anticipated that these activities will continue in the 2006-07 period.
- 2.29 The New Lending Framework places great emphasis on the development and use of national evaluation capacity as part of the process of implementing a programmatic approach to development finance. In 2004, the Board approved a major new initiative (PRODEV) designed to provide resources to support the development of this capacity in the region. OVE has been working with Management to implement the evaluation capacity development initiatives within

PRODEV, and will conduct an oversight review of the efficacy of this initiative for the 2007 work program.

- 2.30 As in the past, it is likely that some of the items in the 2006 work plan will be carried forward into 2007, displaced by intervening requests from the Board for additional evaluation work, or as a result of unanticipated production or review delays in the process of producing other planned outputs. As a result, while it is not possible to estimate in advance which studies will require more time, it is likely that some of the proposed reports for 2006 will in fact end up being delivered in 2007.

### **III. BUDGET REQUEST**

- 3.1 The work program for 2006 is designed to support the New Lending Framework approved by Governors with its strong emphasis on management for results. There are no major new initiatives, and no changes in policy related to evaluation are anticipated. Management has made a major commitment to enhancing the development effectiveness of the institution, and much of the proposed OVE work plan is designed to support this objective. Key elements of the work program, particularly country program evaluations and ex-post evaluations are mandated by policy decisions made by the Board. Given that 2006 is a time of transition for the Bank as a whole, it is conceivable that changes to the proposed work program may be required to reflect new institutional priorities. Should such changes become necessary, OVE would bring to the Board a proposal for modifying the work plan to adapt the work of the Office more closely to the needs of the institution.
- 3.2 The work program outlined above can be accommodated within a budget that is somewhat smaller in real terms than in 2005. OVE is requesting an increase of \$131,055 over 2005 levels, an amount only 2.0% higher in nominal terms than in the prior year, which translates into a significant decline in real terms for the Office. Since some of the increased spending is associated with new contract work for the MIF that is covered by payments from the MIF, the increased income for the Office means that net funding requested from the Bank's administrative budget is 0.5% higher than the amount requested in 2005.

Table 3.1.

Office of Evaluation and Oversight Comparison 2005-2006				
Item	2005 Adjusted	2006 Total	Difference	
	Approved	Requested	\$ Change	% Change
Salaries - Int'L Professional Staff	2,704,854	2,845,133	140,280	5.19%
Salaries - Int'L Administrative Staff	255,945	166,342	-89,603	-35.01%
Overtime & Sec. Admin. Bonus	6,694	6,942	248	3.70%
Special Employees	5,995	6,217	222	3.70%
Remuneration	2,973,488	3,024,634	51,146	1.72%
Benefits - Int'l Staff	1,213,928	1,234,705	20,777	1.71%
Benefits - Int'l Staff	1,213,928	1,234,705	20,777	1.71%
<b>Personnel Cost</b>	<b>4,187,416</b>	<b>4,259,339</b>	<b>71,923</b>	<b>1.72%</b>
Learning	27,194	27,873	680	2.50%
Training Travel	5,439	5,575	136	2.50%
<b>Staff Development</b>	<b>32,632</b>	<b>33,448</b>	<b>816</b>	<b>2.50%</b>
Consultants	1,616,280	1,656,687	40,407	2.50%
Temporary Help & Services	53,164	54,494	1,329	2.50%
Firms	21,266	21,797	532	2.50%
Research Fellowship Program (RFP)	53,164	54,494	1,329	2.50%
<b>Consultants &amp; Outside Services</b>	<b>1,743,875</b>	<b>1,787,472</b>	<b>43,597</b>	<b>2.50%</b>
Int'L Business Travel	503,053	515,629	12,576	2.50%
<b>Business Travel</b>	<b>503,053</b>	<b>515,629</b>	<b>12,576</b>	<b>2.50%</b>
Office Furniture & Furnishings	1,595	1,635	40	2.50%
<i>Furniture and Furnishings</i>	1,595	1,635	40	2.50%
Pers Computers & Perip. Equip. Purchase	20,667	21,184	517	2.50%
Specialized Services				N/A
Software	6,526	6,690	163	2.50%
Copying Equipment	5,439	5,575	136	2.50%
<i>Equipment</i>	32,632	33,448	816	2.50%
Office,Data Processing & Other Supplies	16,751	17,170	419	2.50%
<i>Supplies</i>	16,751	17,170	419	2.50%
Telephone (Voice & Data)	23,315	23,898	583	2.50%
Mail And Related Shipping Services	4,375	4,485	109	2.50%
<i>Communications</i>	27,690	28,382	692	2.50%
Publication Purchases-Books & Reference				N/A
Magazines,Newspapers & Other Periodicals	2,127	2,180	53	2.50%
Printing And Publishing Expenses	2,200	2,255	55	2.50%
<i>Publication &amp; Printing Expenses</i>	4,327	4,435	108	2.50%
Conferences, Meetings & Seminars	1,088	1,115	27	2.50%
Special Events & Representation Expenses	544	558	14	2.50%
Miscellaneous Expenses	1,088	1,115	27	2.50%
<i>Other Expenses</i>	2,720	2,788	68	2.50%
<b>General Administrative Cost</b>	<b>85,715</b>	<b>87,858</b>	<b>2,143</b>	<b>2.50%</b>
<b>Total Administrative Gross</b>	<b>6,552,691</b>	<b>6,683,746</b>	<b>131,055</b>	<b>2.00%</b>
Administrative Income & Reimbursements	-175,000	-275,000	-100,000	57.14%
<b>Total Administrative Net</b>	<b>6,377,691</b>	<b>6,408,746</b>	<b>31,055</b>	<b>0.49%</b>

- 3.3 Two internal changes are principally responsible for this request. First, OVE is a small office with an active policy for rotation of staff. In 2005, the Office attracted new entrants with a higher grade level than those who retired or rotated back to the Bank, and this necessitated an upward adjustment in the salary base. In 2006, it is expected that this pattern will reverse, and the OVE staff distribution will have a lower average grade than that prevailing in 2005. In asking for the salary increase in 2005, OVE made a commitment to reduce personnel costs in the future if the grade distribution made this possible, and the 2006 budget makes good on this commitment.
- 3.4 Second, in 2005, OVE also received a significant increase in funds for consulting and outside services to accommodate the extra work implied by the new policy on ex-post evaluation. As described in the 2005 budget request, OVE is managing this task largely through consulting contracts with individuals, institutions, and governmental entities in the region. The base level of funding for consultants and outside services obtained in 2005 is sufficient to the needs of this activity in 2006, assuming no major change in the ex-post policy. As a result, OVE is requesting only zero-real growth in its consulting budget for 2006.
- 3.5 Table 3.2 presents OVE's budget request by product, with an additional breakdown of each item of expense associated with the product categories. It shows that for 2006, OVE staff effort is concentrated in oversight reports, country program evaluations, policy, instruments and sectoral evaluations, while consulting effort is concentrated in ex-post.

**Table 3.2**

<b>OVE Budget By Program</b>					
	<b>Staff*</b>	<b>Consultants</b>	<b>Travel</b>	<b>Total</b>	<b>Percent</b>
Oversight Studies	1,314,194	178,747	77,344	1,570,285	23%
Country Program Evaluations	1,095,161	357,494	154,689	1,607,344	24%
Sector and Thematic Evaluations	876,129	893,736	154,689	1,924,554	29%
of which ex-post evaluations	700,903	714,989	123,751	1,539,643	
Policy and Instrument evaluations	876,129	268,121	103,126	1,247,376	19%
Evaluation Capacity Development	219,032	89,374	25,781	334,187	5%
	4,380,645	1,787,472	515,629	6,683,746	100%

\* Includes staff development and general administrative costs