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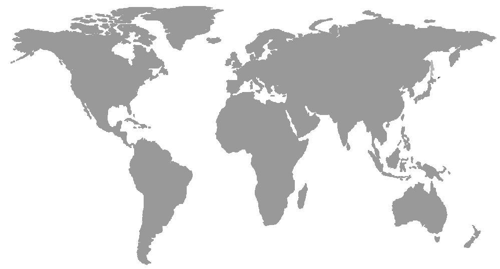

The Logic of Renewal: Evaluation at the World Bank (1992-2002)

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OPERATIONS EVALUATION DEPARTMENT

ENHANCING DEVELOPMENT EFFECTIVENESS THROUGH EXCELLENCE AND INDEPENDENCE IN EVALUATION

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The Logic of Renewal: Evaluation at the World Bank (1992–2002)

Robert Picciotto

I have been asked to talk about the renewal of OED during 1992–2002 but found it hard to gather together the various strands of this period in OED's history. Time shrinks in periods of rapid change, and it is as if my two terms as DGO (a third of the OED history) had gone by in a flash.

V.S. Naipaul has written that "it takes thought (a sifting of impulses, ideas and references that become more multifarious as one grows older) to understand what one has lived through or where one has been." I may need more distance and more thought to "find the center" of what happened in OED over the past ten years.

But looking back, it is clear that OED has never broken the golden thread of its history, originally spun 30 years ago. Preserving the best of the past has always been a characteristic of DGO transitions. Therefore, the story of the renewal may be about continuity more than it is about change. Indeed, only when I recollected in tranquillity what Chris Willoughby, Mervyn Weiner, and Yves Rovani had said about their own tenures as DGOs did the logic of OED's renewal emerge.

The Logic of Renewal

What I discovered is that the conceptual foundations of OED's renewal had been laid at the very creation of OED. Robert S. McNamara viewed a strong evaluation function as an absolute necessity because the Bank was undergoing rapid growth and facing risks in an operating environment characterized by diversity, possibility, and difficulty. In a nutshell, feedback and follow up were central to the conception of OED from day one. Feedback is about learning and follow up is about accountability. They are two sides of the same coin.

Modern psychology confirms that in order to adapt to the demands of a changing, sometimes hostile environment, organisms must be able to profit from past experience. Therefore the textbook definition of learning is in three parts: (i) to find out how the operating environment works; (ii) to recognize signals about its evolution; and (iii) to adjust behavior in order to survive and adapt. Such learning is critical to the survival of all living creatures. But organizational sustainability requires more than individual learning.

In order to overcome free riding and associated dilemmas of collective action, leadership, participation, and above all incentives are needed to align individual behavior with corporate and social goals. Hence the critical role of accountability for organizational learning and the correlation between demand for evaluation, corporate transparency, and management receptivity to change. Stagnant and insular organizations do not make use of evaluation. Open, adaptive organizations do.

Eric Hoffer, the longshoreman-philosopher, has described change as an ordeal that has no cure except for action. But for organizations battered by external shocks, the remedy of action can be worse than the disease if corporate strategies and core competencies are not aligned with emerging challenges. Hence, continuous organizational adaptation is needed to achieve development effectiveness in a turbulent enabling environment.

It follows that periodic renewals that address all three aspects of learning are needed both for the World Bank and for its evaluation function. Thus, the history of the OED renewal is the history of its capacity to learn, i.e., (i) to adapt to the external and internal operating environment; (ii) to identify new evaluation priorities; and (iii) to put in place the programs, skills, and processes needed to implement them. I will go over these three aspects of the OED renewal in turn.

The External Operating Environment

The decade has been full of surprises: policy dogmas have been shattered, predictions (for example, about the end of history) have been disproved, and the geo-political order has been reconfigured (with the end of the cold war, and now the rise of terrorist threats). The end of the cold war did not deliver the expected peace dividend. Instead, regional conflicts multiplied and military outlays expanded along with the arms trade. In the former Soviet Union, rather than generating prosperity, the transition from the plan to the market led to a rapid rise in poverty and inequality.

In 1997, despite robust macro fundamentals, the tiger economies of East Asia, commonly perceived as development miracles, succumbed to financial contagion. More recently, the information technology revolution bred an investment bubble instead of ushering in the brand new economy immune to business cycles that its advocates had expected.

In Latin America, widely hailed market-oriented reforms did not trigger the growth needed to stem the rise of poverty or avert the economic meltdown of Argentina, a star performer of the international financial institutions (IFIs). In the Middle East, a peace initiative crowned by Nobel prizes floundered, while politics as well as economics stagnated. In Africa, violent conflict and civil strife dominated the headlines, while adjustment programs failed to yield the expected supply response, and few policymakers foresaw the devastating economic and social impact of the HIV-AIDS pandemic.

This suggests that neither the ideology of market triumphalists nor the religion of state planners delivered the promised results. According to Martin Amis, ideology is a belief system with an inadequate basis in reality. Stubborn reality is far more intricate, elusive, and influential than pre-established doctrine. Since evaluation concentrates on reality, it is an effective antidote to ideology (though cognitive dissonance and denial can neutralize its effectiveness). Conversely, as development dogmas lose credibility, evaluation gets a boost.

The Internal Operating Environment

Throughout its history, the Bank has been caught in the crossfire of competing ideologies. On the right, market enthusiasts have characterized the Bank as a bureaucracy committed to excessive state interference in the economy. On the left, anti-capitalist protesters have pictured the Bank as a sinister tool of private interests. In fact, the Bank cannot dictate to its clients, and its articles of agreement have helped it to transcend ideological conflict through principled leadership and cautious deliberation focused on the shared objectives of its members.

Occasionally, in its well-meaning efforts to be responsive, the Bank has become too sensitive to development fashions. But Bank policy shifts broadly reflect the consensus of the development community. The early 1980s were characterized by a neo-classical resurgence, culminating in a major focus on economic adjustment. The late 1980s saw major reorientation in sectoral policies to focus on social and environmental concerns. By 1992, further pressures for change had built. There was great turmoil about the Bank's alleged lack of compliance with its own environmental and social policies. From all quarters, reform was advocated, and the Bank was urged to become more open, accountable, and responsive.

Hence the ensuing realignment of corporate strategy, quality management practices, and evaluation processes. In other words, the foundations for the recent changes were laid during the Preston Presidency, when the "50 Years Is Enough" campaign was already brewing. The portfolio management task force (Wapenhans) report was sent to the Board in September 1992 and led to a major quality management drive.

As VP for Planning and Budgeting, I had interacted with the Wapenhans team and seconded some of my operational planning staff to the task force. But the pivotal actors that helped to design the quality management drive included Joanne Salop, who contributed to the diagnostic of the report, and, as Director of Operational Policy, Jim Adams, who put together the management action plan ("the next steps") that the Board adopted in July 1993.

Organizational change accelerated in the mid-1990s. Historically, the World Bank had sought to adapt to its operating environment through frequent (albeit disruptive) reorganizations. But not since Robert McNamara was change embraced so eagerly as it was under Jim Wolfensohn. From the very outset, he worked to make the Bank more oriented to learning and knowledge; more focused on quality; more responsive to its owners, borrowers, staff, and development partners in the private sector and the civil society; and more concerned with governance and institutions.

New Priorities for Evaluation

Organizational history is not a neat linear process, especially in a large and complex institution subjected to a wide range of external demands. Ideas and people drive change, but it takes time to nurture consensus, build coalitions, and induce the multiplicity of decisions needed to shift corporate agendas and business processes. Hence, inducing change in the Bank is akin to sailing against the wind. One often has to practice triangulation and adopt a twisting path in order to overcome path dependence and reach port.

In the early 1990s, given the declining trends in development effectiveness of Bank-financed projects documented by OED, executive directors sought to strengthen portfolio management and evaluation in the Bank. In February 1993, a proposal to graft a quality management and inspection unit to OED was proposed by four executive directors. It was opposed by management and did not secure majority support from the Board.

Eventually the proposal was superseded by an even more exacting scheme driven by international NGOs focused on investigating alleged Bank failures to comply with its own policies. Management and the Board debated the proposal at length. It was eventually endorsed in the context of an IDA replenishment negotiation. The *independent Inspection Panel* was set up in September 1993.

The creation of the *Committee on Development Effectiveness* (CODE) through the bifurcation of the Joint Audit Committee (in December 1994) was another landmark. Ruth Jacoby assumed its chairmanship. She was instrumental in the design of Board oversight processes connected to development effectiveness. She led CODE until September 1997 and was succeeded by Surendra Singh, who served until November 1998. By then, the OED renewal was well underway.

The renewal received sterling support from Jan Piercy (from November 1998 to October 2000) as well as Pieter Stek (from November 2000 to the present). Each had a distinctive impact on the evaluation function. Both exercised great skill in the delicate tasks of overseeing evaluation, consensus making among committee members, and regulation of the delicate interface between independent evaluation, self-evaluation, and management decisionmaking.

The advent of the *Quality Assurance Group* (QAG) soon after Mr. Wolfensohn's arrival in 1995 was another critical development. It symbolized management's determination to strengthen self-evaluation and quality management in the Bank. It was triggered by an OED report on quality at entry of Bank operations that led Mr. Wolfensohn to set up a small task force, on which I served along with Gautam Kaji and Armeane Choksi.

The task force recommended the setup of QAG. QAG's evaluation criteria drew on OED's prior studies of quality at entry and portfolio management. But the adoption by Prem Garg of innovative, cost-effective, and businesslike methods to implement "just in time" evaluations proved the key factor in promoting quality management.

Finally, the *Strategic Compact* served as an indirect but powerful agent of change for OED. It created new Board oversight and monitoring needs and generated new operational emphases. A new evaluation strategy became necessary. Such a strategy was endorsed by CODE in March 1997. It provided a blueprint for the OED transformation that followed.

Implementing the Renewal

Within this complex force field, the OED renewal articulated five strategic objectives: (i) move evaluation to a higher plane; (ii) shorten the feedback loop and fill evaluation gaps; (iii) build evaluation capacity; (iv) invest in knowledge and partnerships; and (v) manage for results.

Conceptually, the design of the renewal relied on the prior findings of an Evaluation Learning Group composed of managers and senior staff commissioned by Mr. Gautam Kaji, Managing Director, Operations, and the DGO in August 1996. The group was co-chaired by the OED Director (Francisco Aguirre Sacasa) and the Director of Operational Policy (Myrna Alexander). The main drivers of the painful but necessary changes were Elizabeth McAllister, who assumed the post of Director in May 1997, and Gregory Ingram, who took over from her in May 2000. Both deserve enormous credit for the results achieved.

Participatory management was critical in turning these strategic objectives into results, A mission statement was crafted in consultation with all OED staff ("*Enhancing development effectiveness through excellence and independence in evaluation*"). We spent a great deal of time on the definition of our core values (*integrity; excellence, teamwork, innovation, and risk taking; transparency; and a balanced work environment*). Finally, we redefined the accountabilities of OED managers, launched a training program, and redesigned internal processes.

Next, the department was restructured. The hierarchy was flattened and *the DGO front office was eliminated*. Connectivity to the Bank's Regions and Networks was enhanced through appointment of *coordinators*. The rigidity of the operating structure was alleviated and teamwork was emphasized in personnel evaluations. The three divisional cylinders were reshaped into four *interacting groups*, including two groups dedicated to corporate oversight, knowledge management, and evaluation partnerships.

Finally, we improved the diversity and *gender balance* of OED's staff. It is fortunate that we did, since according to Chekhov, "men deprived of the company of women become stupid."

Five Strategic Objectives

The **first objective** of the renewal (*moving to a higher plane*) was driven by the more comprehensive development agenda adopted by the Bank. It paralleled the shift of the Bank's privileged unit of account from the project to the country assistance strategy (CAS). The move to the higher plane required systematic evaluation of country assistance strategies and feeding evaluative findings into Sector Strategy Papers. In order to implement the new evaluation emphases and in recognition of the improved quality of implementation completion reports, CODE endorsed OED's recommendation to reduce the performance assessment ratio from 40 percent to 25 percent in 1997.

The **second objective** (*shorten the feedback loop*) complemented QAG's tracking activities and connected evaluation products more systematically to the business processes of the institution. Country assistance evaluations were sequenced to feed into the CAS cycle. Sector evaluations were geared to the production of Sector Strategy Papers. The *Annual Review of Development Effectiveness* (ARDE) was timed to influence the strategic forum, and the *Annual Report on Operations Evaluation* (AROE) was reconfigured to feed into the corporate COSO cycle. The introduction of a Management Action Record (MAR) process responded to the same logic.

A corollary objective was the *filling of evaluation gaps*. Independent assessment of economic and sector work (ESW) is now undertaken as part of country assistance evaluations and sector evaluations, and it has been taken up by management under the "fixing ESW" initiative. ESW evaluation now falls squarely within the QAG mandate.

The **third objective** (*building evaluation capacity*) built on the work of an earlier evaluation capacity development (ECD) task force led by operational staff (Anil Sood) and supported by OED (Pablo Guerrero) that completed its work in July 1994. The substantial progress achieved since then has been outlined in the first annual report on ECD, produced this year. In addition to its catalytic role and its operational support, OED has sponsored an international program for development evaluation training in collaboration with Carleton University of Ottawa. In partnership with the UNDP, it has also helped to create an International Development Evaluation Association that was launched in Beijing earlier this month.

The **fourth objective** (*strengthen knowledge and partnership*) was far-reaching and multi-facetted, and aligned with the Bank's emphasis on both aspects. It was implemented by:

(i) Organizing biennial conferences on evaluation and development
(ii) Creating a state-of-the-art Web site
(iii) Taking the lead in the development effectiveness section of the Development Gateway
(iv) Setting up a knowledge sharing service (help desk)
(v) Designing and implementing more open evaluation disclosure policies (August 1993 and August 2001)
(vi) Creating a new look for OED products; diversifying OED products through a mix of user-friendly publications (Precis; fast track products; lessons and practices; working papers; books)

(vii) Providing leadership to the rest of the development evaluation community through proactive participation in the Evaluation Cooperation Group of the Multilateral Development Banks (MDBs) and the Working Party for Aid Evaluation of the Development Assistance Committee
(viii) Connecting to the evaluation organizations of the Swiss Development Corporation; DFID; the Dutch and Norwegian Ministries of Foreign Affairs, and the UNDP through formal partnership agreements
(ix) Partaking in parallel evaluations with the AfDB, the IADB, and the IsDB
(x) Taking the lead in a multi-stakeholder evaluation of the Comprehensive Development Framework.

The **fifth objective** (*managing for results*) was largely a matter of practicing what OED preached—that is, subjecting OED itself to *results-based management* processes, including tracer studies of OED products, client questionnaires to gauge reactions to evaluation products, and internal staff surveys to guide OED administration and internal management.

In parallel, a *participatory process of programming and budgeting* was put into place to connect evaluation priorities to OED staff views, management concerns, operational needs, and Board oversight requirements. Quality assurance was strengthened through one-stop reviews for all approach papers and major reports.

Entry and/or exit workshops were organized to ascertain the diverse perspectives of borrowers, voluntary organizations, and private sector partners. Finally, for most major studies, *advisory panels* were set up to inject expert guidance from eminent development personalities and specialists, and increased efforts were devoted to outreach and connectivity throughout the evaluation process and beyond.

What Have Been the Results?

When asked by Henry Kissinger what he thought of the French revolution, Chou En Lai famously replied that it was too early to tell. Similarly, it may be premature to attempt a definitive assessment of the OED renewal. Still, it may worth noting that the qualitative changes achieved by the renewal did not undermine the volume of output.

Under my tenure, OED has produced each year an average of 279 evaluation summaries, 92 performance assessment reports, 7 sector evaluations (including sector and thematic evaluations and country sector reviews), 5 country evaluations, 8 impact reports, 2 process evaluations, 2 apex reports and 58 secondary products (Precis, lessons and practices, Fast

Track Briefs, workshop proceedings, working papers, and the like) This is in addition to guidelines, speeches, and books and comments to the Board/CODE on pertinent matters. This represents a substantial contribution to the Bank's development record, a distinctive corporate asset.

Of course, output does not mean outcome, let alone impact. But over the past five years, the relevance of OED's work has improved markedly. Specifically, OED has delivered country assistance evaluations for a majority of active borrowers. Sector evaluations have been issued to guide most sector strategies. Policy evaluations have informed the recasting of all major safeguard policies. A comprehensive assessment of IDA10-12 was delivered in the context of the IDA13 replenishment. And the recent review of the Bank's global programs provided timely input for Board deliberations on the budgeting of grants. Evaluations of the Heavily Indebted Poor Country Initiative (HIPC) and of the Comprehensive Development Framework are soon to be issued.

Finally, the positive trend in the performance of Bank-financed projects is largely due to the efforts of Bank managers and operational staff. But QAG, OCPS, other evaluation and control units, and OED have contributed handsomely too, since, to paraphrase Tom Peters, "what gets evaluated gets done better." No less relevant have been OED's efforts to promote improved evaluation methods throughout the development community. By now, development evaluation has found its place in the sun as a legitimate discipline within the mainstream of the evaluation profession.

What Lies Ahead?

According to Kierkegaard, "life must be understood backwards but . . . it must be lived forward." Given the volatility of the operating environment, it is not practical to try to forecast what lies ahead for OED. But as Peter Drucker has often reminded his readers: "the future is already here." With Board guidance, a number of emerging challenges have begun to be tackled. The effort may need to be intensified given disappointing development trends that recall H.G. Wells' opinion to the effect that "human history becomes more and more a race between education and catastrophe."

First and foremost, OED, working closely with DEC should attend to a large amount of unfinished business in development policy evaluation. OED must continue to probe the issues underlying the current public debate about *aid effectiveness*. This is critical, since growing public skepticism about aid has contributed to a decrease in aid flows, despite escalating demands for resources to meet complex humanitarian emergencies and to implement an ever-expanding development agenda.

Many countries that have implemented Bank/IMF advice are not doing as well as expected. What explains the sluggish growth of developing countries despite major improvements in their economic management? Were the reforms advocated too timid? Was implementation of reforms less impressive than commonly believed? Was sequencing of reforms ill-planned? How can growth be accelerated without exacerbating environmental stress?

Both evaluation and research have established that aid works best in combination with good governance and improved policies in developing countries, but this begs the question of what to do in the majority of countries where the right enabling environment is not in place. In such situations there is no substitute for the project instrument. To help illuminate risk-reward decisionmaking and the centrality of side effects in project results highlighted by Albert O. Hirschman, OED is poised to recapture its prior intellectual leadership in impact evaluation research.

Finally, too little is known about the role of rich-country policies on the fortunes of developing countries. Could it be that without larger debt reductions, private sector flows, trade liberalization, international migration, more effective environmental policies in the north, and a freer flow of technology and knowledge toward the zones of turmoil and transition, more aid will not be enough to achieve broad-based poverty reduction? If DEC and OED do not join forces to deal with such issues, who will?

Second, there is no turning back from *country assistance evaluations*, which Ruben Lamdany did so much to create. Tailor-made country assistance strategies have become the main instrument of corporate management. In post-conflict countries, the Bank is called upon to fund rehabilitation programs and restoration of functioning institutions. In middle-income countries, the Bank is complementing the macroeconomic role of the IMF and playing a counter-cyclical funding role to help manage financial crises. To facilitate coherence in external support, the Bank is called upon to validate the quality of structural, fiduciary, and social policies. In low-income countries, the Bank is playing a central role in debt reduction and in assessment of poverty strategies. How well is the Bank doing in all these areas? The recent establishment of the IMF's Independent Evaluation Office offers an opportunity for close inter-agency collaboration in this area of evaluation.

Third, *sector strategy evaluations* will need continuous upgrading. The recent emphasis on social sectors and the environment was a welcome rebalancing of policy priorities. Encouragement of a holistic view of development was critically needed to get away from the narrow parochialism of sector specialization. The belated recognition that ownership and partnership matter has been a useful counterweight to donor-driven conditionality, with the corresponding evaluation challenge to evaluate partnerships.

A complementary challenge will be to promote a results-based focus to drive inter-sectoral interactions while pursuing the Millennium Development Goals (MDGs). It will also be critical to focus on the winners and losers of current policies to ensure that the Bank's development activities retain a human face. Mainstreaming the safeguard policies at the country level is the great operational challenge of the next decade, and OED must continue to bring field evidence to bear on the outcome.

Of equal importance is the systematic tracking of the rural development and private sector development strategies, since they will largely determine the prospects for poverty reduction. OED (working in concert with the Operations Evaluation Group in IFC and the newly independent Operations Evaluation Unit in MIGA) must assess how the emergence of globalization, information technology, and knowledge should be taken into account in the implementation of private sector development strategies. With benefit of time, future evaluation history events will focus not solely on OED's history, but on the joint history of OED, OEG, and OEU.

Fourth, new evaluation frontiers will have to be explored. Beyond its country assistance and sector strategy evaluation roles, the Bank has become a platform for collaborative programs focused on the provision of *global public goods*. A bewildering variety of global partnerships have sprouted to deal with cross-country development challenges. Here too, evaluation will have to be retooled and reoriented to fill evaluation gaps at the higher plane. Equally, OED will have to become more active in promoting performance measurement as a platform for *systemic evaluations* cutting across all aid agencies.

Since Monterrey, an emphasis on results is being advocated as a remedy for the numerous problems faced by the aid industry. Monitoring has indeed been neglected. But improved monitoring can only go so far in improving aid performance. As serious is the gap in program evaluations. In particular, joint and country-based evaluation will have to put a sharper spotlight on such systemic problems as lack of coherence in aid practices, a proliferating number of aid givers, excessive transaction costs, and the misallocation of resources created by development fads and tied aid.

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This is an ambitious agenda, but OED has the skills, the momentum, and the motivation to deal with all of these questions. As Yves Rovani said on a similar occasion, OED has made considerable progress in climbing the mountain of evaluation excellence. But we have not yet reached the top. The air is brisk; the road ahead is clear; and I have no doubt that the leaders selected to manage the independent evaluation function for the next leg of its journey will bring OED to the top.

Thank you.