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OPERATIONS EVALUATION - World Bank Standards and Procedures (Correspondence)
- Volume 2

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CLOSE-OUT SHEET

This File Covers The Period From Feb. 1976 To April 1976
For Further Correspondence, See Vol. 3 (begins in 1978)

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File Title OPERATIONS EVALUATION - World Bank Standards and Procedures (Correspondence) - Volume 2		Barcode No. 30096150		
Document Date April 14, 1976	Document Type Board Record			
Correspondents / Participants				
Subject / Title SD76-19 Summary of Discussion at meeting of the Executive Directors of the Bank, April 2, 1976* Standards and Procedures for Operations Evaluation				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by V. Alekankina</td><td>Date August 31, 2012</td></tr></table>	Withdrawn by V. Alekankina	Date August 31, 2012
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Record Removal Notice

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File Title OPERATIONS EVALUATION - World Bank Standards and Procedures (Correspondence) - Volume 2		Barcode No. 30096150		
Document Date March 17, 1976	Document Type Board Record			
Correspondents / Participants				
Subject / Title JAC 76-6/2 Join Audit Committee, Standards and Procedure for Operations evaluation in the World Bank				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by V. Alekankina</td><td>Date August 31, 2012</td></tr></table>	Withdrawn by V. Alekankina	Date August 31, 2012
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Mr. Chairman, Members of the Board, I believe that Mr. Shoaib's memorandum which is before you speaks for itself, so that I want to make only very few introductory remarks, briefly reminding you of the main stages in the evolution of the Bank's evaluation system,

The evaluation unit was originally established by management in September 1970 as a final step in a three-pronged effort to improve internal controls, the other steps being establishment of the Joint Audit Committee by the Board of Directors and substantial strengthening of the then Office of the Internal Auditor. Its main purpose was as a tool of management for learning from the Bank's own past experience, but, to help achieve this purpose, it was from the start given a great degree of independence, and its reports were also all distributed to the Executive Directors for information, as soon as they began to appear early in 1972, and without any management interference with their content.

A year later, in 1973, it was decided that the instrument was sufficiently developed so that its independence could be formalized and its utility to the Bank further increased by giving it a stronger link with the Board of Directors and the member countries. Together with the Internal Audit Department, the unit was placed under the sole charge of Vice President Shoaib in July 1973 and later that same year the terms of reference of the Joint Audit Committee were extended to include responsibility for assessing the adequacy and efficiency of the evaluation work.

The U.S. Foreign Assistance Act ^{as amended in} of December 1973 required the U.S. Executive Director of the World Bank, like the American representatives to certain other multilateral institutions, to promote the establishment of what the U.S. authorities considered a fully independent review and evaluation

system. Through negotiations over a prolonged period, the Bank management reached the arrangements, approved by you last October, to enable the existing evaluation unit to meet the requirements of the legislation, without sacrificing the crucial advantages for staffing, planning, ^{and operating} and budgeting/purposes of full integration into the Bank Group; the unit would be under the charge of a Director-General, to which post you elected Mr. Weiner in July 1975, and it would be responsible to the Executive Directors, with an administrative link to the President.

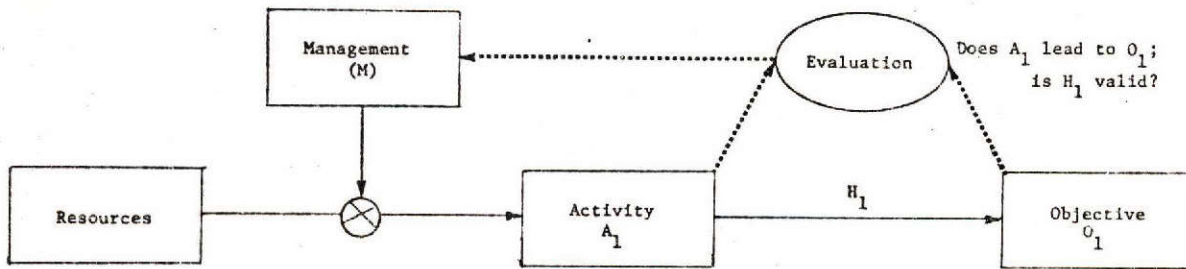
Through these changes, and particularly thanks to the efforts of the Joint Audit Committee and of Mr. Shoaib, as well as through accumulating internal experience, the work of the unit has developed and diversified, and, I think, improved - and I am sure that our new Director-General will bring substantial further improvement. The unit has always been entirely free to deal with whatever issues arise - whether of policy, procedure or practice - in its work on Bank operations and activities, and it has always been free to present whatever findings it reached.

Beyond this vital element of independence and freedom of reporting, the operating effectiveness of the evaluation unit depends most crucially on the closest interaction with the management and staff of the Bank at all stages of work - from initial conception and design of studies, where it is the admixture of the unit's problem-solving focus with the Bank's experience and knowledge of the problems that arise which results in the most incisive studies, through the stage of follow-up to conclusions and suggestions reached, when the unit's periodic return to points that have emerged in earlier studies can perhaps do most to help ^{in promoting action} ~~build a real conviction of the need for action~~ at an operational level. What success the work has had to date has depended not

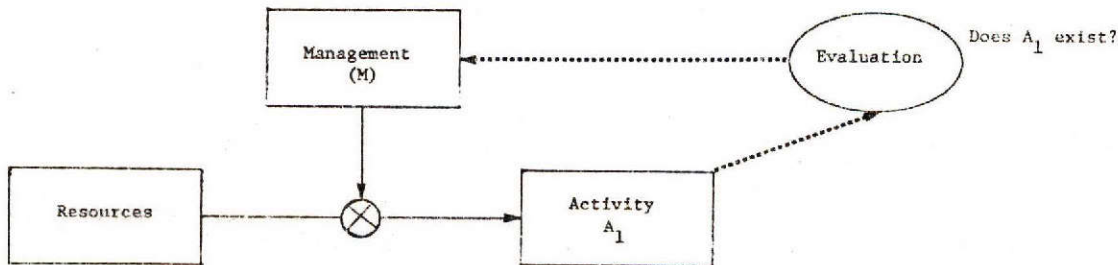
only on the forbearance, understanding and openness of the Bank management and staff, but also importantly on their ideas, as well as those of the borrowers, as to topics of study, methods and suggestions for improvement in Bank operations. Mr. Shoaib notes in his memorandum a number of ways in which interaction between the Bank staff and the evaluation unit can be further usefully increased - particularly on the Project Completion Report component of the Bank's evaluation system and on help to member countries in the development of their own evaluation systems and agencies - as well as in securing the best dissemination of the reports and ideas developed so that they may contribute most effectively to future Bank operations. He also notes that the Bank management has already reacted favorably to the large majority of the suggestions made in the very recently published report on Delays in Loan and Credit Effectiveness; action is now underway to prepare the necessary revisions in Bank operating instructions, and we do hope that a quiet pursuit of some of the operational suggestions which have so far proved less acceptable will also uncover solutions that can draw more general support. Certainly this has generally been the experience with the recommendations and suggestions contained in the earliest evaluation reports which we did, as recorded in the Closing Reports which we have circulated in the last months: policy questions raised have been appropriately treated in management's policy papers and the much more numerous operational issues have, for the most part, equally received appropriate consideration and action in one way or another.

The reports that emanate from the evaluation system have to be seen then as tools for both the Executive Directors and for the management, but in rather different ways. For the Executive Directors, the reports, and more particularly the cumulative summaries and assessments of action on suggestions

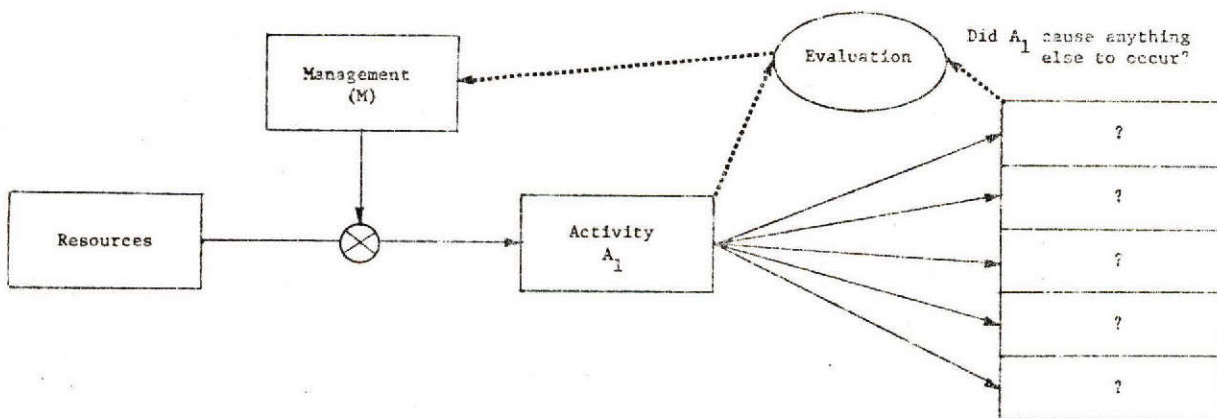
made, are an additional window for assessing the overall effectiveness of ^{the} Bank ~~management~~ and one particular source for indicating points that may need to be given more consideration in Bank operations. For the management, all the reports provide a running assessment of the effectiveness of the Bank's operations and one among many sources of ideas for their improvement, mainly at a quite detailed non-policy level. I believe that to maintain the effectiveness of the evaluation system, it is important to remember that the resultant reports are contributions to the broader debate from a particular vantage point, assessment of the past, whether recent or distant - I have always considered that, at the margin, our role is rather to try to generate stimulating lessons and suggestions rather than to attain a perfect comprehensiveness and full balance that will anyway be provided by management before acting on our suggestions - ^{also ~~evaluating~~ important} and to recognize the differences I have described among the purposes which the reports serve for their two principal addressees within the Bank. // Before ending I would like to take the opportunity of thanking the many Executive Directors who have helped us to develop the evaluation system to its present stage and to secure the support of member countries in its day-to-day operation. We particularly value the link that we have had with the Joint Audit Committee and the opportunity this has provided to secure an outside view on the adequacy of our programs, studies and methods and ways to improve them. It is our ardent effort and hope to repay the trust that is reposed in us with a useful contribution to our member countries' development efforts.



A. HYPOTHESIZED MANAGEMENT AND EVALUATION CYCLE



B. MANAGEMENT AND EVALUATION CYCLE FOCUSING ON PROGRAM ACTIVITIES ONLY



C. RESEARCH MODEL OF EVALUATION

FIGURE 1: THREE MODELS OF A MANAGEMENT AND EVALUATION CYCLE

M. Willey

THE CANADIAN INTERNATIONAL DEVELOPMENT AGENCY'S
STRATEGY FOR 1975-80: IMPLICATIONS FOR EVALUATION

Background

The CIDA Strategy 1975-80, was developed to ensure a continuing relevance of the CIDA program, in the light of rapidly changing internal and external situations and conditions. The adaptation of the Agency's operations to its strategy has to be done within the on-going operational context. Operations have to be examined and refined or rebuilt within the strategic policy framework with a minimum disruption of critical operational functions.

The major focus of CIDA's Strategy 75-80, is on the concept of maximal self-reliance within a framework of development cooperation. A top CIDA priority is the enhancement of host country potential for formulating, directing and controlling all aspects of its development programming. This would include the eventual direction and management of the supportive inputs provided by external donors (bilateral and multilateral). The purpose of CIDA's Strategic emphasis is to promote and support policies and activities which lead to the establishment of a sound basis for true partnerships in development cooperation.

In the ideal international development cooperation situation, both partners share the responsibility for all cooperative developmental efforts. In the first instance, all partners are equally responsible for ensuring that the externally supported program or project lies within the host country's system of development planning priorities. Equal opportunity is provided for all partners to make inputs into the various stages of the planning process. The time must be provided for jointly examining, discussing and deciding on emerging options for action.

From our perspective in CIDA, evaluation is an integral and important part of the planning process. In our view, the evaluative function includes examination of goals and objectives; policies; and operational processes and products. All partners in development cooperation share the responsibility for accountability to their respective authorities and constituencies. Thus, the direction of follow-up studies of program impact should be, or should become the host responsibility at the earliest feasible time.

The problem of determining the criteria for program development and setting priorities in terms of quantity, quality and speed of inputs, faces all administrators of development programs.

In recognition of the requirements for separate and joint accountability, CIDA proposes a joint approach to evaluative research and study.

The following statement of the approach is divided in two parts:

- 1) Evaluation in CIDA
- 2) An outline of a proposal for joint evaluative efforts between development partners.

DEC 15 1979

The first part of the statement provides an operational definition of the concept and discusses methodological problems. It also emphasizes the complexity of CIDA's evaluative requirements and describes the present status of CIDA's evaluative activity.

The second part of the statement outlines a proposal for joint evaluative efforts and suggests options for evaluative arrangements.

EVALUATION IN CIDA

Definition

The global definition of "evaluation" as it relates to CIDA's strategy, program and activities reflects concern with both information on the outcomes of operations, and judgements regarding the desirability and value of related policies, goals and objectives.

From CIDA's perspective, evaluation is viewed as a phase in systematic program development. Ideally, CIDA's operational programming is preceded by a planning process that includes: (1) identification of development needs and problems; (2) specification of objectives; (3) analysis of the causes of problems and the shortcomings of existing programs and (4) an examination of possible alternatives for operational implementation within the framework of the developmental situation of the host country and of CIDA's strategic goals and policies.

At present, CIDA is attempting to sort out the functional roles and responsibilities for a wide spectrum of evaluative activities which have evolved randomly within the agency as it concentrated its initial efforts on operational responsiveness.

Different focuses and responsibilities within the agency have fostered distinctly different approaches to evaluation methodology. Some methodologies are informal, with a reliance on impressions, casual observation, implicit goals, intuitive norms, and subjective judgement. Other methodologies are formal, with an emphasis on inputs and/or outputs.

At the project appraisal level, the emphasis is on explicit input check-lists and formulas as a basis for evaluative judgements regarding comparison of alternatives.

The program accounting approach also emphasizes analysis of inputs. The focus here is on maintenance and quantitative records of project/program activity. This approach is used to examine the administrative viability of programs/projects, as well as, to provide a basis for differential budgetary allocation between implementation options and modalities of transfer.

Ideally, at the strategy and policy levels, the emphasis is on evaluative research. This focus is on outputs, but includes consideration of inputs in an integrative and comprehensive analytic framework. At this level, evaluation results will be used for modifying programs while they are in progress; for decision making regarding policies and priorities; and for testing hypotheses and assumptions regarding the efficacy and appropriateness of strategic goals and models.

As mentioned earlier, the methodological distinctions outlined above overlap in terms of CIDA's present organizational structure. There is also the problem of a restricted conceptual/methodological range which is discussed below.

Conceptual/Methodological Problems

Traditionally, CIDA's evaluative research on developmental programs has focused on developing and applying methodologies within the context of existing and/or terminated operational programs. This approach is primarily responsive. In this situational sequence, the evaluation specialist is required to design mechanisms which will permit the policy and/or operational evaluator to examine past or on-going programs, processes and performance. This activity is aimed at improving short-term operational efficiency and effectiveness. Questions concerning the relevance and appropriateness of program goals and objectives are not fully examined.

The emphasis of CIDA's evaluative researchers on designs and methodologies for indicative (input level) analysis has done little to arrest the increasing discrepancy between strategy and policy, on the one hand, and program activities and results on the other hand. In order to extend the methodological range to include the examination of CIDA's strategic goals, objectives and policies, it will be necessary to increase the breadth and depth of evaluative research. On-site pre-program situational analysis and post-implementation impact analysis must be included. In CIDA we consider that these areas of greater research intimacy must be under the immediate direction of the host country or region.

With this consideration in mind, we present the following proposal for joint evaluative research and follow-up study.

A PROPOSAL FOR JOINT EVALUATIVE RESEARCH AND FOLLOW-UP STUDY OF INTERNATIONAL DEVELOPMENT

PROGRAMS AND PROJECTS

Purpose

To develop a methodologically rigorous coordinated approach to evaluative research, within the context of partnership in development cooperation.

Rationale

Two dominant factors have emerged over the past decade of international development cooperation which relate to the evaluative process:

- a. The developmental interdependency of all countries reduces the traditional distinction between "donor" and "recipient" countries. This fact has necessitated a strategic reconsideration of the terms and conditions for reciprocal developmental interaction.
- b. All parties involved in the process of international development cooperation must equally share the responsibilities for strategy formulation; program development, implementation and administration.

Within this climate of change and increasing interdependence, the need for cooperative evaluative efforts is stated below:

1. Evaluation as the study of the effectiveness of international development strategy, policy and activity, can play an important part in the development of a field of administrative science, for international development cooperation programs.
2. With its emphasis upon understanding why a program succeeds or fails, evaluative research can provide a scientific basis for testing or validating principles and policies of international development program administration.
3. Evaluative research would help to provide linkages needed to bridge the existing gaps between statements of strategic goals and the realities of operational implementation. Evaluative research could become an ongoing process related to all stages of program planning, development and operation.

Linkages between the various stages would be established as follows:

- Each stage would have its own set of objectives and means for attaining those objectives which would become subject to separate evaluations.
- The separate evaluations would feedback information to the program administrator at each stage and permit him to determine when and how to proceed from one stage to another.
- The different stages are interrelated, with the objectives of each preceding stage providing means toward formulating the objectives of each succeeding stage.
- An evaluation of the planning stage can be based on its success in formulating a developmental program design.
- The evaluation of the program design can be based on its success in formulating operational implementation mechanisms.
- The operational program can be evaluated in terms of its ability to achieve the desired objectives specified for the various implementation mechanisms.

4. The integration of evaluative research within a coordinated approach to program administration will increase opportunities for meaningful participation of all partners at each stage of the planning process. This would lead to improvements at the interpersonal, professional, technical and administrative levels of interaction.
5. The inclusion of evaluative research as an integral part of the planning-operational-evaluation cycle will enhance the administrative self-sufficiency of developing countries, by providing ongoing training in the application of the scientific method for making decisions.

OPTIONS FOR COOPERATION IN EVALUATIVE RESEARCH AND FOLLOW-UP STUDIES

Some of the suggestions for cooperation which are currently being examined within CIDA, are presented below for your consideration:

1. The minimum evaluative support requirements for various types of development programs and projects would be determined in cooperation with CIDA's partners and other donors. The purpose of the joint study would be to provide guidelines for ensuring that evaluation is appropriately scaled and integrated within programs. This would enhance program planning, administration and operational relevance and effectiveness, without an intolerable reduction in operational efficiency.
2. CIDA would support evaluative research and follow-up study by building the cost of essential evaluation into its various operational program budgets.
3. CIDA would expand its administrative budget to cover the cost of field requirements for essential evaluative research and follow-up study.
4. CIDA would provide technical assistance for evaluative research and follow-up study by:
 - a) funding inter-disciplinary seminars and work-shops on evaluative research and follow-up studies at regional and national development institutions and agencies (includes universities) in the host country or region
 - b) funding contractual arrangements for evaluative research and follow-up studies for specified CIDA programs/projects
 - c) funding third-country training in evaluative research and follow-up studies
 - d) providing secondments of CIDA and other Canadian personnel, Federal and Provincial, for short-term evaluative research and follow-up study assignments, under the direction of host country ministries, agencies, institutions or organizations.

The above list of options are intended for discussion purposes only. Any additional suggestions that may emerge from this consultation would be welcomed by CIDA. It should be noted however, that changes in prevailing arrangements and conditions are subject to acceptance by other federal departments and authorities.

SOME UNANSWERED QUESTIONS

1. To what extent does CIDA's partners and potential partners in development cooperation consider PROGRAM EVALUATION as a priority concern?
2. How willing are CIDA's partners to actively participate in developing and initiating an approach to coordinated evaluative research?
3. In the event of a positive response to this CIDA proposal, what would be the resource availability, for training and/or participation in EVALUATIVE activity?
4. What would be the nature and scope of assistance required from CIDA, if any?

E.A. Tracey
October 22, 1975
Evaluation Division

NOT FOR PUBLICATION

Evaluation Work at the World Bank

In the model of an investment bank the World Bank has traditionally given great attention to the viability of the projects it supports and it has normally taken a much stronger interest than the typical commercial bank in following them up. After approval of a loan, the Bank follows projects by means of a supervision system which consists mainly of periodic field visits by headquarters staff and analysis of data about project progress regularly submitted by the borrowing entity. Supervision is carried out entirely by the operating departments which were responsible also for original preparation and appraisal of the projects. Sometimes supervision has tended to be rather perfunctory or too narrow in scope, but at its best it has provided valuable technical advice to the borrowers and assisted them in negotiations with other parties as well as providing satisfactory control of expenditures out of Bank funds. Moreover the supervision system has resulted in the experience of earlier projects being brought to bear to a considerable extent in the preparation and appraisal of new projects.

However, apart from some recent exceptions, active project supervision has very seldom been carried beyond the stage at which loan disbursements have been completed. Where this has been done, mainly in connection with follow-on loans to the same entity, full analysis has not been made of the extent to which all the various objectives of the original project were achieved, the reasons for departures and the effective economic validity of the investment. In the mid-1960s a thorough review of the Bank's supervision system led to the conclusion that a certain amount of work of this type, on selected projects, would be useful, mainly for the purpose of helping to improve the methodology of investment appraisal. A small program of this nature was initiated in the Bank's then Economics Department. The first result was the well-known study by Herman van der Tak and Jan de Weille, "Reappraisal of a Road Project in Iran," completed in 1967 and published in 1969.^{1/} The same program eventually resulted in a number of other studies on individual projects which appeared in 1970-72.^{2/}

- 1/ World Bank Staff Occasional Paper No. 7, published by Johns Hopkins Press, Baltimore.
- 2/ Principally: Richard Manning, "An Economic Evaluation of Irrigation Rehabilitation Projects in Mexico" (IBRD Report No. EC-180, September 1971); Arturo Israel, "Reappraisal of a Railway Project in Thailand" (IBRD Working Paper No. 132, 1972); Graham Donaldson, "The Consequences of Farm Tractors in Pakistan: An Evaluation of IDA Credits for Financing the Mechanization of Farms in Pakistan 1966-70" (1973); Paul Duane and Deepak Lal, "Reappraisal of the Purna Irrigation Project in India" (1973). The first two have been published in cyclostyled form, under the reference numbers given, while the last two remain at present at the draft stage.

NOT FOR PUBLICATION

Late in 1970, after considerable deliberation, the President of the Bank decided to set up an Operations Evaluation unit whose sole function would be to evaluate Bank operations, in the broadest sense. The new unit was to be located in the Programming and Budgeting Department which acted in many ways as a kind of secretariat for the President and which, although not responsible for operational work, was nevertheless heavily involved in the programming and planning of the Bank's future operations. The aim was to provide a more systematic and comprehensive review of Bank operations and their contribution to development than had been available in the past, in order to meet two needs -- the need to learn as much as possible from experience and the need to demonstrate accountability for funds utilized. It was envisaged that it would take five years of experiments to develop sound procedures. The experiments started in January 1971 with two efforts, one a major comprehensive study of all that the Bank had done in connection with the development of Colombia since the start of operations in 1948, and the other a more limited one of the extent to which loan objectives had been achieved in ten power utilities to which the Bank had been lending for a number of years.

At the same time as this evaluation work was getting started the Bank was giving greater emphasis to regular project supervision. Increasing amounts of manpower were devoted to it. More importance was attached to regular schedules, providing for supervision missions every three months or six months as the case might warrant. Efforts were initiated to express more of the agreements reached in loan negotiations and project objectives in the form of quantitative targets against which actual performance could be closely measured during project supervision. Monitoring systems to generate information reflecting the extent of achievement of these targets began to be established in a more elaborate way. Attention began to be focussed less exclusively on the sheer progress of construction and of loan disbursements. Another improvement was to re-introduce, as a standard practice, preparation by the operating departments, upon completion of disbursements, of Project Completion Reports analyzing as far as possible at that stage, the extent of achievement of project objectives, problems encountered and the lessons that project implementation yielded.

Even the more systematic evaluation work has not been confined to the special unit in the Programming and Budgeting Department. It was from the start explicitly recognized that some work of an evaluative nature would continue to be done by the central economic staff of the Bank. Methods and approaches for solution of economic problems would often be the subject of their studies, and analysis, full or partial, of experience under past Bank-assisted projects could be one useful component of such studies. A case in point is the African Rural Development Study which the Bank's Economics Department has had underway for a year or so as a means to

improve understanding of, and develop better approaches for coping with, the whole problem of poverty in rural areas; this study consists mainly of ex-post reviews of a number of projects including, among those which were financed with assistance from the Bank, the Lilongwe Project in Malawi and various agriculture credit projects in Kenya. Evaluation work essentially oriented to improvement of analytical methods and approaches has also been underway in some of the technical operating departments. For instance the DFCs Department has a program of Special Studies involving intensive cost-benefit analysis of quite large samples of industrial projects financed by IBRD loans to development banks in various countries and designed in large part to help the banks to improve their own project appraisal techniques. The Education Department has put special emphasis on the need to develop better methods of targeting and measuring qualitative improvement in education systems via the financing of projects; a small review of a recently completed project in Ethiopia has been carried out and further reviews are envisaged under a special research project.

The Operations Evaluation Division

By contrast with the studies just described the work of the Operations Evaluation Division in the Programming and Budgeting Department is designed only incidentally to improve analytical methods. Its first purpose is to assess, from an independent stance within the Bank, the performance of the Bank and the extent to which the objectives of individual Bank operations have been accomplished. Second, it is intended to identify any patterns of problems arising, so that Bank policies, practices and procedures may in the future be improved. Third, it is intended to identify and develop specific suggestions for such improvements.

The Division's program of studies is worked out directly with the senior management of the Bank. Following the Colombia and Power Reports,^{1/} which were discussed in the Bank's Board in the middle of 1972, the Division started a new program including quite large comparative evaluative studies of highway projects and of lending to DFCs, each in a few selected countries, and a number of briefer reviews of individual projects in various sectors and countries, most of them completed about five years ago. This program is nearing completion and a number of individual project studies have already been issued.^{2/} The program for the coming fiscal year (1973/74) envisages further comparative studies of projects in different countries and also a start on a new type of study, namely a standard audit, about

^{1/} "Bank Operations in Colombia - An Evaluation" (May 1972) and "Operations Evaluation Report: Electric Power" (March 1972).

^{2/} "Summary Audit of Costa Rica First Highway Project" (October 1972), "Audit of Early Power and Telecommunications Lending to ICE (Costa Rica)" (October 1972), "Summary Audit of First Trinidad & Tobago Power Project" (January 1973), "Audit of Botswana First Highway Project" (April 1973).

one year after completion of loan disbursements, of the extent of achievement of project objectives and of the reasons for shortfalls. It is now planned to subject each project financed by the Bank to such an audit, beginning with those for which loan/credit disbursements were completed in FY1973; the extent of such study is expected to vary greatly among projects depending on the complexity of objectives established and the problems that arose in execution. The two main evaluation studies for the coming fiscal year are review of past Bank lending for agriculture credit to farmers and ranchers, and a study of the extent to which managerial and technical innovations introduced in Bank-assisted projects spread beyond them (so-called 'spread' or 'demonstration' effect).

The Division's work program is carried out entirely by the Division's full-time staff and periodic consultants, except that members of other Bank departments sometimes contribute a few weeks or a few months for a special assignment. However, care is taken to ensure that a project is never reviewed by anyone who was closely associated with its original appraisal or preparation in the Bank. On the other hand, considerable effort is naturally made to discuss projects and the evaluative interpretation of them with those on the operating side of the Bank who were concerned with them, and the comments of the operating departments are solicited and carefully considered before finalization of any report. The Operations Evaluation Division now has a permanent staff of some 23, including about 8 professionals, 9 research assistants and 6 secretaries; about half the manpower is devoted to individual project studies or audits and half to major evaluation studies. The Division recruits specialized individuals as consultants and has also contracted a number of studies -- principally concerning project impact in small regions -- with research institutes in the developing countries where projects are being studied. These links with local research institutes, which have worked with varying degrees of success, have been the principal means of active involvement of borrowing countries in the Bank's evaluation work, although all studies and the plans for them are naturally discussed quite fully at an early stage with the responsible Government authorities.

The Division has no agreed formal method for carrying out its various types of review. There is rather a basic set of questions and experiments have been made with a variety of different ways of approaching answers. Imagination and experimentation remain the key ingredients.

The principal questions considered can be listed in ascending order of complexity. They apply equally to capital projects and to technical assistance projects (which for the Bank means mainly planning and institution building components of capital projects):

Noted in the does on the basis of the loan/crédit was approved here I was aware of the reasons for not fully anticipated, and the attempts to assess the effects of the Bank for the experience
 - 5 -
(and each individual significant component)

1. Implementation: Was project fully completed, on time, and within cost estimates?
a what changes were made to the project during implementation?
2. Compliance: Did borrower, Government, consultants, etc. comply with loan covenants and related agreements and contracts?
3. Financial Performance of Borrower: Have targets or projections been fulfilled?
(including internal self-financing of investment)
4. Institution Building: Have agreed or expected reforms in policies and structures been carried out?
5. Economic Analysis: Have appraisal projections on markets, outputs, costs, etc. been realized?
6. Economic Reappraisal: How does the project compare retrospectively with what would have happened had it not been undertaken or had something else been done? *(i.e. rate of return) a time expectation?*
Impact: ~~the econ return to project, in the form of benefit~~ bank would not have occurred had it not been undertaken, compared
7. Bank Contribution: What difference did the Bank make to the project? *in design or comparison x ~~was~~ desirable? in retrospect?*
During prep, app, & spn. (physical, consultants, inst. build) sector policy

Each of these questions about achievement of objectives and the corollary ones of the 'if not, why not?' type may be treated either narrowly or broadly, concentrating attention mainly on the individual project and the executing agent or, at the other extreme, trying to see the project to the greatest possible extent in its full country context. The breadth of context chosen also affects the range of alternatives envisaged in considering whether original project objectives were the best they could have been.

While these questions have been the main ones pervading our work we have grouped Bank operations in different ways in different studies and this has naturally resulted in varying emphases. For instance, the grouping of projects by country tends to concentrate attention on matters such as project selection, lending strategies, inter-relations between lending activities and policy advice, institution building efforts. Grouping of projects by sector, taking cases in different countries or regions of the world, focusses attention more on technical issues concerned with that particular type of lending, including specific implementation and compliance problems. Selection of projects for study according to some guiding theme, such as the demonstration effect mentioned earlier, naturally concentrates attention on the theme in question. When we intend seriously to review institution building achievements we find it essential to cover the whole series of loans made by the Bank to a particular entity or sector in a country.

Did Bank pursue cases of non-compliance adequately?
Econ efficiency? Could the project objectives which they or sector objectives have been reached at lower cost by other means?
Impact
Sector contribution?
What was the consequence? What did Bank do about it?

at least must reforms be meaningful?
Could the same results have been obtained for lower cost?
(alternatives???)

We have not come to any strong conclusion as to the superiority of one way of grouping projects over others; it depends in part on the issues or aspects which it is desired to emphasize. From the cost point of view country studies have a marked advantage, mainly because all the overhead of country background for each project is common; linked studies of projects in different countries are, on the other hand, particularly costly and difficult to manage, because of the multiple country backgrounds to be covered, logistical problems, and time required for contrast and comparison. Including all costs such as office space and staff benefits as well as salaries and travel, the Colombia study cost about \$660,000. Part of this was spent on deeper review than is normally possible of the country's overall situation and the Bank's relations with it; dividing the total costs, however, by the number of projects covered fairly fully (33) yields an average of \$20,000. Our individual project studies, which have generally been less intensive than those underlying the Colombia report, have cost between \$10,000 and \$30,000, depending on complexity and technical expertise required. Total expenditures for the Operations Evaluation Division have been running a little under \$700,000 per year, or about 0.6% of the Bank's total administrative budget.

Follow-up to Evaluation Studies and Results

All the reports of the Operations Evaluation Division try to draw lessons or conclusions relevant to future operations of the Bank. These are naturally given most prominence in larger scale studies where sufficient projects have been covered to warrant the assumption, at least tentatively, that the conclusions have broad applicability. The conclusions of individual project studies will need to be reviewed, assembled and assigned priority after a number of such studies have been done. Only then will it be possible to follow up their implementation.

It is too early to be at all definitive about the effect of the Bank's evaluation studies. In some quarters they have been received well and in others quite badly, but even when received badly they may have had significant effect on operations. Evaluation studies are naturally only one source, among many, of ideas about needed changes in policies and practices. Hence even when changes are visible it is hard to identify exactly the role of the evaluation report. Nevertheless it is quite clear that the principal reports produced so far have had some effect, not in changing basic directions but rather in reinforcing and accelerating existing trends, at various different levels -- for instance, plans for future lending to the entity in question and the emphases to be made in such lending; areas of concentration for operating department missions and possible advice to country; orientation and policies for research in connection with Bank policy, for instance on land reform and various policy questions in the electric power field; and, more generally

-- possibly most important and least identifiable -- operating department personnel taking account of the lessons derived in evaluation reports in the execution of day to day lending administration.

In a few months' time it may be possible to be more conclusive as to whether or not evaluation report recommendations are having any effect on Bank practices. Under the follow up procedures established for the main reports, the operating departments are requested to prepare, following Board distribution of each report, detailed responses outlining what they are doing or plan to do in implementation of each recommendation or, if they do not agree, the reasons for such disagreement. These responses are discussed with the Operations Evaluation Division before being finalized, so as to make sure that there are no problems of sheer misunderstanding. About one year later it is the responsibility of the Operations Evaluation Division to prepare a report to management going over each and every one of the original recommendations and commenting on its fate, the extent of implementation and further action needed. Discussion of recommendations with the operating departments has been a significant part of our work during the past year and preparation of the proposed 'closing reports' on the Colombia and Electric Power evaluation reports will be important jobs during the coming year.

Conclusions and Some Dilemmas

Now about half way through the five-year pilot period we feel we have defined reasonably well the questions that need to be answered and we have gained experience in trying to answer them for projects and other operations in a fairly wide variety of fields. We have not, on the other hand, reached standard procedures which now need only to be applied to a larger sample of Bank activities; the program remains experimental in nature.

A perennial dilemma in the selection of projects for evaluation is between older ones, on which there is sufficient operating experience after construction that results can be fairly fully and categorically defined, and newer ones, more representative of current policies and procedures with regard to project selection and appraisal; to exaggerate slightly, studies of older projects may lead to results that tend to be irrelevant, however definitive, while studies of newer projects may lead to results that are highly relevant but still quite disputable. Older projects can also be very costly to study due to difficulties in digging up the data. On the whole, our tendency has been to move toward more recent projects, among those for which loan/credit disbursements are fully completed. Early project benefits, which anyway often dominate in discounted cash flow analyses, can generally be defined within a year or two of completion of construction.

With the recent decision to provide the Executive Directors of the Bank with an audit report on every project within a year or so of final loan disbursements, we are moving toward a comprehensive integrated system. To the early stages of the 'Project Cycle' -- identification, preparation, appraisal and loan negotiation -- post-construction additions have been made in the form of the standard audit and possible subsequent evaluation, while the key middle stage of supervision during construction is being substantially strengthened by greater emphasis on it in manpower allocation, by introduction of built-in monitoring systems and by institution of the Project Completion Report. It is envisaged that the monitoring data together with the Completion Reports will be drawn on heavily so as to bring down the costs of the standard audit, without jeopardizing its independence. This in turn will leave more resources available for evaluation studies, while the Operations Evaluation Division's responsibility for the standard audit will help it to identify projects and topics that most need to be taken up in evaluation studies.

Probably the most difficult problem which confronts the Bank's evaluation effort is in the treatment of institution building objectives. Management improvement is often given great emphasis in connection with Bank projects and management deficiencies often take a large part of the blame for disappointing performance of projects. But we have not yet succeeded in coming to grips in a satisfactory way with management and organizational problems. From analysis of the past it should be possible to come up with rather specific ideas as to the roots of the problems and how they might have been overcome. But we are faced with a great paucity of methods, techniques and analysts for coping with these problems.

Although to some degree a by-product of the overall effort, the suggestions which emerge regarding possible improvements in Bank policies and procedures are obviously in our opinion very important. Equally we are concerned that they should receive full consideration. But we are not at all sure of the point to which it is appropriate for the Operations Evaluation Division to develop them. Leaving them in general terms may stimulate the operating departments to develop better specific solutions themselves; preparing them in fuller detail, on the other hand, can yield a paper on which immediate discussion can be based and against which progress in achievement can be measured. On the whole, our conclusion is that many of the recommendations in the reports that we have done so far were not sufficiently precise or fully developed and have as a result been quite often misunderstood. Hence we have been elaborating some of them and our general intention is to develop important recommendations in greater operational detail in the future.

Another problem which we confront in all evaluation work is to get the right balance between breadth and depth. Whether the principal purpose of the study is accountability or derivation of lessons for future application,

it is important that the underlying project base of the study be sufficiently large that readers cannot easily discount the conclusions on grounds the sample is biased or unrepresentative. On the other hand coverage of a very large number of projects may simply lead to superficial treatment of them all. We are constantly striving to develop approaches which enable adequate emphasis on a few projects which raise important problems or seem likely to yield important lessons, while at the same time covering, with briefer studies, a much larger number of projects; this seems the most productive allocation of the relatively small amount of manpower which it is worthwhile devoting to evaluation and audit functions.

May 1, 1973

April 12, 1976

Mr. Ralph Getz
OAS
Office of Evaluation & Coordination
Room PAR-829
1735 Eye St., NW
Washington, D.C. 20006

Dear Mr. Getz,

Mr. Willoughby, now away from Washington, asked me to send you a copy of the attached paper entitled "Standards and Procedures for Operations Evaluation in the World Bank" and to say he hoped you would find it useful.

Yours sincerely,

A. G. Arceo
Secretary to Mr. Willoughby

Attached a/s

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For consideration on
March 23, 1976

R76-58

FROM: The Secretary

March 17, 1976

REPORT OF CHAIRMAN, JOINT AUDIT COMMITTEE
"STANDARDS AND PROCEDURES FOR OPERATIONS EVALUATION"

Attached is a report of the Chairman, Joint Audit Committee on the draft statement of the Director-General, Operations Evaluation, "Standards and Procedures for Operations Evaluation" (R76-57) which is scheduled for consideration at the meeting of Executive Directors on Tuesday, March 23, 1976.

Distribution:

Executive Directors and Alternates
President
Senior Vice President, Operations
Executive Vice President and Vice President, IFC
President's Council
Directors and Department Heads, Bank and IFC

3520
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FOR
EXECUTIVE
DIRECTORS'
MEETING

For consideration on
March 23, 1976

R76-57

FROM: The Secretary

March 15, 1976

STANDARDS AND PROCEDURES FOR OPERATIONS EVALUATION

Attached hereto is a memorandum dated March 15, 1976 from Mr. Weiner transmitting the revised text of his memorandum of February 18, 1976 and of the draft statement of "Standards and Procedures for Operations Evaluation in the World Bank" (SecM76-103). The textual revisions are the outcome of the review of the draft carried out by the Joint Audit Committee on February 26, 1976.

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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of Director-General
Operations Evaluation

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March 15, 1976

Memorandum to the Executive Directors

Subject: Standards and Procedures for Operations Evaluation in the
World Bank

The Joint Audit Committee reviewed on February 26, 1976 the draft Standards and Procedures for Operations Evaluation in the World Bank (SecM76-103) which was distributed to the Executive Directors on February 19, 1976. At the conclusion of that review, the minutes of which are being distributed separately, the Committee requested that the Director-General propose to the Board amendments which would reflect the principal comments of the JAC on the February 18 draft. A revised text is submitted herewith to the Executive Directors for their consideration. For ease of identification, the amendments which are proposed are shown as line-in line-out modifications of the original text; additions are underlined and deletions are scored.

Henry L. Heine

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

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Office of Director-General
Operations Evaluation

March 15, 1976

Memorandum to the Executive Directors

Subject: Standards and Procedures for Operations Evaluation in the
World Bank

During the Board discussion of the Bank's Operations Evaluation work on October 29, 1975, I was asked to prepare a draft statement of standards and procedures for consideration by the Executive Directors. The statement is attached. It outlines Bank operations evaluation objectives and procedures substantially as set out for the October meeting and modified during that discussion.

Several Directors said they thought the Board should become involved more systematically in the Bank's operations evaluation system and asked that the statement indicate how this might be done. The paper attached outlines a procedure, suggested during the October discussion, whereby the Joint Audit Committee would select those major operational problems or policy issues raised by findings of Operations Evaluation Department (OED) reports which in their view warranted discussion by the Board; the Executive Directors would meet informally for this purpose as a Committee of the Whole. Other alternatives were also suggested. One would be for selected evaluation findings to be discussed informally in the Joint Audit Committee, with all interested Directors attending. Another alternative would be to establish a sub-committee of the Joint Audit Committee, or a new Committee of the Board, to consider the Bank's operations evaluation findings. The procedure proposed appears to be most responsive to the wish of many Directors to be part of any discussion of evaluation findings and follow-up and to have these discussions conducted with maximum informality and freedom, with management attending and participating as appropriate.

As regards individual projects, the operations evaluation system described in the attached statement rests on the twin premises of comprehensive project performance auditing and self-evaluation by Bank staff.

Comprehensiveness has sometimes been questioned as being unjustifiably costly for the benefits perceived and therefore better replaced with a selective approach to assessing Bank project experience. A selective approach is, of course, feasible. However, as Bank projects are not standard but tailored to the particular needs and circumstances of specific countries, selectivity would imply only limited review of experience and limited accountability for results. As concern about cost is certainly warranted, what is proposed is a system which embraces all projects, but flexibly. The operating departments would complete the active supervision cycle with a completion report on each project, with the effort to answer standard questions varying as appropriate for each project.

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Comprehensive coverage by the operating departments would permit the Operations Evaluation Department to end its recent practice of preparing thorough Project Performance Audit reports on most projects. The OED would henceforth review all project completion reports for comprehensiveness and consistency before transmitting them to the Board but be rigorously selective in its more thorough review of individual projects.

Reliance upon self-evaluation is a principle of fundamental importance. With clear understanding of what is expected of them, most Bank staff can be expected to be no less constructively critical of Bank experience than they are now expected to be constructively critical of borrowers. Indeed, emphasis on self-evaluation would ensure that evaluation lessons are learned and absorbed into operations as fully and quickly as possible. Rejection of this principle would mean acceptance that the Bank as an institution and Bank staff as individuals are incapable of learning from experience and that any remotely adequate operations evaluation system would therefore require a very much enlarged and steadily expanding Operations Evaluation Department. There is scant evidence to support the need for such an approach. The Bank's self-evaluation activities would, of course, be tested periodically by the OED to ensure that adequate standards are, in fact, observed.

The proposed approach and the attached statement on the subject ~~have been considered and endorsed by the Management, and~~ are now recommended to the Executive Directors for their consideration. The statement will be updated from time to time as evolving evaluation experience requires; comments on it are invited at all times, especially from audit and evaluation authorities of member governments. It has been considered and endorsed by the Management.



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STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

D R A F T

March 15, 1976

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STANDARDS AND PROCEDURES FOR OPERATIONSEVALUATION IN THE WORLD BANKDECLASSIFIED
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1. This document sets out the standards and procedures for operations evaluation work in the World Bank. 1/

I. Introduction

2. One of the basic purposes of evaluation in any organization is to measure how far operational programs and activities are producing the desired results, and how efficiently, and to feed the information back into the formation of new directions, policies and procedures. Tension can arise between the reporting dimension of evaluation, for purposes of accountability, and the learning dimension, to assist management; the one requires full independence from management for greatest credibility and the other, full integration into management for quickest absorption of useful lessons. Experience in other organizations has shown that the evaluation function has sometimes been too closely linked to particular levels of management, with consequent constraints to its freedom in reporting and originality and imagination in lesson-learning; while, in other cases, it has sometimes been too distant from appropriate levels of management, leading to insufficient practical focus and lack of impact where that matters most if evaluation is to improve future programs. The correct position is hard to establish and maintain.

3. The World Bank, as an organization of international cooperation for development, has particular features which have to be taken into account in considering the appropriate structure of evaluation. It has major resources - those it lends and those it spends for administrative

1/ These standards and procedures reflect current practice or intent. They will be revised from time to time as evolving evaluation experience requires.

purposes - for which important allocative decisions have to be made.

It has a complex decision structure in which decisions on Bank policies, budgets, and lending and borrowing commitments are made by the Board of Executive Directors; recommendations on these matters and major administrative decisions are made by the President; and day-to-day operational and administrative decisions are delegated down the whole structure of management. Moreover, since the objective of the Bank's lending is not simply to transfer resources but to support purposeful problem-solving in member countries, the ultimate outcome of its operational decisions depends mainly on actions by the borrower. Thus, evaluation for the World Bank has to be concerned with activities at different levels of both the Bank and its borrowers and be responsive to the concerns of each.

4. To meet the particular needs of the World Bank, a separate operations evaluation unit was first established by the President in late 1970. Since then, the President from time to time has reviewed with the Board of Directors the evolution of this function and its place in the organizational structure. After such a review in late 1974, the Executive Directors decided to establish a new post of Director-General, Operations Evaluation. Appointees to this post would have rank equivalent to that of a Vice President, hold office for renewable terms of five years, be removable only by the Executive Directors and be ineligible for subsequent appointment or reappointment to the Bank Group staff except in unusual circumstances. In 1975, the Executive Directors selected as the first incumbent a senior officer of the Bank. These arrangements were designed to ensure familiarity with the problems of development and the

operations of the Bank, while providing for the constitutional independence deemed necessary for this function.

5. The Director-General is responsible for appraising and reporting on the adequacy of the Bank's operations evaluation system and conducting independent reviews, on a selective basis, of operational programs and activities to determine whether the objectives of these programs are being realized and how they might be made more effective, efficient and responsive to the needs and concerns of member governments. He is not concerned with the functions of the Internal Auditing Department,^{1/} although he maintains continuing contact with its Director on matters affecting the effectiveness and efficiency of the Bank, nor with the functions of the External Auditor who is appointed by the Executive Directors to examine and report on the annual financial statements of the Bank and its affiliates.

II. The Bank's Operations Evaluation System

6. In accordance with the basic principle that, for most effective learning and impact on future operations, evaluation should be carried out by those directly involved in the activity, most of the Bank's operations evaluation activities are of a decentralized and self-evaluative nature.

^{1/} The Internal Auditing Department furnishes Management with periodic, independent appraisals and audits of financial, accounting, administrative and other activities. Its principal responsibilities include (a) determining the soundness, adequacy and application of systems and procedures and related internal controls and promoting effective control at reasonable cost; (b) determining the extent of compliance with prescribed policies, plans and procedures; (c) determining the extent to which the Bank assets are accounted for and protected from all losses; (d) determining the reliability and validity of significant accounting, financial and other data used by Management; and (e) recommending improvements to strengthen internal control, improve administrative efficiency and to eliminate the wasteful use of resources.

Project Supervision

7. The Bank's elaborate project supervision system, covering all Bank-financed projects under execution and supplemented by findings of Bank country economic and sector work, has long been the principal continuing means for the Bank to learn from its operating experience. The supervision system consists of regular borrower reporting, regular field visits by Bank staff, regular middle management review of progress in solving implementation problems, a semi-annual review by senior management of the status of the more serious problem projects and an annual general discussion of problems in project implementation. Operational staff bring supervision findings to bear in the planning and implementation of future Bank operations. Experience gathered through supervision is also periodically assembled and analyzed by the Central Projects Staff in their continuing overview of the Bank's functional policies and programs in the sectors to which it lends.

8. Project Completion Reports (PCRs). To further reinforce self-evaluation by the operating departments of the Bank, to facilitate dissemination of the lessons learned and to help meet the needs of accountability to its shareholders, the Bank requires that at the conclusion of active project supervision, Project Completion Reports be prepared by the responsible operating departments for all projects assisted by the Bank and IDA, normally within six months of the completion of loan/credit disbursement. Standard instructions to Bank staff now provide that twelve months before expected completion of disbursements, the Bank advise the borrower of the information that should be prepared for this purpose. Bank officers responsible for PCRs also solicit the views of other Bank staff members who have been concerned with the project and systematically

review the relevant Loan Negotiation and Administration files (including all key documents relating to the project before and after loan signature) from the Bank's central archives. Some Loan and Credit Agreements now reflect understandings with borrowers that the local project director prepare such a report when project implementation nears completion.

9. A Project Completion Report, which may be said to represent the culmination of regular Bank supervision of an individual project during implementation, reviews comprehensively the extent to which the objectives and expectations, on the basis of which the loan/credit was approved, have been or show promise of being achieved. It examines the reasons for deviations from plans and attempts to assess their significance frankly. Its purpose is not to record a comprehensive history of the project, but to consider candidly, in the light of what actually happened up to that time, whether in retrospect the project was worth doing and what lessons are to be learned from this experience. The principal questions that are normally addressed, most of which are also addressed during project supervision, and the related "if not, why not?" questions, are the following:

- L. Implementation: Was the project and its principal components fully completed, on time, and within cost estimates? Were final unit costs reasonable? What changes were made during implementation, and why?
2. Compliance: Did the borrower and Government comply with the loan covenants and related agreements and contracts? Did the consultants perform as expected?
3. Financial Performance of Borrower: Have the targets or projections, including self-financing of investment, been fulfilled?

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4. Institution Building: Were the project management arrangements satisfactory? Have agreed or expected reforms in policies and structures been carried out and have such reforms been successful?
5. Economic Impact: Is the economic return to the project likely to reach the expected level? If the PCR cannot answer this question or offer meaningful comment on likely benefits so soon after completion, when should an economic evaluation of the project be scheduled?
6. Efficiency: Could similar projects be prepared, appraised and implemented in future more quickly or economically (to borrower and/or Bank) without undue risk to project and sector objectives?
7. Bank Contribution: How does the borrower perceive the Bank's involvement with this project? Was the Bank's diagnosis of the borrower, sector and project problems and the resultant definition of loan objectives and covenants appropriate in retrospect? Did the Bank influence the design or composition of the project during preparation, appraisal or supervision and was this influence constructive in retrospect? Has the Bank learned the lessons of its experience, successful as well as less successful, with this project?
8. Other considerations: Did the project have unintended effects? Where relevant, was the distribution of project benefits by region or income groups as expected?

Particular emphasis is placed on the project's economic and institution-building objectives, and on the borrower's view of the project experience

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and the Bank's participation in it.

10. The PCR does not normally attempt to do more than identify issues or, with respect to project expectations and objectives, to go beyond those explicitly stated in the loan documents. They are selective in the depth to which particular questions are pursued and avoid perfectionism of writing and presentation to enable the crucial facts to be brought out and the lessons to be drawn at the lowest possible cost to the Bank.

"Built-in" evaluation

11. In an important further extension of the principle of placing responsibility for evaluation close to the operations covered, the Bank has taken important initiatives in recent years to build evaluation explicitly into many of the more complex or experimental projects it has been financing, with the specific purpose of monitoring results to permit adjusting projects quickly in light of experience and facilitate their replication as effectiveness is proven. More comprehensive attention to "built-in" evaluation in Bank projects is being planned. The Bank is also about to begin reviewing with individual member countries how best they might establish a domestic evaluation function to review the effectiveness of the Government's principal sector development programs or, at a minimum, of the externally supported portions of these programs, where this function does not already exist.

Other Evaluations

12. The Development Policy and Central Projects staff are beginning to carry out systematic evaluation of the Bank's economic and sector work, following reviews of this work in 1975. Bank operating efficiency is assessed periodically by the Programming and Budgeting staff in connection

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with their review of Bank work programs and budgets, by the Organization Planning staff when they review organizational matters, by the Internal Auditing Department in the course of their continuing independent examination of the systems and practices under their purview, and by individual departments themselves. Evaluations of the Bank's overall financial policies are prepared from time to time by the Finance staff. An important part of the Bank's policy and research work is addressed to evaluating Bank operational experience. The Bank's Research Committee has recently begun systematically to evaluate the research projects completed under its aegis.

13. The Bank's Economic Development Institute has always had its courses evaluated by participants at the end of each course. It also conducts a post-course evaluation program which consists of interviews in selected countries and of questionnaires sent to a large sample of the Fellows (former EDI participants). In most cases the interviewing of Fellows occurs two to five years after their EDI course and is conducted by non-EDI staff. EDI also receives constant feedback on its effectiveness through reports by Fellows to their governments after they have returned home, and through government reactions to the Institute as evidenced by their requests for courses and by the quality and quantity of their nominations to the courses.

13a.* The International Finance Corporation, like the Bank, has long maintained a project supervision system by which all IFC projects are reviewed regularly against the objectives defined for each project.

* Paragraph numbers will be appropriately amended in the final version of this paper.

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It is based on periodic borrower reporting, field visits by IFC staff when deemed necessary, and regular internal management reviews of results, problems and proposed solutions. IFC is developing plans to evaluate IFC projects against selected broader development objectives.

III. The Operations Evaluation Department

14. The Operations Evaluation Department (OED) is the staff arm of the Director-General. Its staff are selected by and responsible to him, take up whatever ~~issues~~ ^{1/} of policy, procedure or practice he desires and have unrestricted access to IBRD, IDA and IFC records and staff.

15. The principal functions of the Operations Evaluation Department are:

- (a) To assist the Director-General in making periodic tests and assessments of the adequacy and effectiveness of the Bank's operations evaluation system in the light of the objectives and programs of the World Bank;
- (b) To carry out evaluation studies and operational policy reviews (see para. 22) on subjects which the Director-General determines to warrant examination in the light of his assessment of the evaluation activities described, ~~and, in the light of their findings,~~ with a view to identifying areas for improvement in Bank policies and procedures and ~~practices~~ their applications. These subjects may include analyses of complaints by member countries and clients about Bank operations

^{1/} See para. 35 for the role of the Executive Directors and the Management in shaping the OED's work program.

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with a view to indicating how their recurrence in future operations may be prevented;

- (c) To help the Bank encourage and assist member countries to develop an operations evaluation function, in particular by carrying out evaluations of Bank-assisted programs jointly with member country staff;
- (d) To assess actions taken by the Bank in connection with the findings of Operations Evaluation Department studies, at an appropriate point after their initial presentation, and report thereon to the Executive Directors and the President;
- (e) To help disseminate Bank operations evaluation findings and the lessons emerging therefrom both within the Bank and to the wider development community.

To discharge these functions, the Department, without compromising its independence, endeavors at all times to maintain close and continuing contact with relevant Bank staff so that their views are adequately considered and discussed in OED reports, the analyses and findings of these reports are adequately understood, and the Department is informed of Bank responses to these findings. ~~While the work is aimed at reaching specific conclusions and pointing to necessary directions of change,~~ While the Department has no powers to prescribe and does not issue instructions and has no involvement in implementing particular practices and procedures, its work is aimed at reaching specific conclusions and pointing to necessary directions of change, and subsequently reporting to the Executive Directors the Bank's responses to its findings.

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Project Performance Auditing 1/

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16. The Operations Evaluation Department gives particular attention to the Project Completion Reports. It carries out a limited review of all and a thorough review of a selected few, because their coverage of all completed Bank-financed projects makes the PCRs the basic element in the Bank's evaluation system and the source of the earliest systematic information about the actual or probable results of Bank assistance. The constant flow of up-to-date information from PCRs also helps identify what deeper evaluation studies are needed and contributes important case-material to such studies.

17. Preparing Project Performance Audit Reports. Bank staff assigned to write PCRs consult about the issues they intend to focus on with the relevant OED staff. For this purpose, OED staff review the documents submitted to the Board - the appraisal report, President's report and legal documents - the transcript of Board discussion, and the borrower's completion report and/or the Bank's most recent project supervision report. The purpose of this early contact is to anticipate questions and thereby minimize the need for later supplementary work. OED later reviews the draft PCR for comprehensiveness and consistency against the background of the above-mentioned papers and discussions, and then prepares a brief Project Performance Audit Memorandum describing the tests it has made, conveying its overall conclusion on the project's success or failure and drawing attention to any lessons of wider relevance that emerge.

1/ The Project Performance Auditing system described here refers only to IBRD and IDA projects. It does not include IFC projects, which are handled differently by IFC, and for which evaluation and reporting arrangements appropriate to IFC are being discussed.

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18. The Project Performance Audit Report, consisting of this Memorandum with the Projects Department's PCR attached, is then circulated for comment to the responsible Bank departments and other staff who have been principally concerned with the project over its life, and shortly thereafter to the borrower and his Government - the Ministry of Finance, Economy or Planning, as appropriate, and the Government's evaluation unit if one exists - with copy to the Executive Director concerned, and to any other entities substantially referred to in the report, such as co-lender or consultant firms. This solicitation of borrower comments, which may include a brief visit by OED staff to the country concerned, is considered a very important part of the project audit procedure. Comments received are given close consideration, with further research as necessary. After the operating department has dealt with the comments on its PCR and the OED has ensured that all substantive points have been adequately treated in the Audit Report, ^{1/} the report is finalized and submitted to the Director-General who, after confirming that Bank management and staff have no further comment, releases it to the Executive Directors and relevant Bank staff.

19. While these are the standard procedures for preparing project audit reports, particular projects may be selected by the OED at any stage for random checking, or because of the importance of the issues raised by the project or because of questions raised by commentators about the project or the Bank's participation in it. In such cases, after receiving the PCR, the OED conducts an independent review,

^{1/} See paras. 25-28 on Reporting Standards

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including independent interviews and review of project files, under its own responsibility. The report produced is subject to the same commenting and revision stages as described above. Not more than 20% and not less than 10% of all projects is normally tested in these ways.

20. Disseminating Project Performance Audit findings. Early each year, the OED prepares a Review of all Project Performance Audit Reports issued since the preceding Review. The purpose of these annual Reviews is to maintain a continuing overview of the Bank's project experience, the major lessons of this experience and their implications for the Bank and its members. An updated Concordance to Project Performance Audit Reports is prepared periodically to permit ready access to the findings of project audits on specific subjects.

21. To ensure that the findings of these reports are disseminated effectively to Bank staff, the Central Projects Staff from time to time review their implications with appropriate OED and Regional Staff in seminars or special meetings arranged for this purpose. The Director-General, the Senior Vice President, Operations, and the Vice President, Projects Staff are informed of these discussions.

Evaluation Studies and Operational Policy Reviews

22. OED Evaluation Studies and Operational Policy Reviews are more intensive analyses of particular subjects or issues of broad relevance to the Bank's operations than is usually possible in the framework of Project Performance Auditing. Evaluation Studies in the sense intended here normally examine the impact of sets of projects, i.e., of Bank assistance programs in a country, or countries, or in a sector, or sectors, and their implications for Bank policies, practices and procedures. Operational Policy Reviews examine the actual application of specific policies and

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procedures governing the management and administration of Bank lending and technical assistance, which warrant study because they are of concern or which merit examination as part of OED's program of testing self-evaluation in the Bank. Both types of study are concerned with the efficiency and economy of prevailing programs, policies and practices as well as their effectiveness in reaching desired results.

23. Evaluation Studies and Operational Policy Reviews normally start with the preparation of a brief issues paper highlighting the key questions as then perceived and outlining a preliminary time-phased study plan. Comments are solicited from relevant Bank departments and borrowers who may be involved in the study and from concerned Executive Directors, after which the final study plan is fixed. The first major output, which generally consists of draft case reports, is widely circulated for comment to clarify facts and sharpen any differences of interpretation among the parties involved. When most of the initial case reports have been completed, the issues that have emerged and possible solutions to them are reviewed to help focus the remaining work and ensure that the final report is responsive to real operational concerns, which is its main objective. Final reports are reviewed in the same way as project audit reports before being circulated to Executive Directors and relevant Bank staff.

Follow Up

24. The Executive Directors and the President expect to be kept informed of responses to the findings of these reports. To this end, OED reports describe, to the extent feasible, staff reactions to their findings. After an appropriate lapse of time, they are followed up by Closing Reports which assess what has actually been done in connection with the points raised earlier, with due account of the fact that the problems identified may have been dealt with in ways quite different from those outlined in

the original report. ~~As noted above, OED's obligation to reach specific conclusions and later assess the Bank's response to evaluation findings does not extend to prescribing action nor monitoring its implementation, which is the responsibility of the Management.~~ The results of OED's continuing review of the Bank's response to evaluation findings are also reported to the Executive Directors and the President in the Director-General's Annual Report (see para. 33).

Reporting Standards

25. All evaluation and project performance audit reports should describe precisely the scope, nature and extent of work done. Factual matter should be presented accurately and fairly and authors must be able, when called upon, to demonstrate the bases for the matters reported. Since judgments have to be made on the basis of information of varying quality, reports should indicate clearly the solidity of the foundations for judgments reached.

26. Reports should present findings and conclusions objectively and frankly, in language as clear and concise as the subject matter permits. They should be fair and balanced, recognizing unusual difficulties or circumstances encountered by those involved and acknowledging differences in perspective whenever appropriate. Their purpose is to identify problems and indicate how things might be done better in future, not to criticize nor emphasize what might have been done differently in the past. They should analyze the implications of noteworthy accomplishments or performance above expectations as carefully as shortfalls, particularly when management improvement in one program or activity may be applicable elsewhere. They should identify and explain issues and questions needing further study and summarize findings conveniently for ease of consideration.

27. OED reports should indicate wherever significant pertinent information has been omitted because it is deemed privileged or confidential and provide justification for such omission.
28. Before final OED reports are issued, appropriate agencies of member countries and Bank staff concerned are invited to comment on them. Whenever such comments contradict the evaluation findings or conclusions and are not, in the opinion of the evaluator, meritorious, he should state his reasons for rejecting them. Conversely, he should drop a point or modify a position if he finds the argumentation to be valid. Final reports should draw attention to particularly significant points of agreement with the parties involved in the operation and identify significant points of disagreement which have not been able to be reconciled. Final reports are issued by the Director-General ~~simultaneously~~ to the Executive Directors and copied simultaneously to the President.

Staffing

29. Staffing decisions for the OED ~~conform to~~ are made by the Director-General within the framework of the normal policies and procedures governing all Bank Group personnel; staff are regular employees of the Bank Group. The basic prerequisites are an inquiring, skeptical, challenging mind; the ability to think systematically and rigorously; an openness to new ideas and a sensitivity to the complexity and constraints of development initiatives. Staff may be drawn from inside or outside of the Bank Group but, because of the nature of the work, most staff normally transfer from assignments elsewhere in the Bank. Because of the maturity and independence of judgment and breadth of development experience required of the small OED staff, a large number of these staff are fairly senior in the Bank. An assignment in the OED, which is normally of some 3-4 years' duration, is considered an important broadening step

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in the career of Bank staff. From time to time, individual consultants are also hired from outside the Bank for short periods to provide special expertise.

30. Both the Department and individuals involved in any assignment must maintain an independent, impartial attitude. All significant and pertinent information must be collected and developed and given due consideration in reaching conclusions, and authors must feel free to report their conclusions completely, without fear of censure. Although they do not necessarily have to be experts in the specific technical fields involved, persons assigned to a particular study must collectively possess adequate professional proficiency for the tasks required.

31. As part of its cooperation with evaluation units in member countries on joint studies and in sharing experience, the Department welcomes a limited number of staff from these units to work with it for defined periods of time.

IV.---Relationship with Management and the Executive Directors

~~32.-----The Management and the Executive Directors of the Bank, who form a principal audience for Bank evaluation work, receive all OED reports in the manner described above.---Continuing informal contact is maintained by OED staff with Bank staff and by the Director General with the Management and the Executive Directors.---The Director General maintains more formal contact with the Management through his membership in the President's Council and with the Executive Directors by attending all meetings of the Board of Directors and of the Joint Audit Committee of the Board.~~

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IV. Relationship with the Executive Directors and the Management

32. The Executive Directors and the Management of the Bank, who form a principal audience for Bank evaluation work, receive all OED reports in the manner described above. Their early involvement in significant developments in the Bank's evaluation system and follow up on the Bank's responses to evaluation findings is provided for by the established reporting arrangements, and by the continuing informal contact maintained by the Director-General with the Executive Directors and the Management, and by OED staff with Bank staff. The Director-General maintains more formal contact with the Executive Directors by attending all meetings of the Board of Directors and of the Joint Audit Committee of the Board and with the Management by attending all meetings of the President's Council.

33. Early each fiscal year, the Director-General reports briefly on the findings of his continuing broad-ranging review of the adequacy and effectiveness of the Bank's operations evaluation system in light of the evolving programs of the Bank, the results of earlier evaluation work by OED and others and the Bank's responses to the findings of this work. After receiving comment from Bank management, he submits this report to the Joint Audit Committee of the Board of Executive Directors, which then forwards it, with any comments of its own, to the Board.

34. The Executive Directors meet formally to discuss this Annual Report and the comments of the Joint Audit Committee to which they have delegated responsibility, inter alia, for assessing the adequacy and efficiency of the work of the OED.

35. The Joint Audit Committee (JAC) has a broad mandate for reviewing the work and operation of the OED. It fulfills its responsibilities mainly as follows:

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- it discusses with the Director-General his Annual Report before transmitting it to the Executive Directors;
- it recommends OED's draft annual budget and work program to the Board, after discussion with the Director-General and the Director of the Operations Evaluation Department to ensure that the work program is adequate and reflects particular Board concerns, and receives from them during the course of the year periodic verbal reports on the status of the agreed program. OED's draft budget and work program will first have been discussed informally with Bank management to ensure that what is presented to the Joint Audit Committee reflects particular Management concerns and is consistent with the Bank's budget constraints;
- it screens OED reports to select those policy issues or major operational problems which it wishes to recommend for consideration by the Board;
- it reviews from time to time a small, representative sample of OED reports with the authors to assess the adequacy of their coverage, methodology and adherence to the standards outlined above.

It is on the basis of this work over the course of the year that the Committee prepares its annual assessment of the adequacy and efficiency of the work of the OED.

V. The Annual Reporting Cycle

36. The Director-General and the Operations Evaluation Department follow an annual work planning cycle which is related to the Bank fiscal

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year and the fact that the Joint Audit Committee's members are appointed biennially on November 1. The main components of this reporting cycle are as follows:

- the Director-General's Annual Report is discussed by the Joint Audit Committee in September, to permit the conclusions of this discussion to be included in the JAC's annual report, which is normally issued in October. This timing also allows the Management and the Executive Directors to consider, in the light of this report, what evaluations work they would like to see initiated in the following fiscal year.
- the Annual Review of Project Performance Audit Results is completed by OED early in the calendar year to enable the Director-General to take its initial findings into account in formulating OED's Work Program for the forthcoming fiscal year.
- OED's draft Annual Work Program and Budget is presented to the Joint Audit Committee in March, in time to be incorporated in the annual budget of the Bank.

WORLD BANK GROUP

ROUTING SLIP		DATE
NAME		ROOM NO.
Aurora		
APPROPRIATE DISPOSITION		NOTE AND RETURN
APPROVAL		NOTE AND SEND ON
COMMENT	PER OUR CONVERSATION	
FOR ACTION	PER YOUR REQUEST	
INFORMATION		PREPARE REPLY
INITIAL		RECOMMENDATION
NOTE AND FILE		SIGNATURE
R. RKS		
Replacement sheet		
APR 29 1976		
FROM	ROOM NO.	EXTENSION
Margaut	E1204	4283

Last October you asked me to propose a formal framework and procedures to govern the future conduct of operations evaluation work in the Bank. The paper before you is my response to that request. What it proposes reflects the considerable evolution of the Bank's evaluation function in the past five years, and provides for its further development along lines discussed with you last October and with the Joint Audit Committee last month.

I have had numerous conversations with outsiders in recent months about evaluation work in the Bank. The most striking impression I received was one of admiration, in some cases envy, of the supportive atmosphere in which the evaluation function has developed in this institution. Mr. Willoughby and his associates deserve the major credit for the solid tradition of quality work that is widely acknowledged and now taken for granted here. But this tradition could not have developed as it did, with the independence and forthrightness that reflect so well on the Bank, without the continuing support of this Board and of the top management of the Bank.

If you approve the draft standards and procedures paper, some new relationships will have to develop among the interested parties. That will take time. But in light of the history to date, I firmly expect that it will all fall comfortably into place fairly soon.

April 1, 1976

QUESTIONS ON "STANDARDS AND PROCEDURES"

Ques. 1: PCR - To what extent would the PCR assess the relevance of the project objectives? (Page 6) *assessment of outcome? Pol. and soc. constraints?*

Ques. 2: Built-in Evaluation - How is the Bank going to review the appropriate domestic evaluation machinery?

How is the Bank going to assist the Borrower to develop the evaluation function? (Pages 7, 9, 15)

How is OED planning to include the participation of staff from the evaluation agencies of the member countries?

Ques. 3: Evaluation of Bank-financed Research - Is the Research Committee the right institution to evaluate the research projects, which it has itself approved? (Page 7)

March 31, 1976

COMPARISON OF "EX-POST" AND OPERATIONAL AUDITS AND REVIEWS

IBRD

Unit Responsible	Activity
Headquarters Operating Department. Reviewed by Evaluation Unit.	<u>Project Completion Report</u> Time: One year after disbursement. Scope: Technical, financial, institutional, economic evaluation (10 pages). Mandatory report in <u>all</u> projects.

Operating Departments	<u>Supervisory Missions</u> Time: Periodic, no fixed dates, before disbursement in course. Scope: Operational review of project execution, including borrower compliance. Decisions are taken with respect to the present and future execution of the project.
-----------------------	--

No comparable activity.

Evaluations Unit. Presented to Management and the Board.	<u>Project Performance Audit Reports</u> Time: Within one year of final disbursement. Scope: Technical, financial, institutional and economic evaluation of project (approximately 10 pages). Equal emphasis on all aspects.
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Evaluation Unit and Board	<u>Evaluation Studies and Management Policy Reviews</u> Timing: As the need arises. Scope: Specific studies carried out as a result of special problems or as a result of concern arising out of Project Performance Audits. Such studies cover general development & policies.
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IDB

Unit Responsible	Activity
Field Office. Reviewed OPS and PRA.	<u>Project Completion Report</u> Time: Final disbursement. Scope: Technical, financial, institutional, economic evaluation. Discretionary report. Borrower?

	<u>Project Supervision</u> Unlike the IBRD, the IDB has field offices in each member country and project surveillance is carried out by the project specialist, who is responsible in course supervision. Periodic supervisory missions from headquarters are also used.
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Auditor General's staff	<u>Loan and Project Review Missions</u> Time: 3-4 year cycle for each Office: before fully disbursed. Scope: Review of adequacy of project supervision by field staff by audit of physical progress, contractual compliance and role of Field Office. X audit of project or borrower.
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Ex-Post Unit. Presented to Management.	<u>Ex-Post Evaluation Studies</u> Time: Within 3-5 years after final disbursement. Scope: Primary emphasis on economic evaluation rather than on project surveillance and borrower compliance
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Group of Controllers	<u>CRE Studies</u> Timing: An annual program is prepared for the Board by CRE. Scope: The studies have covered all aspects of the Bank's operations and are, therefore, very similar to the Evaluation and Management Policy Review of the World Bank. A periodic status report is prepared for the Board.
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375
MAR 18 1976

COMPARISON OF 'EX-POST' AND OPERATIONAL AUDITS AND REVIEWS

I B R D	
Unit Responsible	Activity
Auditor General	<u>Internal Audits</u> Time: Periodic audits of headquarters and field offices. Scope: Audit similar to that of IDB internal audits.

No comparable activity.

I D B	
Unit Responsible	Activity
Auditor General	<u>Internal Audits</u> Timing: 3-4 year cycle for each of the field offices. Also periodic audits of headquarters. Scope: Audits of activities, expenses to determine adequacy of controls and procedures; compliance type audits and operational audits.

Operations et al

Borrower Ex-Post Studies
 The Operations Department, with the assistance of other departments as necessary, is responsible for assuring that the borrower complies with the contractual obligation to gather data or do a study.

FOR
EXECUTIVE
DIRECTORS'
MEETING

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For consideration on
March 23, 1976

R76-57

FROM: The Secretary

March 15, 1976

STANDARDS AND PROCEDURES FOR OPERATIONS EVALUATION

Attached hereto is a memorandum dated March 15, 1976 from Mr. Weiner transmitting the revised text of his memorandum of February 18, 1976 and of the draft statement of "Standards and Procedures for Operations Evaluation in the World Bank" (SecM76-103). The textual revisions are the outcome of the review of the draft carried out by the Joint Audit Committee on February 26, 1976.

Distribution:

Executive Directors and Alternates
President
Senior Vice President, Operations
Executive Vice President and Vice President, IFC
President's Council
Directors and Department Heads, Bank and IFC

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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

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Office of Director-General
Operations Evaluation

March 15, 1976

Memorandum to the Executive Directors

Subject: Standards and Procedures for Operations Evaluation in the
World Bank

The Joint Audit Committee reviewed on February 26, 1976 the draft Standards and Procedures for Operations Evaluation in the World Bank (SecM76-103) which was distributed to the Executive Directors on February 19, 1976. At the conclusion of that review, the minutes of which are being distributed separately, the Committee requested that the Director-General propose to the Board amendments which would reflect the principal comments of the JAC on the February 18 draft. A revised text is submitted herewith to the Executive Directors for their consideration. For ease of identification, the amendments which are proposed are shown as line-in line-out modifications of the original text; additions are underlined and deletions are scored.

Henry L. Heine

Office of Director-General
Operations Evaluation

March 15, 1976

Memorandum to the Executive Directors

Subject: Standards and Procedures for Operations Evaluation in the
World Bank

During the Board discussion of the Bank's Operations Evaluation work on October 29, 1975, I was asked to prepare a draft statement of standards and procedures for consideration by the Executive Directors. The statement is attached. It outlines Bank operations evaluation objectives and procedures substantially as set out for the October meeting and modified during that discussion.

Several Directors said they thought the Board should become involved more systematically in the Bank's operations evaluation system and asked that the statement indicate how this might be done. The paper attached outlines a procedure, suggested during the October discussion, whereby the Joint Audit Committee would select those major operational problems or policy issues raised by findings of Operations Evaluation Department (OED) reports which in their view warranted discussion by the Board; the Executive Directors would meet informally for this purpose as a Committee of the Whole. Other alternatives were also suggested. One would be for selected evaluation findings to be discussed informally in the Joint Audit Committee, with all interested Directors attending. Another alternative would be to establish a sub-committee of the Joint Audit Committee, or a new Committee of the Board, to consider the Bank's operations evaluation findings. The procedure proposed appears to be most responsive to the wish of many Directors to be part of any discussion of evaluation findings and follow-up and to have these discussions conducted with maximum informality and freedom, with management attending and participating as appropriate.

As regards individual projects, the operations evaluation system described in the attached statement rests on the twin premises of comprehensive project performance auditing and self-evaluation by Bank staff.

Comprehensiveness has sometimes been questioned as being unjustifiably costly for the benefits perceived and therefore better replaced with a selective approach to assessing Bank project experience. A selective approach is, of course, feasible. However, as Bank projects are not standard but tailored to the particular needs and circumstances of specific countries, selectivity would imply only limited review of experience and limited accountability for results. As concern about cost is certainly warranted, what is proposed is a system which embraces all projects, but flexibly. The operating departments would complete the active supervision cycle with a completion report on each project, with the effort to answer standard questions varying as appropriate for each project.

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Comprehensive coverage by the operating departments would permit the Operations Evaluation Department to end its recent practice of preparing thorough Project Performance Audit reports on most projects. The OED would henceforth review all project completion reports for comprehensiveness and consistency before transmitting them to the Board but be rigorously selective in its more thorough review of individual projects.

Reliance upon self-evaluation is a principle of fundamental importance. With clear understanding of what is expected of them, most Bank staff can be expected to be no less constructively critical of Bank experience than they are now expected to be constructively critical of borrowers. Indeed, emphasis on self-evaluation would ensure that evaluation lessons are learned and absorbed into operations as fully and quickly as possible. Rejection of this principle would mean acceptance that the Bank as an institution and Bank staff as individuals are incapable of learning from experience and that any remotely adequate operations evaluation system would therefore require a very much enlarged and steadily expanding Operations Evaluation Department. There is scant evidence to support the need for such an approach. The Bank's self-evaluation activities would, of course, be tested periodically by the OED to ensure that adequate standards are, in fact, observed.

The proposed approach and the attached statement on the subject ~~have been considered and endorsed by the Management, and~~ are now recommended to the Executive Directors for their consideration. The statement will be updated from time to time as evolving evaluation experience requires; comments on it are invited at all times, especially from audit and evaluation authorities of member governments. It has been considered and endorsed by the Management.

Henry L. Heine

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STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

D R A F T

March 15, 1976

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STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

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1. This document sets out the standards and procedures for operations evaluation work in the World Bank. 1/

I. Introduction

2. One of the basic purposes of evaluation in any organization is to measure how far operational programs and activities are producing the desired results, and how efficiently, and to feed the information back into the formation of new directions, policies and procedures. Tension can arise between the reporting dimension of evaluation, for purposes of accountability, and the learning dimension, to assist management; the one requires full independence from management for greatest credibility and the other, full integration into management for quickest absorption of useful lessons. Experience in other organizations has shown that the evaluation function has sometimes been too closely linked to particular levels of management, with consequent constraints to its freedom in reporting and originality and imagination in lesson-learning; while, in other cases, it has sometimes been too distant from appropriate levels of management, leading to insufficient practical focus and lack of impact where that matters most if evaluation is to improve future programs. The correct position is hard to establish and maintain.

3. The World Bank, as an organization of international cooperation for development, has particular features which have to be taken into account in considering the appropriate structure of evaluation. It has major resources - those it lends and those it spends for administrative

1/ These standards and procedures reflect current practice or intent. They will be revised from time to time as evolving evaluation experience requires.

- 2 -

purposes - for which important allocative decisions have to be made.

It has a complex decision structure in which decisions on Bank policies, budgets, and lending and borrowing commitments are made by the Board of Executive Directors; recommendations on these matters and major administrative decisions are made by the President; and day-to-day operational and administrative decisions are delegated down the whole structure of management. Moreover, since the objective of the Bank's lending is not simply to transfer resources but to support purposeful problem-solving in member countries, the ultimate outcome of its operational decisions depends mainly on actions by the borrower. Thus, evaluation for the World Bank has to be concerned with activities at different levels of both the Bank and its borrowers and be responsive to the concerns of each.

4. To meet the particular needs of the World Bank, a separate operations evaluation unit was first established by the President in late 1970. Since then, the President from time to time has reviewed with the Board of Directors the evolution of this function and its place in the organizational structure. After such a review in late 1974, the Executive Directors decided to establish a new post of Director-General, Operations Evaluation. Appointees to this post would have rank equivalent to that of a Vice President, hold office for renewable terms of five years, be removable only by the Executive Directors and be ineligible for subsequent appointment or reappointment to the Bank Group staff except in unusual circumstances. In 1975, the Executive Directors selected as the first incumbent a senior officer of the Bank. These arrangements were designed to ensure familiarity with the problems of development and the

operations of the Bank, while providing for the constitutional independence deemed necessary for this function.

5. The Director-General is responsible for appraising and reporting on the adequacy of the Bank's operations evaluation system and conducting independent reviews, on a selective basis, of operational programs and activities to determine whether the objectives of these programs are being realized and how they might be made more effective, efficient and responsive to the needs and concerns of member governments. He is not concerned with the functions of the Internal Auditing Department,^{1/} although he maintains continuing contact with its Director on matters affecting the effectiveness and efficiency of the Bank, nor with the functions of the External Auditor who is appointed by the Executive Directors to examine and report on the annual financial statements of the Bank and its affiliates.

II. The Bank's Operations Evaluation System

6. In accordance with the basic principle that, for most effective learning and impact on future operations, evaluation should be carried out by those directly involved in the activity, most of the Bank's operations evaluation activities are of a decentralized and self-evaluative nature.

1/ The Internal Auditing Department furnishes Management with periodic, independent appraisals and audits of financial, accounting, administrative and other activities. Its principal responsibilities include (a) determining the soundness, adequacy and application of systems and procedures and related internal controls and promoting effective control at reasonable cost; (b) determining the extent of compliance with prescribed policies, plans and procedures; (c) determining the extent to which the Bank assets are accounted for and protected from all losses; (d) determining the reliability and validity of significant accounting, financial and other data used by Management; and (e) recommending improvements to strengthen internal control, improve administrative efficiency and to eliminate the wasteful use of resources.

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Project Supervision

7. The Bank's elaborate project supervision system, covering all Bank-financed projects under execution and supplemented by findings of Bank country economic and sector work, has long been the principal continuing means for the Bank to learn from its operating experience. The supervision system consists of regular borrower reporting, regular field visits by Bank staff, regular middle management review of progress in solving implementation problems, a semi-annual review by senior management of the status of the more serious problem projects and an annual general discussion of problems in project implementation. Operational staff bring supervision findings to bear in the planning and implementation of future Bank operations. Experience gathered through supervision is also periodically assembled and analyzed by the Central Projects Staff in their continuing overview of the Bank's functional policies and programs in the sectors to which it lends.

8. Project Completion Reports (PCRs). To further reinforce self-evaluation by the operating departments of the Bank, to facilitate dissemination of the lessons learned and to help meet the needs of accountability to its shareholders, the Bank requires that at the conclusion of active project supervision, Project Completion Reports be prepared by the responsible operating departments for all projects assisted by the Bank and IDA, normally within six months of the completion of loan/credit disbursement. Standard instructions to Bank staff now provide that twelve months before expected completion of disbursements, the Bank advise the borrower of the information that should be prepared for this purpose. Bank officers responsible for PCRs also solicit the views of other Bank staff members who have been concerned with the project and systematically

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review the relevant Loan Negotiation and Administration files (including all key documents relating to the project before and after loan signature) from the Bank's central archives. Some Loan and Credit Agreements now reflect understandings with borrowers that the local project director prepare such a report when project implementation nears completion.

9. A Project Completion Report, which may be said to represent the culmination of regular Bank supervision of an individual project during implementation, reviews comprehensively the extent to which the objectives and expectations, on the basis of which the loan/credit was approved, have been or show promise of being achieved. It examines the reasons for deviations from plans and attempts to assess their significance frankly. Its purpose is not to record a comprehensive history of the project, but to consider candidly, in the light of what actually happened up to that time, whether in retrospect the project was worth doing and what lessons are to be learned from this experience. The principal questions that are normally addressed, most of which are also addressed during project supervision, and the related "if not, why not?" questions, are the following:

- L. Implementation: Was the project and its principal components fully completed, on time, and within cost estimates? Were final unit costs reasonable? What changes were made during implementation, and why?
2. Compliance: Did the borrower and Government comply with the loan covenants and related agreements and contracts? Did the consultants perform as expected?
3. Financial Performance of Borrower: Have the targets or projections, including self-financing of investment, been fulfilled?

4. Institution Building: Were the project management arrangements satisfactory? Have agreed or expected reforms in policies and structures been carried out and have such reforms been successful?
5. Economic Impact: Is the economic return to the project likely to reach the expected level? If the PCR cannot answer this question or offer meaningful comment on likely benefits so soon after completion, when should an economic evaluation of the project be scheduled?
6. Efficiency: Could similar projects be prepared, appraised and implemented in future more quickly or economically (to borrower and/or Bank) without undue risk to project and sector objectives?
7. Bank Contribution: How does the borrower perceive the Bank's involvement with this project? Was the Bank's diagnosis of the borrower, sector and project problems and the resultant definition of loan objectives and covenants appropriate in retrospect? Did the Bank influence the design or composition of the project during preparation, appraisal or supervision and was this influence constructive in retrospect? Has the Bank learned the lessons of its experience, successful as well as less successful, with this project?
8. Other considerations: Did the project have unintended effects? Where relevant, was the distribution of project benefits by region or income groups as expected?

Particular emphasis is placed on the project's economic and institution-building objectives, and on the borrower's view of the project experience

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and the Bank's participation in it.

10. The PCR does not normally attempt to do more than identify issues or, with respect to project expectations and objectives, to go beyond those explicitly stated in the loan documents. They are selective in the depth to which particular questions are pursued and avoid perfectionism of writing and presentation to enable the crucial facts to be brought out and the lessons to be drawn at the lowest possible cost to the Bank.

"Built-in" evaluation

11. In an important further extension of the principle of placing responsibility for evaluation close to the operations covered, the Bank has taken important initiatives in recent years to build evaluation explicitly into many of the more complex or experimental projects it has been financing, with the specific purpose of monitoring results to permit adjusting projects quickly in light of experience and facilitate their replication as effectiveness is proven. More comprehensive attention to "built-in" evaluation in Bank projects is being planned. The Bank is also about to begin reviewing with individual member countries how best they might establish a domestic evaluation function to review the effectiveness of the Government's principal sector development programs or, at a minimum, of the externally supported portions of these programs, where this function does not already exist.

Other Evaluations

12. The Development Policy and Central Projects staff are beginning to carry out systematic evaluation of the Bank's economic and sector work, following reviews of this work in 1975. Bank operating efficiency is assessed periodically by the Programming and Budgeting staff in connection

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with their review of Bank work programs and budgets, by the Organization Planning staff when they review organizational matters, by the Internal Auditing Department in the course of their continuing independent examination of the systems and practices under their purview, and by individual departments themselves. Evaluations of the Bank's overall financial policies are prepared from time to time by the Finance staff. An important part of the Bank's policy and research work is addressed to evaluating Bank operational experience. The Bank's Research Committee has recently begun systematically to evaluate the research projects completed under its aegis.

13. The Bank's Economic Development Institute has always had its courses evaluated by participants at the end of each course. It also conducts a post-course evaluation program which consists of interviews in selected countries and of questionnaires sent to a large sample of the Fellows (former EDI participants). In most cases the interviewing of Fellows occurs two to five years after their EDI course and is conducted by non-EDI staff. EDI also receives constant feedback on its effectiveness through reports by Fellows to their governments after they have returned home, and through government reactions to the Institute as evidenced by their requests for courses and by the quality and quantity of their nominations to the courses.

13a.* The International Finance Corporation, like the Bank, has long maintained a project supervision system by which all IFC projects are reviewed regularly against the objectives defined for each project.

* Paragraph numbers will be appropriately amended in the final version of this paper.

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It is based on periodic borrower reporting, field visits by IFC staff when deemed necessary, and regular internal management reviews of results, problems and proposed solutions. IFC is developing plans to evaluate IFC projects against selected broader development objectives.

III. The Operations Evaluation Department

14. The Operations Evaluation Department (OED) is the staff arm of the Director-General. Its staff are selected by and responsible to him, take up whatever issues of policy, procedure or practice he desires^{1/} and have unrestricted access to IBRD, IDA and IFC records and staff.

15. The principal functions of the Operations Evaluation Department are:

- (a) To assist the Director-General in making periodic tests and assessments of the adequacy and effectiveness of the Bank's operations evaluation system in the light of the objectives and programs of the World Bank;
- (b) To carry out evaluation studies and operational policy reviews (see para. 22) on subjects which the Director-General determines to warrant examination in the light of his assessment of the evaluation activities described, ~~and, in the light of their findings,~~ with a view to identifying areas for improvement in Bank policies and procedures and practices their applications. These subjects may include analyses of complaints by member countries and clients about Bank operations

^{1/} See para. 35 for the role of the Executive Directors and the Management in shaping the OED's work program.

with a view to indicating how their recurrence in future operations may be prevented;

- (c) To help the Bank encourage and assist member countries to develop an operations evaluation function, in particular by carrying out evaluations of Bank-assisted programs jointly with member country staff;
- (d) To assess actions taken by the Bank in connection with the findings of Operations Evaluation Department studies, at an appropriate point after their initial presentation, and report thereon to the Executive Directors and the President;
- (e) To help disseminate Bank operations evaluation findings and the lessons emerging therefrom both within the Bank and to the wider development community.

To discharge these functions, the Department, without compromising its independence, endeavors at all times to maintain close and continuing contact with relevant Bank staff so that their views are adequately considered and discussed in OED reports, the analyses and findings of these reports are adequately understood, and the Department is informed of Bank responses to these findings. ~~While the work is aimed at reaching specific conclusions and pointing to necessary directions of change,~~ While the Department has no powers to prescribe and does not issue instructions and has no involvement in implementing particular practices and procedures, its work is aimed at reaching specific conclusions and pointing to necessary directions of change, and subsequently reporting to the Executive Directors the Bank's responses to its findings.

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Project Performance Auditing 1/

16. The Operations Evaluation Department gives particular attention to the Project Completion Reports. It carries out a limited review of all and a thorough review of a selected few, because their coverage of all completed Bank-financed projects makes the PCRs the basic element in the Bank's evaluation system and the source of the earliest systematic information about the actual or probable results of Bank assistance. The constant flow of up-to-date information from PCRs also helps identify what deeper evaluation studies are needed and contributes important case-material to such studies.

17. Preparing Project Performance Audit Reports. Bank staff assigned to write PCRs consult about the issues they intend to focus on with the relevant OED staff. For this purpose, OED staff review the documents submitted to the Board - the appraisal report, President's report and legal documents - the transcript of Board discussion, and the borrower's completion report and/or the Bank's most recent project supervision report. The purpose of this early contact is to anticipate questions and thereby minimize the need for later supplementary work. OED later reviews the draft PCR for comprehensiveness and consistency against the background of the above-mentioned papers and discussions, and then prepares a brief Project Performance Audit Memorandum describing the tests it has made, conveying its overall conclusion on the project's success or failure and drawing attention to any lessons of wider relevance that emerge.

1/ The Project Performance Auditing system described here refers only to IBRD and IDA projects. It does not include IFC projects, which are handled differently by IFC, and for which evaluation and reporting arrangements appropriate to IFC are being discussed.

18. The Project Performance Audit Report, consisting of this Memorandum with the Projects Department's PCR attached, is then circulated for comment to the responsible Bank departments and other staff who have been principally concerned with the project over its life, and shortly thereafter to the borrower and his Government - the Ministry of Finance, Economy or Planning, as appropriate, and the Government's evaluation unit if one exists - with copy to the Executive Director concerned, and to any other entities substantially referred to in the report, such as co-lender or consultant firms. This solicitation of borrower comments, which may include a brief visit by OED staff to the country concerned, is considered a very important part of the project audit procedure. Comments received are given close consideration, with further research as necessary. After the operating department has dealt with the comments on its PCR and the OED has ensured that all substantive points have been adequately treated in the Audit Report, ^{1/} the report is finalized and submitted to the Director-General who, after confirming that Bank management and staff have no further comment, releases it to the Executive Directors and relevant Bank staff.

19. While these are the standard procedures for preparing project audit reports, particular projects may be selected by the OED at any stage for random checking, or because of the importance of the issues raised by the project or because of questions raised by commentators about the project or the Bank's participation in it. In such cases, after receiving the PCR, the OED conducts an independent review,

^{1/} See paras. 25-28 on Reporting Standards

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including independent interviews and review of project files under its own responsibility. The report produced is subject to the same commenting and revision stages as described above. Not more than 20% and not less than 10% of all projects is normally tested in these ways.

20. Disseminating Project Performance Audit findings. Early each year, the OED prepares a Review of all Project Performance Audit Reports issued since the preceding Review. The purpose of these annual Reviews is to maintain a continuing overview of the Bank's project experience, the major lessons of this experience and their implications for the Bank and its members. An updated Concordance to Project Performance Audit Reports is prepared periodically to permit ready access to the findings of project audits on specific subjects.

21. To ensure that the findings of these reports are disseminated effectively to Bank staff, the Central Projects Staff from time to time review their implications with appropriate OED and Regional Staff in seminars or special meetings arranged for this purpose. The Director-General, the Senior Vice President, Operations, and the Vice President, Projects Staff are informed of these discussions.

Evaluation Studies and Operational Policy Reviews

22. OED Evaluation Studies and Operational Policy Reviews are more intensive analyses of particular subjects or issues of broad relevance to the Bank's operations than is usually possible in the framework of Project Performance Auditing. Evaluation Studies in the sense intended here normally examine the impact of sets of projects, i.e., of Bank assistance programs in a country, or countries, or in a sector, or sectors, and their implications for Bank policies, practices and procedures. Operational Policy Reviews examine the actual application of specific policies and

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procedures governing the management and administration of Bank lending and technical assistance, which warrant study because they are of concern or which merit examination as part of OED's program of testing self-evaluation in the Bank. Both types of study are concerned with the efficiency and economy of prevailing programs, policies and practices as well as their effectiveness in reaching desired results.

23. Evaluation Studies and Operational Policy Reviews normally start with the preparation of a brief issues paper highlighting the key questions as then perceived and outlining a preliminary time-phased study plan. Comments are solicited from relevant Bank departments and borrowers who may be involved in the study and from concerned Executive Directors, after which the final study plan is fixed. The first major output, which generally consists of draft case reports, is widely circulated for comment to clarify facts and sharpen any differences of interpretation among the parties involved. When most of the initial case reports have been completed, the issues that have emerged and possible solutions to them are reviewed to help focus the remaining work and ensure that the final report is responsive to real operational concerns, which is its main objective. Final reports are reviewed in the same way as project audit reports before being circulated to Executive Directors and relevant Bank staff.

Follow Up

24. The Executive Directors and the President expect to be kept informed of responses to the findings of these reports. To this end, OED reports describe, to the extent feasible, staff reactions to their findings. After an appropriate lapse of time, they are followed up by Closing Reports which assess what has actually been done in connection with the points raised earlier, with due account of the fact that the problems identified may have been dealt with in ways quite different from those outlined in

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~~the original report. As noted above, OED's obligation to reach specific conclusions and later assess the Bank's response to evaluation findings does not extend to prescribing action nor monitoring its implementation, which is the responsibility of the Management.~~ The results of OED's continuing review of the Bank's response to evaluation findings are also reported to the Executive Directors and the President in the Director-General's Annual Report (see para. 33).

Reporting Standards

25. All evaluation and project performance audit reports should describe precisely the scope, nature and extent of work done. Factual matter should be presented accurately and fairly and authors must be able, when called upon, to demonstrate the bases for the matters reported. Since judgments have to be made on the basis of information of varying quality, reports should indicate clearly the solidity of the foundations for judgments reached.

26. Reports should present findings and conclusions objectively and frankly, in language as clear and concise as the subject matter permits. They should be fair and balanced, recognizing unusual difficulties or circumstances encountered by those involved and acknowledging differences in perspective whenever appropriate. Their purpose is to identify problems and indicate how things might be done better in future, not to criticize nor emphasize what might have been done differently in the past. They should analyze the implications of noteworthy accomplishments or performance above expectations as carefully as shortfalls, particularly when management improvement in one program or activity may be applicable elsewhere. They should identify and explain issues and questions needing further study and summarize findings conveniently for ease of consideration.

27. OED reports should indicate wherever significant pertinent information has been omitted because it is deemed privileged or confidential and provide justification for such omission.

28. Before final OED reports are issued, appropriate agencies of member countries and Bank staff concerned are invited to comment on them. Whenever such comments contradict the evaluation findings or conclusions and are not, in the opinion of the evaluator, meritorious, he should state his reasons for rejecting them. Conversely, he should drop a point or modify a position if he finds the argumentation to be valid. Final reports should draw attention to particularly significant points of agreement with the parties involved in the operation and identify significant points of disagreement which have not been able to be reconciled. Final reports are issued by the Director-General ~~simultaneously~~ to the Executive Directors and copied simultaneously to the President.

Staffing

29. Staffing decisions for the OED ~~conform to~~ are made by the Director-General within the framework of the normal policies and procedures governing all Bank Group personnel; staff are regular employees of the Bank Group. The basic prerequisites are an inquiring, skeptical, challenging mind; the ability to think systematically and rigorously; an openness to new ideas and a sensitivity to the complexity and constraints of development initiatives. Staff may be drawn from inside or outside of the Bank Group but, because of the nature of the work, most staff normally transfer from assignments elsewhere in the Bank. Because of the maturity and independence of judgment and breadth of development experience required of the small OED staff, a large number of these staff are fairly senior in the Bank. An assignment in the OED, which is normally of some 3-4 years' duration, is considered an important broadening step

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in the career of Bank staff. From time to time, individual consultants are also hired from outside the Bank for short periods to provide special expertise.

30. Both the Department and individuals involved in any assignment must maintain an independent, impartial attitude. All significant and pertinent information must be collected and developed and given due consideration in reaching conclusions, and authors must feel free to report their conclusions completely, without fear of censure. Although they do not necessarily have to be experts in the specific technical fields involved, persons assigned to a particular study must collectively possess adequate professional proficiency for the tasks required.

31. As part of its cooperation with evaluation units in member countries on joint studies and in sharing experience, the Department welcomes a limited number of staff from these units to work with it for defined periods of time.

IV. Relationship with Management and the Executive Directors

~~32.-----The Management and the Executive Directors of the Bank, who form a principal audience for Bank evaluation work, receive all OED reports in the manner described above. Continuing informal contact is maintained by OED staff with Bank staff and by the Director General with the Management and the Executive Directors. The Director General maintains more formal contact with the Management through his membership in the President's Council and with the Executive Directors by attending all meetings of the Board of Directors and of the Joint Audit Committee of the Board.~~

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IV. Relationship with the Executive Directors and the Management

32. The Executive Directors and the Management of the Bank, who form a principal audience for Bank evaluation work, receive all OED reports in the manner described above. Their early involvement in significant developments in the Bank's evaluation system and follow up on the Bank's responses to evaluation findings is provided for by the established reporting arrangements, and by the continuing informal contact maintained by the Director-General with the Executive Directors and the Management, and by OED staff with Bank staff. The Director-General maintains more formal contact with the Executive Directors by attending all meetings of the Board of Directors and of the Joint Audit Committee of the Board and with the Management by attending all meetings of the President's Council.

33. Early each fiscal year, the Director-General reports briefly on the findings of his continuing broad-ranging review of the adequacy and effectiveness of the Bank's operations evaluation system in light of the evolving programs of the Bank, the results of earlier evaluation work by OED and others and the Bank's responses to the findings of this work. After receiving comment from Bank management, he submits this report to the Joint Audit Committee of the Board of Executive Directors, which then forwards it, with any comments of its own, to the Board.

34. The Executive Directors meet formally to discuss this Annual Report and the comments of the Joint Audit Committee to which they have delegated responsibility, inter alia, for assessing the adequacy and efficiency of the work of the OED.

35. The Joint Audit Committee (JAC) has a broad mandate for reviewing the work and operation of the OED. It fulfills its responsibilities mainly as follows:

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- it discusses with the Director-General his Annual Report before transmitting it to the Executive Directors;
- it recommends OED's draft annual budget and work program to the Board, after discussion with the Director-General and the Director of the Operations Evaluation Department to ensure that the work program is adequate and reflects particular Board concerns, and receives from them during the course of the year periodic verbal reports on the status of the agreed program. OED's draft budget and work program will first have been discussed informally with Bank management to ensure that what is presented to the Joint Audit Committee reflects particular Management concerns and is consistent with the Bank's budget constraints;
- it screens OED reports to select those policy issues or major operational problems which it wishes to recommend for consideration by the Board;
- it reviews from time to time a small, representative sample of OED reports with the authors to assess the adequacy of their coverage, methodology and adherence to the standards outlined above.

It is on the basis of this work over the course of the year that the Committee prepares its annual assessment of the adequacy and efficiency of the work of the OED.

V. The Annual Reporting Cycle

36. The Director-General and the Operations Evaluation Department follow an annual work planning cycle which is related to the Bank fiscal

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year and the fact that the Joint Audit Committee's members are appointed biennially on November 1. The main components of this reporting cycle are as follows:

- the Director-General's Annual Report is discussed by the Joint Audit Committee in September, to permit the conclusions of this discussion to be included in the JAC's annual report, which is normally issued in October. This timing also allows the Management and the Executive Directors to consider, in the light of this report, what evaluations work they would like to see initiated in the following fiscal year.
- the Annual Review of Project Performance Audit Results is completed by OED early in the calendar year to enable the Director-General to take its initial findings into account in formulating OED's Work Program for the forthcoming fiscal year.
- OED's draft Annual Work Program and Budget is presented to the Joint Audit Committee in March, in time to be incorporated in the annual budget of the Bank.



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Subject / Title JAC/A/76-6/2 Notice of Meeting				
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Correspondents / Participants				
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Correspondents / Participants				
Subject / Title SecM76-103 Standards and Procedures for Operations Evaluation				
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STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

D R A F T

February 18, 1976

STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

1. This document sets out the standards and procedures for operations evaluation work in the World Bank. 1/

I. Introduction

2. One of the basic purposes of evaluation in any organization is to measure how far operational programs and activities are producing the desired results, and how efficiently, and to feed the information back into the formation of new directions, policies and procedures. Tension can arise between the reporting dimension of evaluation, for purposes of accountability, and the learning dimension, to assist management; the one requires full independence from management for greatest credibility and the other, full integration into management for quickest absorption of useful lessons. Experience in other organizations has shown that the evaluation function has sometimes been too closely linked to particular levels of management, with consequent constraints to its freedom in reporting and originality and imagination in lesson-learning; while, in other cases, it has sometimes been too distant from appropriate levels of management, leading to insufficient practical focus and lack of impact where that matters most if evaluation is to improve future programs. The correct position is hard to establish and maintain.

3. The World Bank, as an organization of international cooperation for development, has particular features which have to be taken into account in considering the appropriate structure of evaluation. It has major

1/ These standards and procedures reflect current practice or intent. They will be revised from time to time as evolving evaluation experience requires.

resources - those it lends and those it spends for administrative purposes - for which important allocative decisions have to be made. It has a complex decision structure in which decisions on Bank policies, budgets, and lending and borrowing commitments are made by the Board of Executive Directors; recommendations on these matters and major administrative decisions are made by the President; and day-to-day operational and administrative decisions are delegated down the whole structure of management. Moreover, since the objective of the Bank's lending is not simply to transfer resources but to support purposeful problem-solving in member countries, the ultimate outcome of its operational decisions depends mainly on actions by the borrower. Thus, evaluation for the World Bank has to be concerned with activities at different levels of both the Bank and its borrowers and be responsive to the concerns of each.

4. To meet the particular needs of the World Bank, a separate operations evaluation unit was first established by the President in late 1970. Since then, the President from time to time has reviewed with the Board of Directors the evolution of this function and its place in the organizational structure. After such a review in late 1974, the Executive Directors decided to establish a new post of Director-General, Operations Evaluation. Appointees to this post would have rank equivalent to that of a Vice President, hold office for renewable terms of five years, be removable only by the Executive Directors and be ineligible for subsequent appointment or reappointment to the Bank Group staff except in unusual circumstances. In 1975, the Executive Directors selected as the first incumbent a senior officer of the Bank. These arrangements were designed to ensure familiarity with the problems of development and the operations of the Bank, while providing for the constitutional independence deemed necessary for this function.

5. The Director-General is responsible for appraising and reporting on the adequacy of the Bank's operations evaluation system and conducting independent reviews, on a selective basis, of operational programs and activities to determine whether the objectives of these programs are being realized and how they might be made more effective, efficient and responsive to the needs and concerns of member governments. He is not concerned with the functions of the Internal Auditing Department^{1/} nor with the functions of the External Auditor who is appointed by the Executive Directors to examine and report on the annual financial statements of the Bank and its affiliates.

II. The Bank's Operations Evaluation System

6. In accordance with the basic principle that, for most effective learning and impact on future operations, evaluation should be carried out by those directly involved in the activity, most of the Bank's operations evaluation activities are of a decentralized and self-evaluative nature.

Project Supervision

7. The Bank's elaborate project supervision system, covering all Bank-financed projects under execution and supplemented by findings of Bank country economic and sector work, has long been the principal continuing

^{1/} The Internal Auditing Department furnishes Management with periodic, independent appraisals and audits of financial, accounting, administrative and other activities. Its principal responsibilities include (a) determining the soundness, adequacy and application of systems and procedures and related internal controls and promoting effective control at reasonable cost; (b) determining the extent of compliance with prescribed policies, plans and procedures; (c) determining the extent to which the Bank assets are accounted for and protected from all losses; (d) determining the reliability and validity of significant accounting, financial and other data used by Management; and (e) recommending improvements to strengthen internal control, improve administrative efficiency and to eliminate the wasteful use of resources.

means for the Bank to learn from its operating experience. The supervision system consists of regular borrower reporting, regular field visits by Bank staff, regular middle management review of progress in solving implementation problems, a semi-annual review by senior management of the status of the more serious problem projects and an annual general discussion of problems in project implementation. Operational staff bring supervision findings to bear in the planning and implementation of future Bank operations. Experience gathered through supervision is also periodically assembled and analyzed by the Central Projects Staff in their continuing overview of the Bank's functional policies and programs in the sectors to which it lends.

8. Project Completion Reports (PCRs). To further reinforce self-evaluation by the operating departments of the Bank, to facilitate dissemination of the lessons learned and to help meet the needs of accountability to its shareholders, the Bank requires that at the conclusion of active project supervision, Project Completion Reports be prepared by the responsible operating departments for all projects assisted by the Bank and IDA, normally within six months of the completion of loan/credit disbursement. Standard instructions to Bank staff now provide that twelve months before expected completion of disbursements, the Bank advise the borrower of the information that should be prepared for this purpose. Bank officers responsible for PCRs also solicit the views of other Bank staff members who have been concerned with the project and systematically review the relevant Loan Negotiation and Administration files (including all key documents relating to the project before and after loan signature) from the Bank's central archives. Some Loan and Credit Agreements now reflect understandings with borrowers that the local project director prepare such a report when project implementation nears completion.

9. A Project Completion Report, which may be said to represent the culmination of regular Bank supervision of an individual project during implementation, reviews comprehensively the extent to which the objectives and expectations, on the basis of which the loan/credit was approved, have been or show promise of being achieved. It examines the reasons for deviations from plans and attempts to assess their significance frankly. Its purpose is not to record a comprehensive history of the project, but to consider candidly, in the light of what actually happened up to that time, whether in retrospect the project was worth doing and what lessons are to be learned from this experience. The principal questions that are normally addressed, most of which are also addressed during project supervision, are the following:

1. Implementation: Was the project and its principal components fully completed, on time, and within cost estimates? Were final unit costs reasonable? What changes were made during implementation, and why?
2. Compliance: Did the borrower and Government comply with the loan covenants and related agreements and contracts? Did the consultants perform as expected?
3. Financial Performance of Borrower: Have the targets or projections, including self-financing of investment, been fulfilled?
4. Institution Building: Were the project management arrangements satisfactory? Have agreed or expected reforms in policies and structures been carried out and have such reforms been successful?
5. Economic Impact: Is the economic return to the project likely to reach the expected level? If the PCR cannot answer this question so soon after completion, when should

an economic evaluation of the project be scheduled?

6. Efficiency: Could similar projects be prepared, appraised and implemented in future more quickly or economically (to borrower and/or Bank) without undue risk to project and sector objectives?
7. Bank Contribution: Was the Bank's diagnosis of the borrower, sector and project problems and the resultant definition of loan objectives appropriate in retrospect? Did the Bank influence the design or composition of the project during preparation, appraisal or supervision and was this influence constructive in retrospect? Has the Bank learned the lessons of its experience with this project?
8. Other considerations: Did the project have unintended effects? Where relevant, was the distribution of project benefits by region or income groups as expected?

Particular emphasis is placed on the project's economic and institution-building objectives, and on the borrower's view of the project experience and the Bank's participation in it.

10. The PCR does not normally attempt to do more than identify issues or, with respect to project expectations and objectives, to go beyond those explicitly stated in the loan documents. They are selective in the depth to which particular questions are pursued and avoid perfectionism of writing and presentation to enable the crucial facts to be brought out and the lessons to be drawn at the lowest possible cost to the Bank.

"Built-in" evaluation

11. In an important further extension of the principle of placing responsibility for evaluation close to the operations covered, the Bank has taken important initiatives in recent years to build evaluation explicitly into many of the more complex or experimental projects it has been financing, with the specific purpose of monitoring results to permit adjusting projects quickly in light of experience and facilitate their replication as effectiveness is proven. More comprehensive attention to "built-in" evaluation in Bank projects is being planned. The Bank is also about to begin reviewing with individual member countries how best they might establish a domestic evaluation function to review the effectiveness of the Government's principal sector development programs or, at a minimum, of the externally supported portions of these programs, where this function does not already exist.

Other Evaluations

12. The Development Policy and Central Projects staff are beginning to carry out systematic evaluation of the Bank's economic and sector work, following reviews of this work in 1975. Bank operating efficiency is assessed periodically by the Programming and Budgeting staff in connection with their review of Bank work programs and budgets, by the Organization Planning staff when they review organizational matters, by the Internal Auditing Department in the course of their continuing independent examination of the systems and practices under their purview, and by individual departments themselves. Evaluations of the Bank's overall financial policies are prepared from time to time by the Finance staff. An important part of the Bank's policy and research work is addressed to evaluating Bank operational experience. The Bank's Research Committee has recently begun systematically to evaluate the research projects completed under its aegis.

13. The Bank's Economic Development Institute has always had its courses evaluated by participants at the end of each course. It also conducts a post-course evaluation program which consists of interviews in selected countries and of questionnaires sent to a large sample of the Fellows (former EDI participants). In most cases the interviewing of Fellows occurs two to five years after their EDI course and is conducted by non-EDI staff. EDI also receives constant feedback on its effectiveness through reports by Fellows to their governments after they have returned home, and through government reactions to the Institute as evidenced by their requests for courses and by the quality and quantity of their nominations to the courses.

III. The Operations Evaluation Department

14. The Operations Evaluation Department (OED) is the staff arm of the Director-General. It is selected by and responsible to him, takes up whatever issues of policy, procedure or practice he desires^{1/} and has unrestricted access to IBRD records and staff.

15. The principal functions of the Operations Evaluation Department are:

- (a) To assist the Director-General in making periodic tests and assessments of the adequacy and effectiveness of the Bank's operations evaluation system in the light of the objectives and programs of the World Bank;
- (b) To carry out evaluation studies on subjects which the Director-General determines to warrant examination in the light of his assessment of the evaluation activities described and, in the light of their findings, identify areas for improvement in Bank policies, procedures and practices. These subjects may include

^{1/} See para. 35 for the role of the Executive Directors and the Management in shaping the OED's work program.

analyses of complaints by member countries and clients about Bank operations with a view to indicating how their recurrence in future operations may be prevented;

- (c) To help the Bank encourage and assist member countries to develop an operations evaluation function, in particular by carrying out evaluations of Bank-assisted programs jointly with member country staff;
- (d) To assess actions taken by the Bank in connection with the findings of Operations Evaluation Department studies, at an appropriate point after their initial presentation, and report thereon to the Executive Directors and the President;
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To discharge these functions, the Department, without compromising its independence, endeavors at all times to maintain close and continuing contact with relevant Bank staff so that their views are adequately considered and discussed in OED reports, the analyses and findings of these reports are adequately understood, and the Department is informed of Bank responses to these findings. While the work is aimed at reaching specific conclusions and pointing to necessary directions of change, the Department has no powers to prescribe and no involvement in implementing particular practices and procedures.

Project Performance Auditing

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^{1/} See paras. 25-28 on Reporting Standards

the major lessons of this experience and their implications for the Bank and its members. An updated Concordance to Project Performance Audit Reports is prepared periodically to permit ready access to the findings of project audits on specific subjects.

21. To ensure that the findings of these reports are disseminated effectively to Bank staff, the Central Projects Staff from time to time review their implications with appropriate OED and Regional Staff in seminars or special meetings arranged for this purpose. The Director-General, the Senior Vice President, Operations, and the Vice President, Projects Staff are informed of these discussions.

Evaluation Studies and Operational Policy Reviews

22. OED Evaluation Studies and Operational Policy Reviews are more intensive analyses of particular subjects or issues of broad relevance to the Bank's operations than is usually possible in the framework of Project Performance Auditing. Evaluation Studies in the sense intended here normally examine the impact of sets of projects, i.e., of Bank assistance programs in a country, or countries, or in a sector, or sectors, and their implications for Bank policies, practices and procedures. Operational Policy Reviews examine the actual application of specific policies and procedures governing the management and administration of Bank lending and technical assistance, which warrant study because they are of concern or which merit examination as part of OED's program of testing self-evaluation in the Bank. Both types of study are concerned with the efficiency and economy of prevailing programs, policies and practices as well as their effectiveness in reaching desired results.

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24. The Executive Directors and the President expect to be kept informed of responses to the findings of these reports. To this end, OED reports describe, to the extent feasible, staff reactions to their findings. After an appropriate lapse of time, they are followed up by Closing Reports which assess what has actually been done in connection with the points raised earlier, with due account of the fact that the problems identified may have been dealt with in ways quite different from those outlined in the original report. As noted above, OED's obligation to reach specific conclusions and later assess the Bank's response to evaluation findings does not extend to prescribing action nor monitoring its implementation, which is the responsibility of the Management.

Reporting Standards

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when called upon, to demonstrate the bases for the matters reported. Since judgments have to be made on the basis of information of varying quality, reports should indicate clearly the solidity of the foundations for judgments reached.

26. Reports should present findings and conclusions objectively and frankly, in language as clear and concise as the subject matter permits. They should be fair and balanced, recognizing unusual difficulties or circumstances encountered by those involved and acknowledging differences in perspective whenever appropriate. Their purpose is to identify problems and indicate how things might be done better in future, not to criticize nor emphasize what might have been done differently in the past. They should analyze the implications of noteworthy accomplishments or performance above expectations as carefully as shortfalls, particularly when management improvement in one program or activity may be applicable elsewhere. They should identify and explain issues and questions needing further study and summarize findings conveniently for ease of consideration.

27. OED reports should indicate wherever significant pertinent information has been omitted because it is deemed privileged or confidential and provide justification for such omission.

28. Before final OED reports are issued, appropriate agencies of member countries and Bank staff concerned are invited to comment on them. Whenever such comments contradict the evaluation findings or conclusions and are not, in the opinion of the evaluator, meritorious, he should state his reasons for rejecting them. Conversely, he should drop a point or modify a position if he finds the argumentation to be valid. Final reports should draw attention to particularly significant points of agreement with the parties involved in the operation and identify significant points of disagreement which have not been able to be reconciled.

Final reports are issued by the Director-General simultaneously to the Executive Directors and the President.

Staffing

29. Staffing decisions for the OED conform to the normal policies and procedures governing all Bank Group personnel; staff are regular employees of the Bank Group. The basic prerequisites are an inquiring, skeptical, challenging mind; the ability to think systematically and rigorously; an openness to new ideas and a sensitivity to the complexity and constraints of development initiatives. Staff may be drawn from inside or outside of the Bank Group but, because of the nature of the work, most staff normally transfer from assignments elsewhere in the Bank. Because of the maturity and independence of judgment and breadth of development experience required of the small OED staff, a large number of these staff are fairly senior in the Bank. An assignment in the OED, which is normally of some 3-4 years duration, is considered an important broadening step in the career of Bank staff. From time to time, individual consultants are also hired from outside the Bank for short periods to provide special expertise.

30. Both the Department and individuals involved in any assignment must maintain an independent, impartial attitude. All significant and pertinent information must be collected and developed and given due consideration in reaching conclusions, and authors must feel free to report their conclusions completely, without fear of censure. Although they do not necessarily have to be experts in the specific technical fields involved, persons assigned to a particular study must collectively possess adequate professional proficiency for the tasks required.

31. As part of its cooperation with evaluation units in member countries on joint studies and in sharing experience, the Department welcomes a limited number of staff from these units to work with it for defined periods of time.

IV. Relationship with Management and the Executive Directors

32. The Management and the Executive Directors of the Bank, who form a principal audience for Bank evaluation work, receive all OED reports in the manner described above. Continuing informal contact is maintained by OED staff with Bank staff and by the Director-General with the Management and the Executive Directors. The Director-General maintains more formal contact with the Management through his membership in the President's Council and with the Executive Directors by attending all meetings of the Board of Directors and of the Joint Audit Committee of the Board.

33. Early each fiscal year, the Director-General reports briefly on the findings of his continuing broad-ranging review of the adequacy and effectiveness of the Bank's operations evaluation system in light of the evolving programs of the Bank, the results of earlier evaluation work by OED and others, and the Bank's responses to the findings of this work. After receiving comment from Bank management, he submits this report to the Joint Audit Committee of the Board of Executive Directors, which then forwards it, with any comments of its own, to the Board.

34. The Executive Directors meet formally to discuss this Annual Report and the comments of the Joint Audit Committee to which they have delegated responsibility, inter alia, for assessing the adequacy and efficiency of the work of the OED.

35. The Joint Audit Committee (JAC) has a broad mandate for reviewing the work and operation of the OED. It fulfills its responsibilities mainly as follows:

- it discusses with the Director-General his Annual Report before transmitting it to the Executive Directors;

- it recommends OED's draft annual budget and work program to the Board, after discussion with the Director-General and the Director of the Operations Evaluation Department to ensure that the work program is adequate and reflects particular Board concerns, and receives from them during the course of the year periodic verbal reports on the status of the agreed program. OED's draft budget and work program will first have been discussed with Bank management to ensure that what is presented to the Joint Audit Committee reflects particular Management concerns and is consistent with the Bank's budget constraints;
- it screens OED reports to select those policy issues or major operational problems which it wishes to recommend for consideration by the Board;
- it reviews from time to time a small, representative sample of OED reports with the authors to assess the adequacy of their coverage, methodology and adherence to the standards outlined above.

It is on the basis of this work over the course of the year that the Committee prepares its annual assessment of the adequacy and efficiency of the work of the OED.

V. The Annual Reporting Cycle

36. The Director-General and the Operations Evaluation Department follow an annual work planning cycle which is related to the Bank fiscal year and the fact that the Joint Audit Committee's members are appointed biennially on November 1. The main components of this reporting cycle are as follows:

- the Director-General's Annual Report is discussed by the Joint Audit Committee in September, to permit the conclusions of this discussion to be included in the JAC's annual report, which is normally issued in October. This timing also allows the Management and the Executive Directors to consider, in the light of this report, what evaluation work they would like to see initiated in the following fiscal year.
- the Annual Review of Project Performance Audit Results is completed by OED early in the calendar year to enable the Director-General to take its initial findings into account in formulating OED's Work Program for the forthcoming fiscal year.
- OED's draft Annual Work Program and Budget is presented to the Joint Audit Committee in March, in time to be incorporated in the annual budget of the Bank.

Other suggestions

OE Unit of Office of OE (page 8) - needs a Department, w. structure, j. a. indep.

p. 17 report from mgmt - No, because not policy intervention OED/mgt. not v. effective

Per staff & prep

staff: no, indep. THE WORLD BANK Washington, D.C. 20433 U.S.A.

gained for "ignominy" (w/ sp. experience)

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February 18, 1976

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2/19/76

Office of Director-General
Operations Evaluation

Memorandum to the Executive Directors

Drop 'Audit' - will be more an audit, to reflect evaln in OE - self evaln
the expression is 'Performance Audit'; 2-dimensional.

Subject: Standards and Procedures for Operations Evaluation in the
World Bank

During the Board discussion of the Bank's Operations Evaluation work on October 29, 1975, I was asked to prepare a draft statement of standards and procedures for consideration by the Executive Directors. The statement is attached. It outlines Bank operations evaluation objectives and procedures substantially as set out for the October meeting and modified during that discussion.

Several Directors said they thought the Board should become involved more systematically in the Bank's operations evaluation system and asked that the statement indicate how this might be done. The paper attached outlines a procedure, suggested during the October discussion, whereby the Joint Audit Committee would select those major operational problems or policy issues raised by findings of Operations Evaluation Department (OED) reports which in their view warranted discussion by the Board; the Executive Directors would meet informally for this purpose as a Committee of the Whole. Other alternatives were also suggested. One would be for selected evaluation findings to be discussed informally in the Joint Audit Committee, with all interested Directors attending. Another alternative would be to establish a sub-committee of the Joint Audit Committee, or a new Committee of the Board, to consider the Bank's operations evaluation findings. The procedure proposed appears to be most responsive to the wish of many Directors to be part of any discussion of evaluation findings and to have these discussions conducted with maximum informality and freedom, with management attending and participating as appropriate.

As regards the work on individual completed projects,

The operations evaluation system described in the attached statement rests on the twin premises of comprehensive project performance auditing and self-evaluation by Bank staff.

Comprehensiveness has sometimes been questioned as being unjustifiably costly for the benefits perceived and therefore better replaced with a selective approach to assessing Bank project experience. A selective approach is, of course, feasible. However, as Bank projects are not standard but tailored to the particular needs and circumstances of specific countries, selectivity would imply only limited review of experience and limited accountability for results. As concern about cost is certainly warranted, what is proposed is a system which embraces all projects, but flexibly. The operating departments would complete the active supervision cycle with a completion report on each project, with the effort to answer standard questions varying as appropriate for each project. Comprehensive coverage by the operating departments would permit the Operations Evaluation Department to end its recent practice of preparing thorough Project Performance Audit reports on most projects. The OED would henceforth review all project completion reports for comprehensiveness and consistency before transmitting them to the Board but be rigorously selective in its more thorough review of individual projects.

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Reliance upon self-evaluation is a principle of fundamental importance. With clear understanding of what is expected of them, most Bank staff can be expected to be no less constructively critical of Bank experience than they are now expected to be constructively critical of borrowers. Indeed, emphasis on self-evaluation would ensure that evaluation lessons are learned and absorbed into operations as fully and quickly as possible. Rejection of this principle would mean acceptance that the Bank as an institution and Bank staff as individuals are incapable of learning from experience and that any remotely adequate operations evaluation system would therefore require a very much enlarged and steadily expanding Operations Evaluation Department. There is scant evidence to support the need for such an approach. The Bank's self-evaluation activities would, of course, be tested periodically by the OED to ensure that adequate standards are, in fact, observed.

The proposed approach and the attached statement on the subject have been considered and endorsed by the Management, and are now recommended to the Executive Directors for their consideration. The statement will be updated from time to time as evolving evaluation experience requires; comments on it are invited at all times, especially from audit and evaluation authorities of member governments.

particularly as a
by-product of the review
to be carried out over the
next year or so, assessing the
Bank's evaluation systems more
generally & seeing where the practice of
need for independent verification
could be extended

Henry L. Heine

STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

D R A F T

February 18, 1976

STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

1. This document sets out the standards and procedures for operations evaluation work in the World Bank. ^{1/}

I. Introduction

2. One of the basic purposes of evaluation in any organization is to measure how far operational programs and activities are producing the desired results, and how efficiently, and to feed the information back into the formation of new directions, policies and procedures. Tension can arise between the reporting dimension of evaluation, for purposes of accountability, and the learning dimension, to assist management; the one requires full independence from management for greatest credibility and the other, full integration into management for quickest absorption of useful lessons. Experience in other organizations has shown that the evaluation function has sometimes been too closely linked to particular levels of management, with consequent constraints to its freedom in reporting and originality and imagination in lesson-learning; while, in other cases, it has sometimes been too distant from appropriate levels of management, leading to insufficient practical focus and lack of impact where that matters most if evaluation is to improve future programs. The correct position is hard to establish and maintain.

3. The World Bank, as an organization of international cooperation for development, has particular features which have to be taken into account in considering the appropriate structure of evaluation. It has major

^{1/} These standards and procedures reflect current practice or intent. They will be revised from time to time as evolving evaluation experience requires. *IFC not yet covered but will be eventually*

resources - those it lends and those it spends for administrative purposes - for which important allocative decisions have to be made. It has a complex decision structure in which decisions on Bank policies, budgets, and lending and borrowing commitments are made by the Board of Executive Directors; recommendations on these matters and major administrative decisions are made by the President; and day-to-day operational and administrative decisions are delegated down the whole structure of management. Moreover, since the objective of the Bank's lending is not simply to transfer resources but to support purposeful problem-solving in member countries, the ultimate outcome of its operational decisions depends mainly on actions by the borrower. Thus, evaluation for the World Bank has to be concerned with activities at different levels of both the Bank and its borrowers and be responsive to the concerns of each.

4. To meet the particular needs of the World Bank, a separate operations evaluation unit was first established by the President in late 1970. Since then, the President from time to time has reviewed with the Board of Directors the evolution of this function and its place in the organizational structure. After such a review in late 1974, the Executive Directors decided to establish a new post of Director-General, Operations Evaluation. Appointees to this post would have rank equivalent to that of a Vice President, hold office for renewable terms of five years, be removable only by the Executive Directors and be ineligible for subsequent appointment or reappointment to the Bank Group staff except in unusual circumstances. In 1975, the Executive Directors selected as the first incumbent a senior officer of the Bank. These arrangements were designed to ensure familiarity with the problems of development and the operations of the Bank, while providing for the constitutional independence deemed necessary for this function.

The means whereby the Director General fulfils his responsibility to the Executive Directors are covered in detail in Section IV below (page 16 ff).

5. The Director-General is responsible for appraising and reporting on the adequacy of the Bank's operations evaluation system and conducting independent reviews, on a selective basis, of operational programs and activities to determine whether the objectives of these programs are being realized and how they might be made more effective, efficient and responsive to the needs and concerns of member governments. He is not concerned with the functions of the Internal Auditing Department ^{1/} nor with the functions of the External Auditor who is appointed by the Executive Directors to examine and report on the annual financial statements of the Bank and its affiliates.

II. The Bank's Operations Evaluation System

6. In accordance with the basic principle that, for most effective learning and impact on future operations, evaluation should be carried out by those directly involved in the activity, most of the Bank's operations evaluation activities are of a decentralized and self-evaluative nature.

Project Supervision

7. The Bank's elaborate project supervision system, covering all Bank-financed projects under execution and supplemented by findings of Bank country economic and sector work, has long been the principal continuing

^{1/} The Internal Auditing Department furnishes Management with periodic, independent appraisals and audits of financial, accounting, administrative and other activities. Its principal responsibilities include (a) determining the soundness, adequacy and application of systems and procedures and related internal controls and promoting effective control at reasonable cost; (b) determining the extent of compliance with prescribed policies, plans and procedures; (c) determining the extent to which the Bank assets are accounted for and protected from all losses; (d) determining the reliability and validity of significant accounting, financial and other data used by Management; and (e) recommending improvements to strengthen internal control, improve administrative efficiency and to eliminate the wasteful use of resources.

means for the Bank to learn from its operating experience. The supervision system consists of regular borrower reporting, regular field visits by Bank staff, regular middle management review of progress in solving implementation problems, a semi-annual review by senior management of the status of the more serious problem projects and an annual general discussion of problems in project implementation. Operational staff bring supervision findings to bear in the planning and implementation of future Bank operations. Experience gathered through supervision is also periodically assembled and analyzed by the Central Projects Staff in their continuing overview of the Bank's functional policies and programs in the sectors to which it lends.

8. Project Completion Reports (PCRs). To further reinforce self-evaluation by the operating departments of the Bank, to facilitate dissemination of the lessons learned and to help meet the needs of accountability to its shareholders, the Bank requires that at the conclusion of active project supervision, Project Completion Reports be prepared by the responsible operating departments for all projects assisted by the Bank and IDA, normally within six months of the completion of loan/credit disbursement. Standard instructions to Bank staff now provide that twelve months before expected completion of disbursements, the Bank advise the borrower of the information that should be prepared for this purpose. Bank officers responsible for PCRs also solicit the views of other Bank staff members who have been concerned with the project and systematically review the relevant Loan Negotiation and Administration files (including all key documents relating to the project before and after loan signature) from the Bank's central archives. Some Loan and Credit Agreements now reflect understandings with borrowers that the local project director prepare such a report when project implementation nears completion.

"Built-in" evaluation

11. In an important further extension of the principle of placing responsibility for evaluation close to the operations covered, the Bank has taken important initiatives in recent years to build evaluation explicitly into many of the more complex or experimental projects it has been financing, with the specific purpose of monitoring results to permit adjusting projects quickly in light of experience and facilitate their replication as effectiveness is proven. More comprehensive attention to "built-in" evaluation in Bank projects is being planned. The Bank is also about to begin reviewing with individual member countries how best they might establish a domestic evaluation function to review the effectiveness of the Government's principal sector development programs or, at a minimum, of the externally supported portions of these programs, where this function does not already exist.

Other Evaluations

12. The Development Policy and Central Projects staff are beginning to carry out systematic evaluation of the Bank's economic and sector work, following reviews of this work in 1975. Bank operating efficiency is assessed periodically by the Programming and Budgeting staff in connection with their review of Bank work programs and budgets, by the Organization Planning staff when they review organizational matters, by the Internal Auditing Department in the course of their continuing independent examination of the systems and practices under their purview, and by individual departments themselves. Evaluations of the Bank's overall financial policies are prepared from time to time by the Finance staff. An important part of the Bank's policy and research work is addressed to evaluating Bank operational experience. The Bank's Research Committee has recently begun systematically to evaluate the research projects completed under its aegis.

13. The Bank's Economic Development Institute has always had its courses evaluated by participants at the end of each course. It also conducts a post-course evaluation program which consists of interviews in selected countries and of questionnaires sent to a large sample of the Fellows (former EDI participants). In most cases the interviewing of Fellows occurs two to five years after their EDI course and is conducted by non-EDI staff. EDI also receives constant feedback on its effectiveness through reports by Fellows to their governments after they have returned home, and through government reactions to the Institute as evidenced by their requests for courses and by the quality and quantity of their nominations to the courses.

Office of Operations Evaluation

III. The Operations Evaluation Department

14. The Operations Evaluation Department (OED) is the staff arm of the Director-General. It is selected by and responsible to him, ^{1/} takes up whatever issues of policy, procedure or practice he desires and has unrestricted access to IBRD records and staff.

15. The principal functions of the Operations Evaluation Department are:

- (a) To assist the Director-General in making periodic tests and assessments of the adequacy and effectiveness of the Bank's operations evaluation system in the light of the objectives and programs of the World Bank;
- (b) To carry out evaluation ^{and review} studies on subjects which the Director-General determines ^{as a result} to warrant examination ~~in the light of his assessment of the evaluation~~ activities described, and, ~~in the light of their findings,~~ ^{with a view to} identify ^{ing} areas for improvement in Bank policies, ^{and their application,} procedures and practices. These subjects may include

^{1/} See para. 35 for the role of the Executive Directors and the Management in shaping the OED's work program.

analyses of complaints by member countries and clients about Bank operations with a view to indicating how their recurrence in future operations may be prevented;

- (c) To help the Bank encourage and assist member countries to develop an operations evaluation function, in particular by carrying out evaluations of Bank-assisted programs jointly with member country staff;
- (d) To assess actions taken by the Bank in connection with the findings of Operations Evaluation Department studies, at an appropriate point after their initial presentation, and report thereon to the Executive Directors and the President;
- (e) To help disseminate Bank operations evaluation findings and the lessons emerging therefrom both within the Bank and to the wider development community.

To discharge these functions, the Department, without compromising its independence, endeavors at all times to maintain close and continuing contact with relevant Bank staff so that their views are adequately considered and discussed in OED reports, the analyses and findings of these reports are adequately understood, and the Department is informed of Bank responses to these findings. While the work is aimed at reaching specific conclusions and pointing to necessary directions of change, the Department has no powers to ^{issue instructions} prescribe and no involvement in

implementing particular practices and procedures. *We have a responsibility to report to the Executive Directors on what the Bank management and staff and operating departments have done in this regard.*

Project Performance Auditing

16. The Operations Evaluation Department gives particular attention to the Project Completion Reports. It carries out a limited review of all and a thorough review of a selected few, because their coverage of all completed Bank-financed projects makes the PCRs the basic element in the Bank's evaluation system and the source of the earliest systematic information about the actual or probable results of Bank assistance. The constant flow of up-to-date information from PCRs also helps identify what deeper evaluation studies are needed and contributes important case-material to such studies.

17. Preparing Project Performance Audit Reports. Bank staff assigned to write PCRs consult about the issues they intend to focus on with the relevant OED staff. For this purpose, OED staff review the documents submitted to the Board - the appraisal report, President's report and legal documents - the transcript of Board discussion, and the borrower's completion report and/or the Bank's most recent project supervision report. The purpose of this early contact is to anticipate questions and thereby minimize the need for later supplementary work. OED later reviews the draft PCR for comprehensiveness and consistency against the background of the above-mentioned papers and discussions, and then prepares a brief Project Performance Audit Memorandum describing the tests it has made, conveying its overall conclusion on the project's success or failure and drawing attention to any lessons of wider relevance that emerge.

18. The Project Performance Audit Report, consisting of this Memorandum with the Projects Department's PCR attached, is then circulated for comment to the responsible Bank departments and other staff who have been principally concerned with the project over its life, and shortly thereafter to the borrower and his Government - the Ministry of Finance, Economy or Planning, as appropriate, and the Government's evaluation

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the major lessons of this experience and their implications for the Bank and its members. An updated Concordance to Project Performance Audit Reports is prepared periodically to permit ready access to the findings of project audits on specific subjects.

21. To ensure that the findings of these reports are disseminated effectively to Bank staff, the Central Projects Staff from time to time review their implications with appropriate OED and Regional Staff in seminars or special meetings arranged for this purpose. The Director-General, the Senior Vice President, Operations, and the Vice President, Projects Staff are informed of these discussions.

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Since judgments have to be made on the basis of information of varying quality, reports should indicate clearly the solidity of the foundations for judgments reached.

26. Reports should present findings and conclusions objectively and

frankly, in language as clear and concise as the subject matter permits; *appropriate use should be made of graphs and charts to facilitate understanding.*

They should be fair and balanced, recognizing unusual difficulties or

circumstances encountered by those involved and acknowledging differences

in perspective whenever appropriate. Their purpose is to identify problems

and indicate how things might be done better in future, not to criticize

nor emphasize what might have been done differently in the past. They

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mance above expectations as carefully as shortfalls, particularly when

management improvement in one program or activity may be applicable

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information has been omitted because it is deemed privileged or confidential

and provide justification for such omission.

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member countries and Bank staff concerned are invited to comment on them.

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and are not, in the opinion of the evaluator, meritorious, he should

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Final reports are issued by the Director-General simultaneously to the Executive Directors and the President.

Staffing

29. Staffing decisions for the OED conform to the normal policies and procedures governing all Bank Group personnel; staff are regular employees of the Bank Group. The basic prerequisites are an inquiring, skeptical, challenging mind; the ability to think systematically and rigorously; an openness to new ideas and a sensitivity to the complexity and constraints of development initiatives. Staff may be drawn from inside or outside of the Bank Group but, because of the nature of the work, most staff normally transfer from assignments elsewhere in the Bank. Because of the maturity and independence of judgment and breadth of development experience required of the small OED staff, a large number of these staff are fairly senior in the Bank. An assignment in the OED, which is normally of some 3-4 years duration, is considered an important broadening step in the career of Bank staff. From time to time, individual consultants are also hired from outside the Bank for short periods to provide special expertise.

30. Both the Department and individuals involved in any assignment must maintain an independent, impartial attitude. All significant and pertinent information must be collected and developed and given due consideration in reaching conclusions, and authors must feel free to report their conclusions completely, without fear of censure. Although they do not necessarily have to be experts in the specific technical fields involved, persons assigned to a particular study must collectively possess adequate professional proficiency for the tasks required.

31. As part of its cooperation with evaluation units in member countries on joint studies and in sharing experience, the Department welcomes a limited number of staff from these units to work with it for defined periods of time.

IV. Relationship with Management and the Executive Directors

32. The Management and the Executive Directors of the Bank, who form a principal audience for Bank evaluation work, receive all OED reports in the manner described above. Continuing informal contact is maintained by OED staff with Bank staff and by the Director-General with the Management and the Executive Directors. The Director-General maintains more formal contact with the Management through his ^{ex-officio attendance at} membership in the President's Council and with the Executive Directors by attending all meetings of the Board of Directors and of the Joint Audit Committee of the Board.

33. Early each fiscal year, the Director-General reports briefly on the findings of his continuing broad-ranging review of the adequacy and effectiveness of the Bank's operations evaluation system in light of the evolving programs of the Bank, the results of earlier evaluation work by OED and others, and the Bank's responses to the findings of this work. After receiving comment from Bank management, he submits this report to the Joint Audit Committee of the Board of Executive Directors, which then forwards it, with any comments of its own, to the Board.

34. The Executive Directors meet formally to discuss this Annual Report and the comments of the Joint Audit Committee to which they have delegated responsibility, inter alia, for assessing the adequacy and efficiency of the work of the OED.

35. The Joint Audit Committee (JAC) has a broad mandate for reviewing the work and operation of the OED. It fulfills its responsibilities mainly as follows:

- it discusses with the Director-General his Annual Report before transmitting it to the Executive Directors;

- it recommends OED's draft annual budget and work program to the Board, after discussion with the Director-General and the Director of the Operations Evaluation Department to ensure that the work program is adequate and reflects particular Board concerns, and receives from them during the course of the year periodic verbal reports on the status of the agreed program. OED's draft budget and work program will first have been discussed with Bank management to ensure that what is presented to the Joint Audit Committee reflects particular Management concerns and is consistent with the Bank's budget constraints;
- it screens OED reports to select those policy issues or major operational problems which it wishes to recommend for consideration by the Board;
- it reviews from time to time a small, representative sample of OED reports with the authors to assess the adequacy of their coverage, methodology and adherence to the standards outlined above.

It is on the basis of this work over the course of the year that the Committee prepares its annual assessment of the adequacy and efficiency of the work of the OED.

V. The Annual Reporting Cycle

36. The Director-General and the Operations Evaluation Department follow an annual work planning cycle which is related to the Bank fiscal year and the fact that the Joint Audit Committee's members are appointed biennially on November 1. The main components of this reporting cycle are as follows:

*- it discusses the study
for 3 for major
studies (see para 23)*

*it receives draft closing
reports, at the time they are
made discussion and review in
the Bank, so as to be informed
as early as possible about
actual Bank action.*

*- it receives periodic reports from Bank
management on the status of action in
connection with the issues raised by OED
reports and discusses such
reports with Management.
under OPR
periodic*

- the Director-General's Annual Report is discussed by the Joint Audit Committee in September, to permit the conclusions of this discussion to be included in the JAC's annual report, which is normally issued in October. This timing also allows the Management and the Executive Directors to consider, in the light of this report, what evaluation work they would like to see initiated in the following fiscal year.
- the Annual Review of Project Performance Audit Results is completed by OED early in the calendar year to enable the Director-General to take its initial findings into account in formulating OED's Work Program for the forthcoming fiscal year.
- OED's draft Annual Work Program and Budget is presented to the Joint Audit Committee in March, in time to be incorporated in the annual budget of the Bank.

1/17/78 OFF 8:00 PM

File OED

"Standards
Statement"

Jan 1/78

John J. ...

MS M200722

REF: 63 214

Jan 30, 78

WORLD BANK GROUP

ROUTING SLIP

DATE *Jan 20, 76*

NAME

ROOM NO.

MR Widdows

APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

COMMENT

PER OUR CONVERSATION

FOR ACTION

PER YOUR REQUEST

INFORMATION

PREPARE REPLY

INITIAL

RECOMMENDATION

NOTE AND FILE

SIGNATURE

REMARKS

Chris
Two Papers of Interest
Perhaps
com

FROM

ROOM NO.

EXTENSION

T W BERRY

61040

4440

study together in sequence

A project or program assisted by Bank
Bank's contribution to its composition or scope
con x efficiency & Bank's involvement

As a cooperative org.

Continuous feedback
Bank always out to improve itself.
(improve systems)

Statement of Evaluation Standards & Procedures in the World Bank Group

BRD
IA & FC
as a continuous
approach
evaluations
new policy

Bank purpose of evaluation is to know whether programs are producing desired results; & if not why not, if so why; with a view to incorporating results of experience as soon as possible in the formation of new policies & new directions.

The D.G.

Program of World Bank Group

see them via the budget of the Bank

Country Economic Work

Sector Work

Project Identification

Preparation

Appraisal

Supervision & Implementation

OR
see them via the development policies of the Bank.

GAD Dept of Gov System & C.D. statement

Work in each particular sector & lending devoted.

Particular focus & emphasis in lending -
e.g. population, rural development.

Particular principles within a sector -
e.g. water charges in irrigation
transport coordination in transport.

most important view is borrowers' view
avoid duplication by single effort early stated

Efficiency - economy
Effectiveness
- feed into mgmt decision-making to make every conviction

Economic Research Work - internal

- external.

Aid Coordination.

Recruitment
Country Programmes

Comp Programs.

Internal Responsibility for Evaluation.

Internal Review & Evaln.

The Bank's Evaluation System

Most evaluation work in the Bank is self-evaluation, as it has always been.

managers evaluating their programs continuously & in particular at time of annual budget reviews

every project in course of execution & subject to review by supervision, & where major changes in understanding of it require it, & appraisal to re-evaluate; involves - extent to which original objectives, or expectations have been, or show ~~progress~~ ^{progress} achieved.

highly aided by built-in evaluation units, under country responsibility, & by Bank staff, where country cannot & job especially interested in borrowers' observations on Bank's role.

Research Program Evaluation

Policy Studies, covering particular ranges of Bank lending & particular policies, by CBS & CBS departments & by Reg. (Policy Reg) & Int. Rel. for Groups.

Organization & Program Studies by OPD, for the individ mgrs.

implementation & consequences of decisions by Exec Bd

early since start of Bank, to produce policy papers, & more rapidly changing broader policies.
x monitoring: more complex projects
the units in CBS
x CBS concerned w. tech advice to countries on (bkd) project monitoring
CBS studies evaluation
or also CBS studies
Practical

Client Words.

EDI

so that it can be precise & focussed: not external.
 The Director-General OE
 Independent review & evaln system. Indep. of B-G, but & staff not officers (or response to Bd & Pres)

it serves mgmt & the legislature of the Bank, ultimately Bd of Govts.

A small dept, with a special const status, to reassess the independence of evaln: linked to Bd when the main job is to assess & report on its adequacy & efficiency.

To check, on a spot basis, that these systems are working effectively and sufficiently comprehensively to give necessary evaluation coverage.

To advise in early stages of projn of Pch on topics which need to be covered, & to help the op. dept carry out self-evaluation: has bigger effect on them.

To carry out a simple consistency check & write a note concerning on the solution lend staff. always specify issue, & if add much: lend staff.

Pch & broader lessons of project — a selectively more (for checking of deeper nature)

To call & determine the lessons of dissemination evaluation/audit results: reports are confidential, but can be comp. supplement

To support the bank effort

To encourage and assist member countries desirous of setting up or developing project or program evaluation systems. & work jointly with them.

To follow-up w. the mgmt on suggestions made, to make sure they are fully understood & receive due consideration

To assess, & report on, action taken by the mgmt related to suggestions made in any OEI studies.

addressed to whom?

The most important basic element in the bank's evaluation system.

OEI work of advising on coverage

project respn. spot-checking of results of all for consistency, comprehensive response to appn. Regular: spend focus on core 4/5, 1-6 objectives of a few, selected at random, " borrowers' questions or " special problem or issues on the projects raise on a more thorough basis.

lessons, not recommendations.

Normal procedure: Pch Mission TOR checked w. OEI (limited check) Pch checked by OEI & corrections/elaborations made, to get correct PPA Memorandum prepared Doc. circulated in Bank & simultaneously to consultants.

OEI mission where controversial issues need to be discussed with country.

Report revised in light of comments received: sent to D-G, who gives the dept a last chance to comment again. Report distributed to E.Ds.

PPA report discussed in relevant div. & memo sent by Div. Chief to RVP & DG

Annual Review of PPA Results, generally starting to be prepared in December,

2/15

it has complete freedom to take up issues it deems & write full reports.

Before a full Pch is made, an Evaln of past Pch's is made.

To provide a special channel for substantive comparative analysis of methods of borrowing & to ensure that countries to whom bank procedures & systems are applied are fully understood & receive due consideration.

Not FINANCIAL Ext. Auditor. Not INS. or other procedures.

Member countries to choose projects.

And its enabling relatively quick response: not the 3 years.

No rate a lot of time or perfectionism of answers to appraisal.

An answer to appraisal + review of prepn: decision made + points brought up: not distribution of unexpected effects.

but also cover

Depends on necessity seen by OEI: Mission before or after sending report to country.

but not normally analyze an issue in great depth: purpose is rather to make issues known to answer them separately.

amendment of Pch's on details. Send back if major discrepancies.

Recommendation.

Lessons.

Annual Review of PPA Results, generally starting to be prepared in December,

2/15

amendment
of ACRs on
details.
Send back if major
discrepancies.

Reports are addressed to Mgt for action: if not so cannot give precise suggestions.

criticism of assessment contained to self.

not like balanced financial audit - designed to come up w/ problems & ideas for solutions.

Evaluation & Mgt for Rev Studies

More intensive studies of particular issues or subjects, which emerge from ICH/PPA system or from reviews of Bank's internal evolution as requiring further study. (normally take a min of 18 months from conception to report)

Normally take as base some examples for detailed case study, and a broader view from relevant PAs.

Evaluations are of Bank's development policies
leading & technical ~~leading~~ admin policies
MFRs are of Bank's procedures & practices.

may be of form various cases: early stage & finished.
Must be less historical - but finished projects show basic facts

admin budget

Procedure Can studies circulated for comment to Bk depts & committees concerned for comment.

Final reports normally only summarise results of study & develop ~~study~~ conclusions on effectiveness of existing or improved objectives, & end with a numbered list of suggestions for consideration by Bank management, in as specific a form as possible.

Suggestions should be brought down to the directly applicable procedural level, as far as possible. (practical)

AE final stage then report also sent by DC to Bank depts for last chance to comment on the value of the suggestions informal mtgs.

Reports are reviewed by Eds shortly after this issuance for substantive advice to Bank management on the value of the suggestions.

Active follow-up work to later studies - review with relevant policy issues in policy papers but most are procedural, practical matters

Bank depts: secure written response, & 1 or 2 years later prepare closing Report assessing action actually taken relative to original report's suggestions, the Bank

discussion & Bank might written response: there may also be interim follow-up report.

Follow-up reports of suggestions more procedural & precise - earlier, later, & questions & answers

Annual Report of D-G. September/October

Reviews the substantive progress of the Bank's evaluation systems, & the issues arising whether for change & new emphases in the systems or for special study by OED or Bank: reviews results of all work underway & general status of recommendations already made.

Submitted to JAC whose Chairman forwards it to Board of Directors with comment

The Annual Planning Cycle

OED Budget & Work Program prepared by DC in Feb & given for review by JAC on behalf of Bd of Directors in March for following FY, for incorporation in Bank budget.

by JAC on behalf of Bd of Directors in March for following FY, for incorporation in Bank budget.

after reviews by those concerned. not confidential & para 6 of stat's. & more on p. 6 & # 2 1974 Jan

after reviews by those concerned. not confidential & para 6 of stat's. & more on p. 6 & # 2 1974 Jan

after reviews by those concerned. not confidential & para 6 of stat's. & more on p. 6 & # 2 1974 Jan

after reviews by those concerned. not confidential & para 6 of stat's. & more on p. 6 & # 2 1974 Jan

after reviews by those concerned. not confidential & para 6 of stat's. & more on p. 6 & # 2 1974 Jan

free to report their conclusions completely without fear of censure.

OE's Staffing Because of the nature of the work it is essential that the staff of the unit be experienced in bank or similar ops — generally drawn from bank depts — ~~a~~ ^{are} not very specialized (see GAO description of characteristics). — has disproportionate no. of Sr-level positions.

A span in OE is considered an imp't step for ^{staff member} ~~advancement~~ from the op. dept of the bank. Rotation

Appointments are by DG, on the recommendation of the Director of the

Dept.

Use of consultants — individuals —

Reports addressed to Mgt.

OE's Relationship with Board of Directors

Reports addressed to DG or window a info / DG ^{elects} ~~appointed~~ by Bd of Directors ~~on suggestion of~~ from among one or more names put up by President, with ultimate responsibility to the Bd of Gov's.

Board of Directors has delegated responsibility for ^{running} ~~assessment of~~ the

adequacy & effectiveness of eval'n to its JAC which acts by

— reviewing ^{most} major reports & related PAs from the point of

view of adequacy of methods being used

— analyzing & discussing annual budget & work program

— receiving periodic ^{verbal} reports on progress of work

— screening reviewing & commenting on DG's Annual Report before forwarding

to Bd of Exec Directors.

Annual Board Meetings Center of when

the Board of Directors itself deals with the substantive aspects

of OE's work by a Board may make sure that priority ^{is} ~~is~~ prepared

— discussing the DG's Annual Report

Discussing the substance of major OE's studies after Board issuance & before Mgt has issued its final response to the suggestions made.

All directors receive all reports & may of course raise in the Board

at any time a topic for discussion, & can play a very supportive role

by raising questions arising in ^{from OE's work} ~~the work~~ as well as special advice with contacts for OE's in field.

as regular employees of bank at direction of G.

Independent objective attitude but not experts. Employing people from member countries.

Relations with Mgt. Work Prog in support of concerns. Focus on problems so that Mgt to get balanced picture & better understanding.

before any mission OE's staff contact E's.

E's not expected to lead all reports the major ones a PPA for the org of interest to them. JAC: check adequacy & value item as system.

Alternatives — Bd delegates more to JAC more screen for Bd or internal unit. JAC can be attended by Bd. Follow-up: Mgt report action to Bd or to forward Bd or Council of Gov's or new unit.

but not like Mgt Reports for decision. bin structure analog Bd-dgt. Action is Mgt's responsibility.

Bd above into getting details.

Ann. App. to JAC Ann. Report listing OE's suggest problems & solutions Mgt's response

Board & Mgt exchange views on how to handle recommendations.

Keeping a high practical focus.

Purposes

(a free supporting of alternatives)

relate to { markets
decision-makers. x timely for action.

Specifically designated

two budgets.

independent reporting — integration into org

strong mgt.

stimulating

independence in identifying problems — needs for decision. NOT ONLY ALREADY DECIDED NEED RECONSIDERATION.

Countries

as close as possible to decision-making: self-evaluation

The Director General

— solution — joint responsibility

ultimately to D.G. Govts.

not financial.

Econ, not finance

The Bank's Evaluation System

Project Completion Reports

The Role of the Operations Evaluation Department

staff arm of DG — appointed by him within

Project Performance Auditing

Evaluation and Management Policy Review Studies

Annual Report of the Director General

Reporting Standards

OED Staffing

The Annual Planning Cycle

Relationship with Executive Board of Directors

— role — to see the system described is working properly to see that policy issues get treated by mgt.

Relationship with Management

welcomes a limited number of staff from Governmental eval. units in dev. m.c. to participate for defined periods of time in its headquarters activities.

Objective same

but alternative targets, various activities

Objectives integrated - alternative

INTBAFRAD WSH

INCOMING CABLE

sj

TLXA197 WAF235(1817)(1-1879176042)PD 02/11/76 1815

ICS IPMTIHB TISS

TISS FM TCX 11 1815

PMS WASHINGTON DC

XDB233

UMNS HL MEME 090

MEXICODF 90 11

Feb. 11, 1976

NL

WEINER

INTBAFRAD

WASHINGTON DC

TWO (STOP) REFERENCE YOUR MARGINAL COMMENTS ON MY OM OF JANUARY

27 I WOULD SUGGEST THAT PARA FOUR OF

ANNEX B TO THE JOINT AUDIT COMMITTEE BE REPRODUCED AS IT IS

IN THE DRAFT AS IT CLEARLY SPELLS OUT THE DIFFERENT OBJECTIVES

AND STANDARDS

~~ND PAGE 1~~

~~COL 27~~

~~XDB233/PAGE 2~~

OF THE THREE MAIN LINES OF WORK OF THE DEPARTMENT STOP THIS WOULD

MAKE THE PRESENT DRAFT WHICH IS RATHER VAGUE COMMA MORE CLEAR

AND PRECISE STOP IT WOULD ALSO BE MORE FACTUALLY CORRECT TO

INCORPORATE THE ACTUAL EXISTING INSTRUCTIONS ON THE SUBJECT

REGARDS

SULAIMAN

1976 FEB 12 AM 10:42

Distribution:

Mr. Weiner ✓

file
GE
standards
paper

→ Mr. Willoughby

W 4/12

do you
know what
this
refers
to?

3830
FEB 13 1976

INTBAFRAD WSH

INCOMING CABLE

sj

TLXA197 WAF235(1817)(1-1879176042)PD 02/11/76 1815

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PMS WASHINGTON DC

XDB233

UMNS HL MEME 090

MEXICODF 90 11

Feb. 11, 1976

NL

WEINER

INTBAFRAD

WASHINGTON DC

TWO (STOP) REFERENCE YOUR MARGINAL COMMENTS ON MY OM OF JANUARY 27. I WOULD SUGGEST THAT PARA FOUR OF ANNEX B TO THE JOINT AUDIT COMMITTEE BE REPRODUCED AS IT IS IN THE DRAFT AS IT CLEARLY SPELLS OUT THE DIFFERENT OBJECTIVES AND STANDARDS

~~NO PAGE 1~~

~~COL D7~~

~~XDB233/PAGE 2~~

OF THE THREE MAIN LINES OF WORK OF THE DEPARTMENT STOP THIS WOULD MAKE THE PRESENT DRAFT WHICH IS RATHER VAGUE COMMA MORE CLEAR AND PRECISE STOP IT WOULD ALSO BE MORE FACTUALLY CORRECT TO INCORPORATE THE ACTUAL EXISTING INSTRUCTIONS ON THE SUBJECT
REGARDS

SULAIMAN

1976 FEB 12 AM 10:42

Distribution:

Mr. Weiner

FORM NO. 80
(3-75)

WORLD BANK GROUP
MESSAGES

DATE

⁷¹
FEB 9 1978

TIME

11:30 a

TO

Mr. Willoughby

FROM

Margaret

Stonham
Barrie

DEPT./OFFICE

PHONE

EXTENSION

☐ CALLED

☐ REQUESTS APPOINTMENT

☐ CAME TO SEE YOU

☐ CALL BACK

☐ RETURNED YOUR CALL

☐ WILL CALL AGAIN

☐ URGENT

REMARKS

Changes in forecasts in
paper going to Mr. Hume:

p 8 - see para. 35.

p 11 - see paras. 25-28.

RECEIVED BY

Q.

ROUTING SLIP

DATE

2/11

NAME

ROOM NO.

Mr. Willoughby

APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

COMMENT

PER OUR CONVERSATION

FOR ACTION

PER YOUR REQUEST

INFORMATION

PREPARE REPLY

INITIAL

RECOMMENDATION

NOTE AND FILE

SIGNATURE

R. ARKS

Mr. Weinee wants to
get this to Mr. McNamara
by the end of the day.

3506
FEB 11 1976
FEB 11 1976

FROM

Targaut

ROOM NO.

EXTENSION

WORLD BANK GROUP

ROUTING SLIP

DATE

2/11

NAME

ROOM NO.

Mr. Willoughby

APPROPRIATE DISPOSITION

NOTE AND RETURN

APPROVAL

NOTE AND SEND ON

COMMENT

PER OUR CONVERSATION

FOR ACTION

PER YOUR REQUEST

INFORMATION

PREPARE REPLY

INITIAL

RECOMMENDATION

NOTE AND FILE

SIGNATURE

REMARKS

Replacement Pages 3,
5 & 12.

387
FEB 12 1976

FROM

Margaret

ROOM NO.

EXTENSION

5. The Director-General is responsible for appraising and reporting on the adequacy of the Bank's operations evaluation system and conducting independent reviews, on a selective basis, of operational programs and activities to determine whether the objectives of these programs are being realized and how they might be made more effective, efficient and responsive to the needs and concerns of member governments. He is not concerned with the functions of the Internal Auditing Department ^{1/} nor with the functions of the External Auditor who is appointed by the Executive Directors to examine and report on the annual financial statements of the Bank and its affiliates.

II. The Bank's Operations Evaluation System

6. In accordance with the basic principle that, for most effective learning and impact on future operations, evaluation should be carried out by those directly involved in the activity, most of the Bank's operations evaluation activities are of a decentralized and self-evaluative nature.

Project Supervision

7. The Bank's elaborate project supervision system, covering all Bank-financed projects under execution and supplemented by findings of Bank country economic and sector work, has long been the principal continuing

^{1/} The Internal Auditing Department furnishes Management with periodic, independent appraisals and audits of financial, accounting, administrative and other activities. Its principal responsibilities include (a) determining the soundness, adequacy and application of systems and procedures and related internal controls and promoting effective control at reasonable cost; (b) determining the extent of compliance with prescribed policies, plans and procedures; (c) determining the extent to which the Bank assets are accounted for and protected from all losses; (d) determining the reliability and validity of significant accounting, financial and other data used by Management; and (e) recommending improvements to strengthen internal control, improve administrative efficiency and to eliminate the wasteful use of resources.

9. A Project Completion Report, which may be said to represent the culmination of regular Bank supervision of an individual project during implementation, reviews comprehensively the extent to which the objectives and expectations, on the basis of which the loan/credit was approved, have been or show promise of being achieved. It examines the reasons for deviations from plans and attempts to assess their significance frankly. Its purpose is not to record a comprehensive history of the project, but to consider candidly, in the light of what actually happened up to that time, whether in retrospect the project was worth doing and what lessons are to be learned from this experience. The principal questions that are normally addressed, most of which are also addressed during project supervision, are the following:

1. Implementation: Was the project and its principal components fully completed, on time, and within cost estimates? Were final unit costs reasonable? What changes were made during implementation, and why?
2. Compliance: Did the borrower and Government comply with the loan covenants and related agreements and contracts? Did the consultants perform as expected?
3. Financial Performance of Borrower: Have the targets or projections, including self-financing of investment, been fulfilled?
4. Institution Building: Were the project management arrangements satisfactory? Have agreed or expected reforms in policies and structures been carried out and have such reforms been successful?
5. Economic Impact: Is the economic return to the project likely to reach the expected level? If the PCR cannot answer this question so soon after completion, when should

the major lessons of this experience and their implications for the Bank and its members. An updated Concordance to Project Performance Audit Reports is prepared periodically to permit ready access to the findings of project audits on specific subjects.

21. To ensure that the findings of these reports are disseminated effectively to Bank staff, the Central Projects Staff from time to time review their implications with appropriate OED and Regional Staff in seminars or special meetings arranged for this purpose. The Director-General, the Senior Vice President, Operations, and the Vice President, Projects Staff are informed of these discussions.

Evaluation and Management Policy Review Studies

22. OED Evaluation and Management Policy Review Studies are more intensive analyses of particular subjects or issues of broad relevance to the Bank's operations than is usually possible in the framework of Project Performance Auditing. Evaluation Studies in the sense intended here normally examine the impact of sets of projects, i.e., of Bank assistance programs in a country, or countries, or in a sector, or sectors, and their implications for Bank policies, practices and procedures. Management Policy Reviews examine specific aspects of Bank policy and procedures governing the management and administration of Bank lending and technical assistance, which warrant study because they are of concern

or which merit examination as part of OED's program of testing self-evaluation in the Bank. Both types of study are concerned with the efficiency and economy of prevailing programs, policies and practices as well as their effectiveness in reaching desired results.

23. Evaluation and Management Policy Review studies normally start with the preparation of a brief issues paper highlighting the key questions as then perceived and outlining a preliminary time-phased study plan.

Memorandum to the Executive Directors

Subject: Standards and Procedures for Operations Evaluation in the
World Bank

During the Board discussion of the Bank's Operations Evaluation work on October 29, 1975, I was asked to prepare a draft statement of standards and procedures for consideration by the Executive Directors. The statement is attached. It outlines Bank operations evaluation objectives and procedures substantially as set out for the October meeting and modified during that discussion.

Several Directors said they thought the Board should become involved more systematically in the Bank's operations evaluation work and asked that the statement indicate how this might be done. The paper attached outlines a procedure, suggested during the discussion, whereby the Joint Audit Committee would select those Operations Evaluation Department (OED) reports which in their view warranted discussion by the Executive Directors, who would meet informally for this purpose as a Committee of the Whole. Other alternatives were also suggested. One would be for selected OED reports to be discussed informally in the Joint Audit Committee, with all interested Directors attending. Another alternative would be to establish a sub-committee of the Joint Audit Committee, or a new Committee of the Board, to consider the Bank's operations evaluation work. The procedure proposed appears to be most responsive to the wish of many Directors to be part of any discussion of evaluation findings and to have these discussions conducted with maximum informality and freedom, with management attending and participating as appropriate.

The operations evaluation system described in the attached statement rests on the twin premises of comprehensive project performance

auditing and self-evaluation by Bank staff.

Comprehensiveness has sometimes been questioned as being unjustifiably costly for the benefits perceived and therefore better replaced with a selective approach to assessing Bank project experience. A selective approach is, of course, feasible. However, as Bank projects are not standard but tailored to the particular needs and circumstances of specific countries, selectivity would imply only limited review of experience and limited accountability for results. As concern about cost is certainly warranted, what is proposed is a system which embraces all projects, but flexibly. The operating departments would complete the active supervision cycle with a completion report on each project, with the effort to answer standard questions varying as appropriate for each project. Comprehensive coverage by the operating departments would permit the Operations Evaluation Department to end its recent practice of preparing thorough Project Performance Audit reports on most projects. It would henceforth review all project completion reports for comprehensiveness and consistency before transmitting them to the Board but be rigorously selective in its more thorough review of individual projects.

Reliance upon self-evaluation is a principle of fundamental importance. With clear understanding of what is expected of them, most Bank staff can be expected to be no less constructively critical of Bank experience than they are now expected to be constructively critical of borrowers. Indeed, emphasis on self-evaluation would ensure that evaluation lessons are learned and absorbed into operations as fully and quickly as possible. Rejection of this principle would mean acceptance that the Bank as an institution and Bank staff as individuals are incapable of learning from experience and that any remotely adequate operations evaluation system would therefore require a very much enlarged and steadily expanding Operations Evaluation Department. There is scant

evidence to support the need for such an approach. The Bank's self-evaluation activities would, of course, be tested periodically by the OED to ensure that adequate standards are, in fact, observed.

The proposed approach and the attached statement on the subject have been considered and endorsed by the Management and are now recommended to the Executive Directors for their approval. The statement will be updated from time to time as evolving evaluation experience requires; comments are invited at all times, especially from audit and evaluation authorities of member governments.

STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

D R A F T

February 10, 1976

STANDARDS AND PROCEDURES FOR OPERATIONS

EVALUATION IN THE WORLD BANK

1. This document sets out the standards and procedures for operations evaluation work in the World Bank. ^{1/}

I. Introduction

2. One of the basic purposes of evaluation in any organization is to measure how far operational programs and activities are producing the desired results, and how efficiently, and to feed the information back into the formation of new directions, policies and procedures. Tension can arise between the reporting dimension of evaluation, for purposes of accountability, and the learning dimension, to assist management; the one requires full independence from management for greatest credibility and the other, full integration into management for quickest absorption of useful lessons. Experience in other organizations has shown that the evaluation function has sometimes been too closely linked to particular levels of management, with consequent constraints to its freedom in reporting and originality and imagination in lesson-learning; while, in other cases, it has sometimes been too distant from appropriate levels of management, leading to insufficient practical focus and lack of impact where that matters most if evaluation is to improve future programs. The correct position is hard to establish and maintain.

3. The World Bank, as an organization of international cooperation for development, has particular features which have to be taken into account in considering the appropriate structure of evaluation. It has major

^{1/} These standards and procedures reflect current practice or intent. They will be revised from time to time as evolving evaluation experience requires.

resources - those it lends and those it spends for administrative purposes - for which important allocative decisions have to be made. It has a complex decision structure in which decisions on Bank policies, budgets, and lending and borrowing commitments are made by the Board of Executive Directors; recommendations on these matters and major administrative decisions are made by the President; and day-to-day operational and administrative decisions are delegated down the whole structure of management. Moreover, since the objective of the Bank's lending is not simply to transfer resources but to support purposeful problem-solving in member countries, the ultimate outcome of its operational decisions depends mainly on actions by the borrower. Thus, evaluation for the World Bank has to be concerned with activities at different levels of both the Bank and its borrowers and be responsive to the concerns of each.

4. To meet the particular needs of the World Bank, a separate operations evaluation unit was first established in late 1970. Since then, the President from time to time has reviewed with the Board of Directors the evolution of this function and its place in the organizational structure. After such a review in late 1974, the Executive Directors decided to establish a new post of Director-General, Operations Evaluation, with rank equivalent to that of a Vice President, to be responsible to the Board with an administrative link to the President. Appointees to this post, holding office for renewable terms of five years, are removable only by the Executive Directors and are ineligible for subsequent appointment or reappointment to the Bank Group staff except in unusual circumstances. In 1975, the Executive Directors selected as the first incumbent a senior officer of the Bank. These arrangements were designed to ensure familiarity with the problems of development and the operations of the Bank, while providing for the constitutional independence deemed necessary for this function.

5. The Director-General is responsible for appraising and reporting on the adequacy of the Bank's operations evaluation system and conducting independent reviews, on a selective basis, of operational programs and activities to determine whether the objectives of these programs are being realized and how they might be made more effective, efficient and responsive to the needs and concerns of member governments. He is not concerned with the independent and periodic evaluations of accounting, administrative and other internal controls which are the responsibility of the Director, Internal Auditing, ^{1/} nor with the functions of the External Auditor who is appointed by the Executive Directors to examine and report on the annual financial statements of the Bank and its affiliates.

I do not agree quite.
Same subjects - but different focus. Is it clear? Maybe
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II. The Bank's Operations Evaluation System

6. In accordance with the basic principle that, for most effective learning and impact on future operations, evaluation should be carried out by those directly involved in the activity, most of the Bank's operations evaluation activities are of a decentralized and self-evaluative nature.

Project Supervision

7. The Bank's elaborate project supervision system, covering all Bank-financed projects under execution and supplemented by findings of Bank country economic and sector work, has long been the principal continuing

1/ In carrying out his responsibility, the Director, Internal Auditing is concerned with (a) determining the soundness, adequacy and application of accounting, administrative and other internal controls relating to the Bank's systems and procedures and promoting effective control at reasonable cost; (b) determining the extent of compliance with prescribed policies, plans and procedures; (c) determining the extent to which Bank assets are accounted for and protected from all losses; (d) determining the reliability and validity of significant accounting, financial and other data used by Management; and (e) recommending improvements to strengthen internal control, improve administrative efficiency and to eliminate the wasteful use of resources.

means for the Bank to learn from its operating experience. The supervision system consists of regular borrower reporting, regular field visits by Bank staff, regular middle management review of progress in solving implementation problems, a semi-annual review by senior management of the status of the more serious problem projects and an annual general discussion of problems in project implementation. Operational staff bring supervision findings to bear in the planning and implementation of future Bank operations. Experience gathered through supervision is also periodically assembled and analyzed by the Central Projects Staff in their continuing overview of the Bank's functional policies and programs in the sectors to which it lends.

8. Project Completion Reports (PCRs). To further reinforce self-evaluation by the operating departments of the Bank, to facilitate dissemination of the lessons learned and to help meet the needs of accountability to its shareholders, the Bank reinstated in 1973 the requirement that at the conclusion of active project supervision, Project Completion Reports be prepared by the responsible operating departments for all projects assisted by the Bank and IDA, normally within six months of the completion of loan/credit disbursement. Standard instructions to Bank staff now provide that twelve months before expected completion of disbursements, the Bank advise the borrower of the information that should be prepared for this purpose. Bank officers responsible for PCRs also solicit the views of other Bank staff members who have been concerned with the project and systematically review the relevant Loan Negotiation and Administration files (including all key documents relating to the project before and after loan signature) from the Bank's central archives. Some Loan and Credit Agreements now reflect understandings with borrowers that the local project director prepare such a report when project implementation nears completion.

9. A Project Completion Report, which may be said to represent the culmination of regular Bank supervision of an individual project during implementation, reviews comprehensively the extent to which the objectives and expectations, on the basis of which the loan/credit was approved, have been or show promise of being achieved. It examines the reasons for deviations from plans and attempts to assess their significance⁶ frankly. Its purpose is not to record a comprehensive history of the project, but to consider candidly, in the light of what actually happened up to that time, whether in retrospect the project was worth doing and what lessons are to be learned from this experience. The principal questions that are normally addressed, most of which are also addressed during project supervision, are the following:

1. Implementation: Was the project and its principal components fully completed, on time, and within cost estimates? Were final unit costs reasonable? What changes were made during implementation, and why?
2. Compliance: Did the borrower and Government comply with the loan covenants and related agreements and contracts? Did the consultants perform as expected?
3. Financial Performance of Borrower: Have the targets or projections, including self-financing of investment, been fulfilled?
4. Institution Building: Were the project management arrangements satisfactory? Have agreed or expected reforms in policies and structures been carried out and have such reforms been successful?
5. Economic Impact: Is the economic return to the project likely to reach the expected level? If the PCR cannot answer this question so soon after completion, when should

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an economic evaluation of the project be scheduled?

6. Efficiency: Could similar projects be prepared, appraised and implemented in future more quickly or economically (to borrower and/or Bank) without undue risk to project and sector objectives?
7. Bank Contribution: Was the Bank's diagnosis of the borrower, sector and project problems and the resultant definition of loan objectives appropriate in retrospect? Did the Bank influence the design or composition of the project during preparation, appraisal or supervision and was this influence constructive in retrospect? Has the Bank learned the lessons of its experience with this project?
8. Other considerations: Did the project have unintended effects? Where relevant, was the distribution of project benefits by region or income groups as expected?

Particular emphasis is placed on the project's economic and institution-building objectives, and on the borrower's view of the project experience and the Bank's participation in it.

10. The PCR does not normally attempt to do more than identify issues or, with respect to project expectations and objectives, to go beyond those explicitly stated in the loan documents: They are selective in the depth to which particular questions are pursued and avoid perfectionism of writing and presentation to enable the crucial facts to be brought out and the lessons to be drawn at the lowest possible cost to the Bank.

"Built-in" evaluation

11. In an important further extension of the principle of placing responsibility for evaluation close to the operations covered, the Bank has taken important initiatives in recent years to build evaluation explicitly into many of the more complex or experimental projects it has been financing, with the specific purpose of monitoring results to permit adjusting projects quickly in light of experience and facilitate their replication as effectiveness is proven. More comprehensive attention to "built-in" evaluation in Bank projects is being planned. The Bank is also about to begin reviewing with individual member countries how best they might establish a domestic evaluation function to review the effectiveness of the Government's principal sector development programs or, at a minimum, of the externally supported portions of these programs, where this function does not already exist.

Other Evaluations

12. The Development Policy and Central Projects staff are beginning to carry out systematic evaluation of the Bank's economic and sector work, following reviews of this work in 1975. Bank operating efficiency is assessed periodically by the Programming and Budgeting staff in connection with their review of Bank work programs and budgets, by the Organization Planning staff when they review organizational matters, by the Internal Auditing Department in the course of their continuing independent examination of the systems and practices under their purview, and by individual departments themselves. Evaluations of the Bank's overall financial policies are prepared from time to time by the Finance staff. An important part of the Bank's policy and research work is addressed to evaluating Bank operational experience. The Bank's Research Committee has recently begun systematically to evaluate the research projects completed under its aegis.

13. The Bank's Economic Development Institute has always had its courses evaluated by participants at the end of each course. It also conducts a post-course evaluation program which consists of interviews in selected countries and of questionnaires sent to a large sample of the Fellows (former EDI participants). In most cases the interviewing of Fellows occurs two to five years after their EDI course and is conducted by non-EDI staff. EDI also receives constant feedback on its effectiveness through reports by Fellows to their governments after they have returned home, and through government reactions to the Institute as evidenced by their requests for courses and by the quality and quantity of their nominations to the courses.

III. The Operations Evaluation Department

14. The Operations Evaluation Department (OED) is the staff arm of the Director-General. It is selected by and responsible to him, ^{1/} takes up whatever issues of policy, procedure or practice he desires and has unrestricted access to IBRD records and staff.

15. The principal functions of the Operations Evaluation Department are:

- (a) To assist the Director-General in making periodic tests and assessments of the adequacy and effectiveness of the Bank's operations evaluation system in the light of the objectives and programs of the World Bank;
- (b) To carry out evaluation studies on subjects which the Director-General determines to warrant examination in the light of his assessment of the evaluation activities described and, in the light of their findings, identify areas for improvement in Bank policies, procedures and practices. These subjects may include

^{1/} See para. 34 for the role of the Executive Directors and the Management in shaping the OED's work program.

analyses of complaints by member countries and clients about Bank operations with a view to indicating how their recurrence in future operations may be prevented;

- (c) To help the Bank encourage and assist member countries to develop an operations evaluation function, in particular by carrying out evaluations of Bank-assisted programs jointly with member country staff;
- (d) To assess actions taken by the Bank in connection with the findings of Operations Evaluation Department studies, at an appropriate point after their initial presentation, and report thereon to the Executive Directors and the President;
- (e) To help disseminate Bank operations evaluation findings and the lessons emerging therefrom both within the Bank and to the wider development community.

To discharge these functions, the Department, without compromising its independence, endeavors at all times to maintain close and continuing contact with relevant Bank staff so that their views are adequately considered and discussed in OED reports, the analyses and findings of these reports are adequately understood, and the Department is informed of Bank responses to these findings. While the work is aimed at reaching specific conclusions and pointing to necessary directions of change, the Department has no powers to prescribe and no involvement in implementing particular practices and procedures.

Project Performance Auditing

16. The Operations Evaluation Department gives particular attention to the Project Completion Reports. It carries out a limited review of all and a thorough review of a selected few, because their coverage of all completed Bank-financed projects makes the PCRs the basic element in the Bank's evaluation system and the source of the earliest systematic information about the actual or probable results of Bank assistance.

The constant flow of up-to-date information from PCRs also helps identify what deeper evaluation studies are needed and contributes important case-material to such studies.

17. Preparing Project Performance Audit Reports. Bank staff assigned to write PCRs consult about the issues they intend to focus on with the relevant OED staff. For this purpose, OED staff review the documents submitted to the Board - the appraisal report, President's report and legal documents - the transcript of Board discussion, and the borrower's completion report and/or the Bank's most recent project supervision report. The purpose of this early contact is to anticipate questions and thereby minimize the need for later supplementary work. OED later reviews the draft PCR for comprehensiveness and consistency against the background of the above-mentioned papers and discussions, and then prepares a brief Project Performance Audit Memorandum describing the limited tests it has made, conveying its overall conclusion on the project's success or failure and drawing attention to any lessons of wider relevance that emerge.

18. The Project Performance Audit Report, consisting of this Memorandum with the Projects Department's PCR attached, is then circulated for comment to the responsible Bank departments and other staff who have been principally concerned with the project over its life, and shortly thereafter to the borrower and his Government - the Ministry of Finance, Economy or Planning, as appropriate, and the Government's evaluation

unit if one exists - with copy to the Executive Director concerned, and to any other entities substantially referred to in the report, such as co-lender or consultant firms. This solicitation of borrower comments, which may include a brief visit by OED staff to the country concerned, is considered a very important part of the project audit procedure. Comments received are given close consideration, with further research as necessary. After the operating department has dealt with the comments on its PCR and the OED has ensured that all substantive points have been adequately treated in the Audit Report,^{1/} the report is finalized and submitted to the Director-General who, after confirming that Bank management and staff have no further comment, releases it to the Executive Directors and relevant Bank staff.

19. While these are the standard procedures for preparing project audit reports, particular projects may be selected by the OED at any stage for random checking, or because of the importance of the issues raised by the project or because of questions raised by commentators about the project or the Bank's participation in it. In such cases, after receiving the PCR, the OED conducts an independent review, including independent interviews and review of project files, under its own responsibility. The report produced is subject to the same commenting and revision stages as described above. Not more than 20% and not less than 10% of all projects is normally tested in these ways.

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20. Disseminating Project Performance Audit findings. Early each year, the OED prepares a Review of all Project Performance Audit Reports issued since the preceding Review. The purpose of these annual Reviews is to maintain a continuing overview of the Bank's project experience,

^{1/} See paras. 24-27 on Reporting Standards

the major lessons of this experience and their implications for the Bank and its members. An updated Concordance to Project Performance Audit Reports is prepared periodically to permit ready access to the findings of project audits on specific subjects.

21. To ensure that the findings of these reports are disseminated effectively to Bank staff, the Central Projects Staff from time to time review their implications with appropriate OED and Regional Staff in seminars or special meetings arranged for this purpose. The Director-General, the Senior Vice President, Operations, and the Vice President, Projects Staff are informed of these discussions.

Operational
Evaluation and Management Policy Review Studies

22. OED Evaluation and Management Policy Review Studies are more intensive analyses of particular subjects or issues of broad relevance to the Bank's operations than is usually possible in the framework of Project Performance Auditing. Evaluation Studies in the sense intended here normally examine the impact of sets of projects, i.e., of Bank assistance programs in a country, or countries, or in a sector, or sectors, and their implications for Bank policies, practices and procedures.

Operational
Management Policy Reviews examine *the administration* specific aspects of Bank policy and procedures governing the management and administration of Bank lending and technical assistance, which warrant study because they are of concern

Others independently or as part of OED's program for testing self-evaluation in the Bank,
but are not currently being reviewed by Central Projects or Development Policy Staff, or which merit examination as part of OED's program of testing self-evaluation in the Bank; Both types of study are concerned with the efficiency and economy of prevailing programs, policies and practices as well as their effectiveness in reaching desired results.

23. *Operational*
Evaluation and Management Policy Review studies normally start with the preparation of a brief issues paper highlighting the key questions as then perceived and outlining a preliminary time-phased study plan.

The topics generally correspond closely to those covered in the Bank's Operational Manual Statements.

No

Comments are solicited from relevant Bank departments and borrowers who may be involved in the study, after which the final study plan is fixed. The first major output, which generally consists of draft case reports, is widely circulated for comment to clarify facts and sharpen any differences of interpretation among the parties involved. When most of the initial case reports have been completed, the issues that have emerged and possible solutions to them are reviewed to help focus the remaining work and ensure that the final report is responsive to real operational concerns, which is its main objective. Final reports are reviewed in the same way as project audit reports before being circulated to Executive Directors and relevant Bank staff.

Follow Up

24. The Executive Directors and the President expect to be kept informed of responses to the findings of these reports. To this end, OED reports describe, to the extent feasible, staff reactions to their findings. After an appropriate lapse of time, they are followed up by Closing Reports which assess what has actually been done in connection with the points raised earlier, with due account of the fact that the problems identified may have been dealt with in ways quite different from those outlined in the original report. As noted above, OED's obligation to formulate relevant and useful suggestions on the basis of its evaluation findings and later assess the Bank's response does not extend to prescribing action nor monitoring its implementation, which is the responsibility of the Management.

Reporting Standards

25. All evaluation and project performance audit reports should describe precisely the scope, nature and extent of work done. Factual matter should be presented accurately and fairly and authors must be able,

when called upon, to demonstrate the bases for the matters reported.

Since judgments have to be made on the basis of information of varying quality, reports should indicate clearly the solidity of the foundations for judgments reached.

26. Reports should present findings and conclusions objectively and frankly, in language as clear and concise as the subject matter permits. They should be fair and balanced, recognizing unusual difficulties or circumstances encountered by those involved and acknowledging differences in perspective whenever appropriate. Their purpose is to identify problems and indicate how things might be done better in future, not to criticize nor emphasize what might have been done differently in the past. They should analyze the implications of noteworthy accomplishments or performance above expectations as carefully as shortfalls, particularly when management improvement in one program or activity may be applicable elsewhere. They should identify and explain issues and questions needing further study and summarize findings conveniently for ease of consideration.

27. As OED reports are not classified Confidential, they must indicate wherever significant pertinent information has been omitted because it is deemed privileged or confidential and provide justification for such omission.

28. Before final OED reports are issued, appropriate agencies of member countries and Bank staff concerned are invited to comment on them. Whenever such comments contradict the evaluation findings or conclusions and are not, in the opinion of the evaluator, meritorious, he should state his reasons for rejecting them. Conversely, he should drop a point or modify a position if he finds the argumentation to be valid. Final reports should draw attention to particularly significant points of agreement with the parties involved in the operation and identify significant points of disagreement which have not been able to be reconciled.

Final reports are issued by the Director-General simultaneously to the Executive Directors and the President.

Staffing

29. Staffing decisions for the OED conform to the normal policies and procedures governing all Bank Group personnel; staff are regular employees of the Bank Group. The basic prerequisites are an inquiring, skeptical, challenging mind; the ability to think systematically and rigorously; an openness to new ideas and a sensitivity to the complexity and constraints of development initiatives. Staff may be drawn from inside or outside of the Bank Group but, because of the nature of the work, most staff normally transfer from assignments elsewhere in the Bank. Because of the maturity and independence of judgment and breadth of development experience required of the small OED staff, a large number of these staff are fairly senior in the Bank. An assignment in the OED, which is normally of some 3-4 years duration, is considered an important broadening step in the career of Bank staff. From time to time, individual consultants are also hired from outside the Bank for short periods to provide special expertise.

30. Both the Department and individuals involved in any assignment must maintain an independent, impartial attitude. All significant and pertinent information must be collected and developed and given due consideration in reaching conclusions, and authors must feel free to report their conclusions completely, without fear of censure. Although they do not necessarily have to be experts in the specific technical fields involved, persons assigned to a particular study must collectively possess adequate professional proficiency for the tasks required.

31. As part of its cooperation with evaluation units in member countries on joint studies and in sharing experience, the Department welcomes a limited number of staff from these units to work with it for defined periods of time.

IV. Relationship with Management and the Executive Directors

32. The Management and the Executive Directors of the Bank, who form a principal audience for Bank evaluation work, receive all OED reports in the manner described above. Continuing informal contact is maintained by OED staff with Bank staff and by the Director-General with the Management and the Executive Directors. The Director-General maintains more formal contact with the Management through his membership in the President's Council and with the Executive Directors by attending all meetings of the Board of Directors and of the Joint Audit Committee of the Board.

33. Early each fiscal year, the Director-General reports briefly on the findings of his continuing broad-ranging review of the adequacy and effectiveness of the Bank's operations evaluation system in light of the evolving programs of the Bank, the results of earlier evaluation work by OED and others, and the Bank's responses to the findings of this work. After receiving comment from Bank management, he submits this report to the Joint Audit Committee of the Board of Executive Directors, which then forwards it, with any comments of its own, to the Board.

34. The Executive Directors meet formally to discuss this Annual Report and the comments of the Joint Audit Committee to which they have delegated responsibility, inter alia, for assessing the adequacy and efficiency of the work of the OED.

35. The Joint Audit Committee (JAC) has a broad mandate for reviewing the work and operation of the OED. It fulfills its responsibilities mainly as follows:

- it discusses with the Director-General his Annual Report before transmitting it to the Executive Directors;

- it recommends OED's draft annual budget and work program to the Board, after discussion with the Director-General and the Director of the Operations Evaluation Department to ensure that the work program is adequate and reflects particular Board concerns, and receives from them during the course of the year periodic verbal reports on the status of the agreed program. OED's draft budget and work program will first have been discussed with Bank management to ensure that what is presented to the Joint Audit Committee reflects particular Management concerns and is consistent with the Bank's budget constraints;
- it screens OED reports to select those the Committee would recommend for informal discussion by the Executive Directors, who meet periodically for this purpose in an informal Committee of the Whole;
- it reviews from time to time a small, representative sample of OED reports with the authors to assess the adequacy of their coverage, methodology and adherence to the standards outlined above.

It is on the basis of this work over the course of the year that the Committee prepares its annual assessment of the adequacy and efficiency of the work of the OED.

V. The Annual Reporting Cycle

36. The Director-General and the Operations Evaluation Department follow an annual work planning cycle which is related to the Bank fiscal year and the fact that the Joint Audit Committee's members are appointed biennially on November 1. The main components of this reporting cycle are as follows:

- the Director-General's Annual Report is discussed by the Joint Audit Committee in September, to permit the conclusions of this discussion to be included in the JAC's annual report, which is normally issued in October. This timing also allows the Management and the Executive Directors to consider, in the light of this report, what evaluation work they would like to see initiated in the following fiscal year.
- the Annual Review of Project Performance Audit Results is completed by OED early in the calendar year to enable the Director-General to take its initial findings into account in formulating OED's Work Program for the forthcoming fiscal year.
- OED's draft Annual Work Program and Budget is presented to the Joint Audit Committee in March, in time to be incorporated in the annual budget of the Bank.

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OFFICE MEMORANDUM

*per OED
Standard Paper*

TO: Mr. Mervyn L. Weiner

FROM: John Blaxall, Deputy Director, P & B

SUBJECT: Internal Evaluation

DATE: February 4, 1976

1. I refer to your memorandum of January 30 about "Other Evaluations". I would characterize P & B's role somewhat differently. Perhaps something along the following lines would do:

The Programming and Budgeting Staff, in connection with their review of Bank work programs and budgets, ensure that the operating efficiency of the Bank is maintained and improved, although no attempt is made to mount independent "efficiency audits" of particular departments.

2. Perhaps the final phrase is superfluous, and would attract unwarranted attention.

3. The Organization Planning Department's role might be encompassed within the same passage, with a reference to its "periodic reviews of organizational matters" or something similar. But I suggest you ask Mr. Kearns' opinion on this question, and I am therefore sending him a copy of your original note and this reply.

JBlaxall:cbm

cc: Mr. Kearns, OPD
Mr. Willoughby, OED ✓

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FEB 5 1976

OFFICE MEMORANDUM

(703)

TO: Messrs. J. Adler, Chenery and Kamarek

DATE: January 30, 1976

FROM: Mervyn L. Weiner *mlw*SUBJECT: The Bank's Internal Evaluation Systems

The following paragraphs appear in the relevant section of the draft "Evaluation Standards and Procedures in the World Bank" which I hope to release soon to the Joint Audit Committee, and later to the Board.

"Other Evaluations"

12. An important part of the Bank's internal and external research effort is addressed to evaluating Bank experience, to assist the Bank in developing new approaches and improved analytical methods. The Bank's Research Committee has recently begun systematically to evaluate completed external research projects, although not as yet internal research.

13. The Bank's Economic Development Institute has long had all its courses evaluated by participants before leaving and now sometimes undertakes independent interviews with alumni some years later. The Development Policy and Central Projects staff are beginning to carry out systematic evaluation of the Bank's economic and sector work, following reviews of this work in 1975. Policy papers prepared by Central Projects and Development Policy staff often include some evaluation of relevant operational experience. Evaluations of the effectiveness and efficiency of particular Bank units or types of work are also prepared from time to time by Programming and Budgeting staff and Organization Planning staff as well as by individual departments themselves."

Does this text represent the present situation fairly from your perspective? I would appreciate your confirmation that it does or, if it doesn't, any comments that you may have on it, by telephone or note, as you prefer. I have not bothered you at this time with the full text, which you will be seeing in due course.

May I hear from you during the coming week?

February 5, 1976

Mr. Weiner

Re: Internal Evaluation (Blaxall's memo of February 4)

I am relaxed about the point John has raised. OPD does look into effectiveness/efficiency matters from time to time. Unlike OED or P&B, we do this only when a manager asks us to consider a specific problem. When RSM asks us to look into a problem or unit (and sometimes we put him up to it) we are, in effect, auditing somebody's work for the big boss. However, both P&B and OED -- although using different analytical techniques -- can decide on their own the areas, units, or work they want to investigate. I would, therefore, be inclined to drop the last phrase of Blaxall's rewrite because it unnecessarily pulls one of P&B's teeth.

James M. Kearns

cc: Mr. Blaxall
Mr. Willoughby ✓

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