



FAST TRACK

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BRIEF

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Annual Report on Operations Evaluation 1999: A Focus on Quality

Based on the *Annual Report on Operations Evaluation*, to be presented to CODE on December 8, 1999

- The quality of Bank operations continues to improve, despite the 1997 financial crisis and its aftermath.
- However, further progress will be more difficult to achieve. The FY99 ARPP reported a decline in projects at risk and improvements in quality at entry, quality of supervision, and proactivity. But for the second year, achievement fell short of interim Compact targets. The 1999 ARDE analysis of projects exiting in FY98–99 **showed 72 percent with a satisfactory outcome, up from 66 percent in FY90–93, but with a stagnating annual trend.**
- The Bank evaluation system is performing well, supported by both OED's and QAG's work.
- Monitoring and evaluation (M&E) has been a persistent, longstanding problem. It is time to commit to M&E within the Bank and to evaluation capacity development in borrowing countries.

Monitoring and Evaluation (M&E)

M&E systems are useful tools for task managers, line managers, and borrowers to identify problems at an early stage and to assess project prospects with accuracy. OED identified major weaknesses in the Bank's M&E systems some years ago. This finding has been confirmed by QAG's 1999 ARPP, which found that fewer than half of Bank projects had an appropriate M&E system in place. Roughly one-third of task managers with projects rated unsatisfactory at completion did not anticipate this result during the last supervision mission. M&E has also become more important in borrowing countries as the Bank moves to programmatic lending and the results-orientation of the CDF increases the importance of M&E and active borrower engagement. Deficiencies in M&E can be addressed in three ways:

- The Regions can move to substantially expand evaluation capacity development in client countries.

Progress in Evaluation

- Overall quality of ICRs is high and still improving.
 - Borrower input to the ICRs has gone up from 78 to 91 percent.
 - Several evaluative gaps have been filled, including those for trust funds, knowledge management, and Bank training activities.
 - CASs are becoming more diagnostic.
 - Most SSPs have incorporated results from OED evaluations and have made progress on monitorable indicators.
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- M&E can be emphasized at the design stage of projects, with the requirement that all projects from July 2000 contain fully acceptable M&E.
 - QAG can report and follow up on M&E status through its Quality at Entry and Quality of Supervision reviews.

Quality Assurance and Risk Management

The quality of Bank operations continues to improve despite substantial increases in complexity and demandingness. But performance against quality indicators requires further enhancement, and there is evidence that indicators may be approaching a plateau that falls short of FY01 Strategic Compact targets. There appear to be gaps in compliance with Safeguard Policies and weaknesses in quality assurance and reporting, raising reputational risks for the Bank.

- While strengthening ongoing quality enhancement activities, the Bank might explore experiences in integrating strategic quality assurance and risk management within decentralized frameworks, and begin benchmarking Bank evaluation and quality assurance practices against a group of comparator organizations.
- In light of the findings of the benchmarking exercise, the Bank might consider moving from the current quality tracking system to a “state-of-the-art,” “real time” quality assurance system, connected to an ex ante risk and quality rating system, managed by the Networks.

Results Orientation

Although the Bank has become more results-oriented, progress has been slow, and the corporate scorecard has progressed little in the past 12 months.

- A key step in addressing deficiencies is the designation of a VPU responsible for coordinating and reporting on results based management (RBM) in the Bank, with priority on setting out the strategic vision and identifying key areas for action.

Implementation Completion Reports (ICRs)

ICRs are a major Bank tool for knowledge management and learning from results. Although their quality has continued to improve, two important rating categories—sustainability and institutional impact—continue to be problematic.

- ICR reforms to strengthen learning and feedback loop still have to be vigorously promoted.

Recommendations

- Designate the VPU responsible for coordinating and reporting on RBM in the Bank, with priority on strategic vision and identifying key areas for action.
- All projects proposed for approval from July 2000 to contain fully acceptable M&E.
- Regions to develop ECD plans to support the Poverty Reduction Strategy Papers.
- Implement recommendation of the Evaluation and Control Working Group to start benchmarking Bank evaluation and quality assurance practices against those of a group of comparator organizations, including elite private sector and knowledge management entities.
- Implement recommendation of the Evaluation and Control Working Group for the Regions to budget for the resource implications of evaluation and quality assurance activities.

The Development Environment

Globalization has brought both new opportunities and new risks of instability. Inequality has increased. Poverty trends have deteriorated. Aid flows have stagnated. There is rising public concern with the efficacy of the development system. This combination of events has heightened the need for greater strategic selectivity; an intensified focus on operational quality; more systematic corporate risk management; closer links between control and evaluation functions; clear, mutually agreed priorities; and a relentless focus on results.