

Approach Paper
Biennial Report on Operations Evaluation in IFC 2008
(BROE 2008): IFC's Results Measurement for Better Results

Independent Evaluation Group – IFC

April 22, 2008

Background

IFC's evaluation system aims to strengthen accountability and enhance learning for IFC to achieve better development results. The Biennial Report on Operations Evaluation (BROE) reviews the adequacy, coverage and quality of IFC's evaluation system and examines how effectively evaluation findings are used. Unlike IEG-WB, which reviews the evaluation process of the World Bank annually in its Annual Review of Operations Evaluation (AROE), IEG-IFC reports its findings on IFC's evaluation system every other year. In line with the current IEG-IFC disclosure policy adopted in 2007, this will be the first BROE to be disclosed to the public, following CODE and Board discussions. In reaching out to the public, IEG-IFC will inform a wider audience than in the past about IFC's strategy and its measurement and reporting of development results.

IFC faces new challenges and opportunities in the area of development assistance and finance. The role of private sector in development is widely accepted in development thinking. Other MDBs are increasingly emphasizing private sector operations, where, until recently, IFC used to be the only specialized player in this field. In a similar vein, IFC's relative size within the World Bank Group is increasing and may soon surpass the annual commitment volume of IBRD if the current pace of IFC's growth continues. The civil societies in developed and developing countries are becoming important players in policy formulation and project implementation and private foundations have gained more visibility in the development debate.

Taking account of these developments, IFC's latest corporate strategy ("IFC Road Map") which was discussed at CODE in March 2008 indicated that IFC's recent rapid growth in investment operations and advisory services is expected to continue. The document also indicates that IFC plans to maintain its focus on IDA countries and frontier regions of non-IDA countries, Sub-Saharan Africa, micro, small and medium enterprises as well as the financial markets, infrastructure, health and education sectors. In 2008, IFC adopted new approaches to scale up its impact over the next three years including greater emphasis on IDA countries, programmatic approaches to investments, getting closer to clients and addressing climate change. IFC also plans closer collaboration within the World Bank Group and taking a counter-cyclical role if global economic conditions deteriorate and adversely affect IFC client countries.

In the context of these external developments and given IFC's anticipated rapid growth, it is therefore ever more important that IFC have in place a coherent Measurement & Evaluation (M&E) system to assess its past and guide its future strategic directions.

Evaluation in IFC is comprised of self-monitoring and evaluation (M&E) and independent evaluation. IFC's M&E activities have expanded over the last two years to include the Development Outcome Tracking System (DOTS), the Advisory Services Project Completion Reports (PCR), impact evaluation of selected programs and external evaluations and reports to donors on advisory services operations.

Scope of BROE 2008

The BROE 2008 will summarize IFC's latest strategy and the implications it poses for IFC's M&E systems. It will review the coverage, methodology and reporting of monitoring and evaluation products and services in IFC for both IFC's M&E and IEG-IFC's independent evaluation systems and identify lessons from that experience to improve IFC's evaluation system. This BROE will take stock of IFC's result measurement framework, will identify areas of weakness, omission or gaps in M&E and will present findings and recommendations relevant for IFC's future operations. The review will update the previous Report on Operations Evaluation (AROE) of FY2005 and focus on the actions taken since that report between FY2006 and FY2008. In doing so, the report will seek to answer the following evaluative questions.

Main Evaluative Questions

“Have IFC's result measurement systems evolved to effectively meet IFC's current and emerging challenges?”

To answer this question, the 2008 BROE will concentrate on IFC's self monitoring and evaluation, independent evaluation and the relationship between the two. The review will attempt to address the main question above by responding to the following sub-questions:

- 1) How has IFC's self monitoring and evaluation system evolved since 2006 and what are the gaps to be addressed?***
- 2) Has IFC's independent evaluation evolved to reflect developments in IFC's strategy, organization and system for self monitoring and evaluation?***
- 3) Are IFC's self monitoring and evaluation and independent evaluation systems complementary and consistent in their results measurement?***

Recent corporate strategies and initiatives will be reviewed to determine the current and emerging needs in evaluation. The report will provide an overview of how evaluation activities, products and services have changed in IFC and identify any gaps in coverage between the evaluation system/s and today's needs. The report will also assess each system's methodology and their consistency with international good practice. The BROE will investigate how each system promotes better results, and how evaluation findings and recommendations are used by examining outputs and contributions to learning/accountability.

The BROE will begin to inventory self-evaluations conducted within IFC and will review their relevance, approach, coverage and methodology. In particular, the BROE 2008 will review IFC's Development Outcome Tracking System (DOTS) and pilot phases of project completion reports (PCRs) for advisory service projects. DOTS was established in October 2005 for IFC management to self-monitor the development outcome of IFC supported projects. While DOTS provides development outcome ratings that, on the surface, seem similar to IEG-IFC's evaluation system for investment projects, there are important differences between the two systems. The report will assess how these and other differences between the DOTS self-tracking system and IEG's independent evaluation system could result in systematic differences in results.

IFC introduced the PCR system in August 2006 for self-evaluation of its completed advisory services projects. Two pilot phases of PCRs have been completed and IEG-IFC has been involved in the preliminary assessment of the system. The two phases were largely backfill exercises and based on the joint IFC and IEG-IFC's findings a third pilot is underway to evaluate advisory projects in terms of relevance, efficiency and achievement of outputs, outcomes and impacts. The BROE 2008 will assess the status of the PCR system and the quality of the evaluative information it captures.

IEG will also review M&E activities in different parts of IFC from broad corporate strategies to specific initiatives, including externally commissioned evaluations. The report will look at how the projects were selected for these evaluations.

The BROE will present a review of the relevance, approach, coverage and methodology of IEG's independent evaluation products and will compare and contrast the roles of independent evaluation and self-monitoring and evaluation. It will include a review of development outcome metrics and its relationship with project risks. The report will update the progress of various IEG learning and dissemination initiatives, and how well IEG adheres to the Good Practice Standards for Evaluation of Private Sector Investment Operations, set by the Evaluation Cooperation Group – Working Group on Private Sector Evaluation.

Finally, the BROE 2008 will offer an update on the implementation status of past recommendations from IEG studies, through the Management Action Tracking Record (MATR).

Based on IEG's analysis, the BROE will make recommendations, as appropriate, for IFC and IEG.

Methodology and Instruments

Existing evaluative materials will be used as the primary source of evidence. The BROE will draw information from relevant project level evaluation and from IEG's existing corporate, sectoral, thematic and country evaluations. Additional evidence will be drawn from various IFC's strategic documents and databases. Based on collected information, the team will illustrate how the monitoring and evaluation system operates at the various

levels using case studies. IEG will also assess how lessons are captured and disseminated in the institution and how the evaluation findings are being used within IFC, based on targeted surveys and focus interviews.

Timeline

We plan to submit this report to the Committee on Development Effectiveness in the fourth quarter of FY08 for discussion in the first quarter of FY09. This report will be prepared by a team of IEG-IFC staff, led by Hiroyuki Hatashima and Dan Crabtree, under the supervision of the Head, Macro Evaluation, IEG-IFC and Director, IEG-IFC.

Dissemination

The BROE will be of interest to World Bank Group staff that contribute to or use information developed by IFC's M&E systems and by external stakeholders, including:

- Members of the Working Group on Private Sector Evaluation (WGPSE) of the Multilateral Development Bank (MDB) Evaluation Cooperation Group;
- Members of the Common Performance Assessment System (COMPAS) working group which included a limited set of indicators for private sector operations in its 2007 report and will include a more complete set of indicators in 2008; and
- Other external parties interested in measuring private sector contribution to development such as private foundations and business groups active in reporting Corporate Social Responsibilities activities, civil societies and public at large.

To reach these audiences, IEG will make presentations for IFC local and regional staff, including IFC Management. Separately, IEG will pursue opportunities to present the BROE findings to the external groups. To reach these audiences, IEG will disclose the BROE as a book and distribute it on IEG's Web site and will market the BROE to IEG's extensive contact list.