



Project Evaluation

Review of the Project Completion Reporting System for Sovereign Guarantee Operations

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ABBREVIATIONS

DEF	Development Effectiveness Framework
DEM	Development Effectiveness Matrix
DEO	Development Effectiveness Overview
ECG	Evaluation Cooperation Group
GPS	Good Practice Standards
LD	Loan Document
OVE	Office of Evaluation and Oversight
PBL	Policy Based Loans
PBP	Programmatic Policy Based-Loans
PMR	Project Monitoring Report
QRR	Quality and Risk Review
SG	Sovereign Guarantee
SPD	Office of Strategic Planning and Development Effectiveness

EXECUTIVE SUMMARY

This report is being provided to the Board for two different purposes. The first is to report on the results of an assessment of a sample of Project Completion Reports (PCRs). The second is to present OVE's findings regarding its assessment of the PCR production system and provide recommendation on areas that can be strengthened to improve the PCR system.

The Bank has made important investments in its results measurement and reporting architecture over the past few years. IDB introduced and implemented a mechanism, the DEM, to assess the quality of evaluation plans at entry. IDB also increased its focus on the production of rigorous impact evaluations and has increasingly introduced these evaluation designs as part of project preparation. IDB has also made changes to the way it monitors the execution of operations through the rolling out of a new project monitoring report (PMR).

Despite these improvements, the Bank's main mechanism for reporting on project-level results, the PCR, is not adequately fulfilling the role of a reliable, credible, and high-quality self-evaluation instrument. OVE's analysis of a sample of PCRs indicates that PCRs do not adequately report on the metrics required to adequately document the achievements of the project's development objectives. PCR scores relating to achievement of development objectives, implementation progress and sustainability are uninformative. There is little variation in PCR self-assessment ratings, with almost all scored as satisfactory, and the assignment of specific ratings is not related to the availability of data to support them.

These findings are corroborated by OVE's assessment of the PCRs and by Bank staff opinion. As part of the evaluation OVE interviewed staff and conducted a staff email survey. OVE's evaluation shows that PCRs are widely discredited in the institution. PCRs have limited use and Bank staff are skeptical of the instrument's current role in the institution.

The evaluation results suggest that the poor quality of the reports is due to a number of shortcomings in the current PCR system. The review shows that the limited usefulness of PCRs and their poor standing as a self-evaluation instrument in the institution, combined with problems in the template and with limited guidance provided to PCR authors, are likely culprits in the poor quality of PCRs. Lack of clarity in the resources available, as well as low levels of funding, and weak staff incentives to produce good quality reports, are also likely causes. The lack of a systematic validation of PCR results by OVE might also have contributed to the poor incentive structure surrounding the production of PCRs.

For a results-oriented development bank it is essential that accurate and well-documented completion reports be prepared, independently validated and made public. These reports document the achievement of project results, their sustainability, and lessons learned, and usually constitute the only comprehensive, public final record of results achieved at the project level. In the case of the IDB it is clear that the PCR is not fulfilling this role.

Management is aware of the deficiencies of the system and has signaled its willingness to address the shortcomings of the PCRs. This may represent an opportunity to significantly improve the Bank's monitoring and evaluation system and the incentive structure underpinning it, and to integrate the PCR with the newly updated instruments of the DEF: the DEM and the PMR. OVE will also use this opportunity to play a more active role in validating and making the results of its validations public after the implementation of the improved system.

Based on the analysis in this report, OVE recommends the following actions to improve the PCR at the IDB:

- a. **Revise the current template to harmonize better with the DEF and the ECG-GPS and adopt the new template by January 2013.** The goal is to document results and the reasons for those results fully and accurately. The new template should provide space to discuss and rate the project's relevance, effectiveness, efficiency, and sustainability.
- b. **Strengthen the PCR production process and staff incentives.** Draft PCRs should be carefully reviewed by Management prior to approval, and a representative sample should be validated by OVE after approval. In addition, PCRs should be systematically disseminated internally and externally, and tools for increasing their use should be developed. Finally, in order to increase the incentives for high quality reports, measures should be implemented to properly recognize and reward the self-evaluation work.
- c. **Use a separate budget code and ensure adequate funding for PCRs.** PCRs are a critical element of IDB's results agenda, and explicit budgeting will strengthen incentives for their production and enable an accurate estimation of appropriate funding levels.

OVE Recommendations and Management Response

OVE's Recommendations	Management's Response
<p>Revise the current template to harmonize better with the DEF and the ECG-GPS and adopt the new template by January 2013. The goal is to document results and the reasons for those results fully and accurately. The new template should provide space to discuss and rate the project's relevance, effectiveness, efficiency, and sustainability.</p>	
<p>Strengthen the PCR production process and staff incentives. Draft PCRs should be carefully reviewed by Management prior to approval, and a representative sample should be validated by OVE after approval. In addition, PCRs should be systematically disseminated internally and externally, and tools for increasing their use should be developed. Finally, in order to increase the incentives for high quality reports, measures should be implemented to properly recognize and reward the self-evaluation work.</p>	
<p>Use a separate budget code and ensure adequate funding for PCRs. PCRs are a critical element of IDB's results agenda, and explicit budgeting will strengthen incentives for their production and enable an accurate estimation of appropriate funding levels.</p>	

I. INTRODUCTION

- 1.1. **Most development institutions utilize systems for self-reporting on the implementation and development effectiveness of their projects.** In the case of the Inter-American Development Bank (IDB), the Project Completion Reports (PCRs) should be the key element for the Bank's self-evaluation system of Sovereign Guaranteed (SG) projects. PCRs are written upon project completion. They document the achievement of project results vis-à-vis the objectives stated in the loan document (LD), the sustainability of those results, and lessons learned. They are the only final record approved by IDB Management for completed SG operations and play a fundamental role in documenting the results of the Bank and the Executing Agencies' interventions and in identifying lessons from experience.
- 1.2. **The independent Office of Evaluation and Oversight (OVE) of the IDB is committed to carrying out independent reviews of the PCRs.** This mandate was first introduced in 1996 as one of the nine Core Standards by the Task Force on Multilateral Development Banks (MDBs).¹ This Task Force required an independent validation of all project self-evaluation. OVE assessed the effectiveness of the PCR system in 2001² and 2005.³⁴ The main findings of the 2005 review were that *"The Bank's self-assessments endorse PCR ratings without requiring documented evidence," "too much outcome information is missing to assess development effectiveness,"* and *"The lack of outcome evidence constrains Bank's capacity to manage for results."*
- 1.3. **An IDB interdepartmental working group revised the PCR template for different lending modalities, and a new PCR version was launched in August 2006.**⁵ It aimed at simplifying its contents, reducing the overlap between the Bank and the Borrower's efforts, and following OVE's 2005 recommendations.⁶ At this time, the Bank did not revise its full PCR guidelines, but instead developed "Quick Reference Guides" (QRGs) to provide an overview of "who, how, what and when" for preparing the new versions of these documents. OVE's recommendations were partially addressed, and no proper mechanisms and incentives to guarantee compliance with Bank's guidelines and supervision function were implemented at that time.
- 1.4. **For a results-oriented development bank, it is important to have good quality completion reports prepared, independently validated and made public.** This goal is in line with the requirements in the IDB-9 agreement, including the condition that OVE report on achieved results in completed projects annually. Up to now OVE has not been involved in a routine assessment of project completion reports. As mentioned, OVE has done periodic assessments, all of which focused to a large extent on the quality of the empirical evidence provided in the PCR to support self-ratings. The lack of necessary evidence has so far hindered OVE's ability to validate the results of completed projects as reported through PCRs. As indicated in the 2011 Independent Review Panel (IRP) report on IDB's evaluation function and the past Development Effectiveness Overviews (DEO), the PCR system faces several challenges and needs to be revised.
- 1.5. **This Report has two objectives: 1) to report to the Board on the data adequacy of the PCRs produced under the latest guidelines, and 2) to identify areas that can be strengthened to improve the PCR system.** According to an agreement undertaken with Management, in July every year OVE was to receive all PCRs approved and to validate a

sample of them. In 2009, OVE analyzed the PCRs from the 2008 cohort. A technical note on OVE's findings was sent to Management and reflected in the 2010 Development Effectiveness Overview. A similar process was followed in 2010 for 2009 PCRs, and the results of these two exercises are presented in chapter 3. In 2011, rather than pursue another round of validations of 2010 PCRs (given the deficiencies in PCR data and quality found in the previous 2 exercises), OVE opted to undertake a thorough analysis of the underlying problems with the PCR system. This analysis is intended to provide guidance in how to improve the system and make it possible for the Bank to rely on PCRs to report on results. The production process and the prevailing incentive structure faced by actors involved in the current PCR system at the IDB are considered in chapter 4.

- 1.6. **The analysis presented in this report is based on desk reviews, interviews with selected Bank staff,⁷ and an online survey conducted with PCR authors and potential users.** To address the first objective of this report, OVE reports on the validation results from a desk review of a random sample of 25% of the PCRs approved in 2008 and 2009, as noted above. The method used for the validation is explained in Annex A. To address the second objective of this report, OVE conducted structured interviews with Bank staff and, in December 2011, sent an e-mail survey to a sample of Bank staff in order to better document aspects related to the production and use of PCRs at the IDB, including the assignment of responsibilities, preparation cost, preparation and review processes, and use of the reports. The survey also asked Bank staff about the main shortcomings of the PCR system and how it could be changed to make the instrument more useful to the institution and its work.⁸ The main results of the survey are reported in Annex B.

II. THE PROJECT COMPLETION REPORTING SYSTEM

- 2.1. **The Project Completion Report (PCR) is the main instrument in IDB's self-evaluation system for reporting on the effectiveness of completed operations.⁹** The PCR documents the progress in implementing the project, the achievements of the project against its stated objectives, the sustainability of results, and the performance of the Bank and the Borrower/Executing Agency. PCRs should serve two purposes: an accountability tool for the Bank's shareholders and clients and a means of learning from experience to inform the design of future operations. Currently, PCRs are governed by guidelines approved in mid-2006.¹⁰ This section discusses the main elements of the current guidelines and the degree to which they are applied.
- 2.2. **IDB's normative requires that PCRs be produced for all Sovereign Guaranteed (SG) projects, and, for specific non reimbursable TCs of \$150,000¹¹ or more with execution periods of at least twelve months.¹²** The 2006 PCR guidelines require: (i) basic information on the project; (ii) the project context and description; (iii) an assessment of results (the achievement of outcomes, outputs, and externalities), including project costs; (iv) an assessment of project implementation, focusing on the performance of the Bank and the Borrower (see Annex C for the existing PCR outline); (v) an assessment of the sustainability of project results and of the M&E system; and (vi) identification of lessons learned. The guidelines also require that projects be rated as to (i) Overall achievement of Development Objectives (DO), based on the "outcomes" discussion in the Results section; (ii) Implementation Progress (IP), based on the "outputs" discussion in the Results section; and (iii) Sustainability (SU), based on the discussion in the section

of the same name. Bank Performance and Borrower Performance are also rated. All ratings are on a four-point, symmetric, non-numeric scale.

- 2.3. **PCRs are produced by the VPS Division responsible for the project, and the project team leader is responsible for the PCR.** Team leaders are responsible for the PCR, but the PCR team often includes more staff members and/or an external consultant, who participate in the drafting of the report. About 60 percent of respondents in the staff survey conducted by OVE reported contracting a consultant to help in the production of the PCR. The preparatory work normally involves a field visit and interviews with key counterparts and stakeholders. Some information can also be drawn from the final evaluation, if one exists,¹³ as well as the exit workshop.¹⁴
- 2.4. **The Borrower prepares a “Borrower’s Evaluation” that is to be attached as an annex to the final PCR.**¹⁵ The Borrower’s Evaluation provides the client’s assessment of project performance, IDB’s performance during project execution (which is incorporated unedited into IDB’s PCR), and its own performance. However, the format calls for shorter responses compared to those in IDB’s PCR, and in many cases there is no explanation for the ratings given.
- 2.5. **The draft PCR also is reviewed at a Quality and Risk Review (QRR) meeting.** The VPS Division Chief chairs the QRR meeting, which is also attended by staff from the his division and from other Bank units. Sometimes the QRR meeting is held in person, but often it is conducted virtually (i.e. comments are sought via e-mail). Responses to the staff survey indicated that the QRR meeting is done virtually about 80 percent of the time. Minutes of the QRR meeting, along with a note on how the issues raised at the meeting were addressed, are distributed to participants.
- 2.6. **The 2006 Guidelines established that PCRs should be delivered 180 days after last disbursement.** According to the IDB normative, the PCR is to be presented to QRR 90 days from the totally disbursed date and formally approved no more than 90 days after that.¹⁶ The PCR can be submitted before the Totally Disbursed date (no more than an available/undisbursed loan balance of 10%) in the case of investment projects, but in the case of PBLs the program must be fully disbursed. The Bank currently applies a different timeliness standard than that contained in the normative, and in particular it measures compliance with the normative as 180 days after the *calendar year*, rather than 180 days after *disbursement*.
- 2.7. **PCRs are usually disclosed to the public by posting on IDB’s external website.** The current publication procedure for PCRs states that after the Country Representative and the VPS Division Chief approve the PCR, a letter is sent to the counterpart agency giving 45 days for non-objection to publishing the PCR on the internet. If the counterpart objects, the PCR is not disclosed to the public (but is published on the Bank’s intranet); if no answer is received, the PCR is meant to be public on IDB’s external website.¹⁷ Of 256 PCRs approved between 2006 and 2010, 33.2% were not found on IDB external website.

III. THE ANALYSIS OF THE 2008 AND 2009 PCR COHORT¹⁸

- 3.1. **OVE's analysis of the Bank's self-assessment of project performance in PCRs is focused on the completeness of results frameworks and evidence-based reporting.** It is thus an assessment of the empirical content of Bank PCRs and the consistency between this content and PCR self-assessment ratings. The adequacy of data is a necessary but not sufficient condition for the validation of development effectiveness. This is not an assessment of the development effectiveness of Bank operations, which OVE attempts to do, to the extent possible given data limitations, in other types of evaluations at the project, sector, and country level. Because of the nature of this exercise, which was meant as a data audit rather than a validation of project results, OVE did not consult with project teams while analyzing the selected PCRs.¹⁹
- A. Sample Analyzed**
- 3.2. **In order to assess the data adequacy of the PCRs OVE randomly selected a 25% sample -- 32 out of 122 -- of PCRs produced in the 2008 and 2009 PCR cohorts,²⁰ compiled by SPD, and sent for validation to OVE.** The process of implementing the new guidelines approved in 2006 was slow, and only in 2008 were most projects making use of the new PCR template at completion. OVE's desk review was undertaken in 2009 and 2010, reviewing PCRs from the 2008 and 2009 cohorts, respectively. As noted above, this report does not include a desk review of a sample from the 2010 cohort given OVE's decision to focus resources on a broader review of the PCR system in 2011.
- 3.3. **The list of PCRs reviewed is presented in Table 1.** Among the 32 PCRs analyzed, 27 were completion reports of investment operations, while 5 were of PBP/PBLs. The sample was distributed across Bank divisions as follows: 6 PCRs were from the Social Protection and Health Division, 5 from Environment, Rural Development & Disaster Risk Management, 5 from the Education division, followed 4 from the Water and Sanitation Division, 3 from the Institutional Capacity of the State division, 3 from Capital Markets and Financial Institutions, 3 from the Fiscal and Municipal Management division, and one of each of the following divisions: Energy, Transport and Science and Technology. Although the sample was not stratified by borrowing country, 22 of the 28 borrowing countries were represented.

Table 1. Sample of PCRs Reviewed

Project	Project Name	Unit	Operation type
AR0144	Support for Enterprise Restructuring	IFD/CMF	Investment
AR0181	Tertiary Education Reform Program	SCL/EDU	Investment
BH0008	Solid Waste Management	INE/WSA	Investment
BO0115	Epidemiological Shield and Sector Reform	SCL/SPH	Investment
BR0265	Tiete River Decontamination, Stage II	INE/WSA	Investment
BR0274	Self Sufficiency Agrarian Reform Settlement	INE/RND	Investment
BR0364	Diversity in University	SCL/EDU	Investment
CO0142	New School System Program	SCL/EDU	Investment
HA-L1001	Fiscal Reform and Governance	IFD/FMM	PBL/PBP
ME0137	Housing Finance Program	IFD/CMF	Investment
NI0183	Social Sector Program in Support of the ERCERP	SCL/SPH	PBL/PBP
PN0122	National Environmental Program	INE/RND	Investment
PR0117	Basic Education Strengthening	SCL/EDU	Investment
SU0017	Low-Income Shelters	IFD/FMM	Investment
VE0112	Science and Technology Program II Stage	IFD/CTI	Investment
AR0120	Primary Health Care Reform	SCL/SPH	Investment
AR0231	Federal Women Program	SCL/SPH	Investment
CH-L1005	Innovative Interventions for Older Adults	SCL/SPH	Investment
CO0258	Attorney General's Office Support & Strengthening	IFD/ICS	Investment
CO0266	Public Service Reform Program	IFD/ICS	Investment
EC0191	Land Titling and Registration	INE/RND	Investment
ES-L1040	Reformulation of the Social Policy Support Program	SCL/SPH	PBL/PBP
ES0129	Sustainable Rural Roads Program	INE/TSP	Investment
GU0081	Sustainable Development of Peten	INE/RND	Investment
GY0053	Fiscal and Financial Management Program	IFD/ICS	Investment
HO0219	Financial Sector Program	IFD/CMF	PBL/PBP
JA0059	Basic and Primary Education Program III	SCL/EDU	Investment
ME0212	Potable Water and Sanitation in Rural Areas II	INE/WSA	Investment
PE-L1057	Sanitation Sector Reform Program III	INE/WSA	PBL/PBP
PN0116	Darien Sustainable Development	INE/RND	Investment
RG0004	Environment and Relocations in Yacyreta	INE/ENE	Investment
UR0123	Informal Settlements Integration	ICF/FMM	Investment

B. Consistency of Development Objectives

- 3.4. **OVE found congruence between the project's original development objectives (general and specific) and the project objectives listed in the PCR in 18 out of the 32 projects analyzed.**²¹ The premise of this evaluation is that the original objectives of a project, as stated in the Loan Document (LD) and as approved by the Board, are the intentions of the Bank and of borrower governments. Therefore, unless there is an official restructuring, the Bank is accountable for the achievement of objectives of each project as

originally stated.²² OVE found that in most cases PCRs present little justification or information about the reasons of the reformulation, whether the restructuring was an official reformulation approved by the Board or whether the restructuring was part of execution adjustments, and its overall impact in the development objectives. Lack of congruence in objectives arises in two ways: if i) objectives were dropped or cancelled due to project reformulation/restructuring or ii) objectives were significantly reworded.²³ (See Table 2 for examples of both phenomena.)

Table 2: Examples of Rewritten Objectives in the PCR

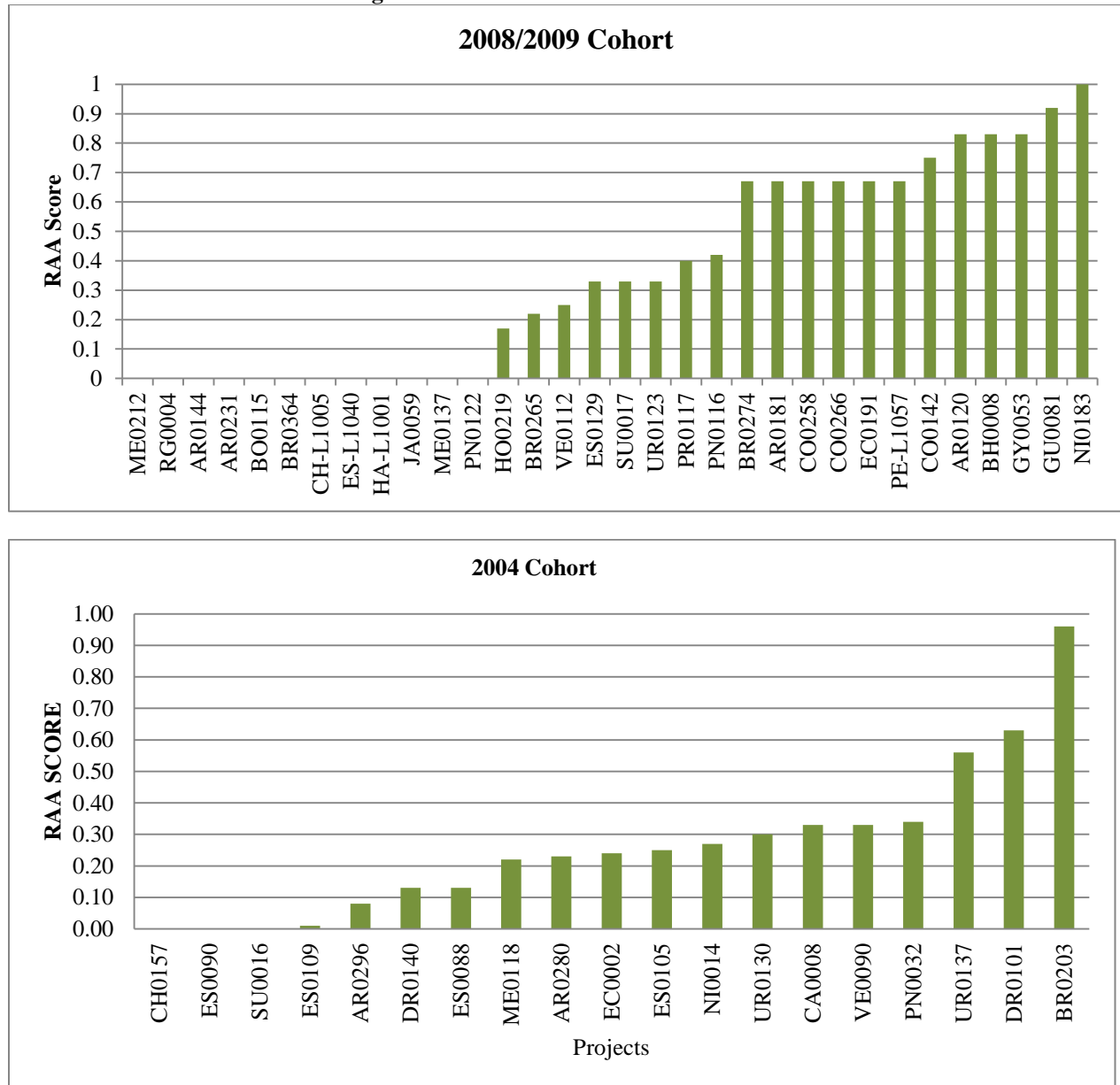
PCR	Original Objectives in LD	Objective as Rewritten in PCR	Loan objectives formally reformulated?
UR0123	<u>Specific Objective:</u> “i) mejorar la focalización y coordinación de políticas de políticas gubernamentales dirigidas a la reducción de la pobreza urbana; ii) promover cambios en las normas urbanísticas y en las políticas y mecanismos institucionales del sector de vivienda, de modo a favorecer la oferta de tierras urbanizables y de viviendas de bajo costo; y iii) articular acciones del sector público y de organizaciones de la sociedad civil, estimulando la organización comunitaria y integración social de las comunidades beneficiadas por el programa.”	<u>Specific Objective:</u> “i) Promover la integración urbana de los asentamientos irregulares;” ii) reducir su tasa de crecimiento; y iii) estimular la integración social de sus residentes.”	No formal reformulation of program objectives. Change of indicators in “ <i>mejoramiento del barrio</i> ” component.
PN0116	<u>General Objective:</u> “contribuir al desarrollo social, institucional y productivo sostenible y al manejo y protección de los recursos naturales de la Provincia de Darién.”	<u>General Objective:</u> “contar con instituciones públicas y sociedad civil fortalecidas orientadas a promover una adecuada gestión social, ambiental y económica que permita el desarrollo sostenible de Darién.”	No formal reformulation of program objectives.
BR0265	<u>Specific Objective:</u> “Mejor aprovechamiento de los recursos hídricos en el Alto Tietê, Disminución de los impactos adversos causados por la contaminación del río Tietê y sus tributarios, y Mejorar la calidad del agua en el río Tietê y sus tributarios.	<u>Specific Objective:</u> “Mejorar la calidad del agua en el río Tietê y sus tributarios.”	No formal reformulation of program objectives. Change of indicators in the following component “ <i>descontaminación del río Tietê y en el de redes de alcantarillado sanitario.</i> ”
BR0364	<u>General Objective:</u> promover la equidad y la diversidad en la educación superior.	<u>General Objective:</u> “Apoyar la formulación de manera participativa y validar las propuestas de políticas innovadoras de inclusión social de combate de la discriminación racial y étnica	No formal reformulation of program objectives.

PCR	Original Objectives in LD	Objective as Rewritten in PCR	Loan objectives formally reformulated?
		en la educación media y superior.”	
CO0142	<u>General Objective:</u> “Iniciar reformas en el sistema educativo colombiano dirigidas a fortalecer la gestión descentralizada y autónoma y mejorar la eficiencia y equidad social en la asignación de los recursos, como medio para ofrecer un servicio educativo de mejor calidad.”	<u>General Objective:</u> “Gestión descentralizada y autónoma de la SE de los departamentos y municipios certificados (mediante el reordenamiento financiero e institucional y la transferencia definitiva de responsabilidades a los municipios sobre el manejo de recursos financieros y docentes; mayor participación de los departamentos).”	The third specific objective was dropped, but the main general objective was maintained.
SU0017	<u>General Objective:</u> (i) Mejorar las condiciones de vivienda de los hogares de bajo y moderado ingreso, (ii) Ayudar a que las instituciones privadas, NGOs, y CBOs más capaces de Suriname asistan a los hogares subatendidos de los barrios de ingresos bajos y medios para mejorar un construir viviendas, (iii) Realizar políticas de vivienda y subsidios más eficientes, equitativas y transparentes.”	<u>General Objective:</u> Mejorar las condiciones de vivienda para los hogares de bajos y medios ingresos en Suriname, y realizar inversión de vivienda pública y privada más eficiente y equitativa introduciendo un nuevo modelo de financiamiento sobre la base de subsidios a la demanda	No formal reformulation of program objectives.

C. Evidence Base

- 3.5. **The majority of the PCRs do not present adequate data to document the extent of achievement of the projects development objectives.** OVE’s analysis was carried out at outcome and output levels using a Results Achieved Analysis (RAA) tool. The RAA systematically records how much evidence the PCR presents to document the project’s achievement of its original objectives. The RAA answers the following questions: What are the objectives of the project? Is each of these objectives tracked by at least one outcome indicator? Are the indicators appropriate for measuring the objective?²⁴ Are these indicators defined and measured? Do these indicators have baselines, targets and end data? The answers to these questions are aggregated into a completeness index score from 0 (no evidence presented) to 1 (fully evaluable). The RAA Index for each project was used for the assessment and ratings. For purposes of this analysis the objective of the project was considered to be the one relating most directly to the outcomes expected from the proposed intervention.²⁵

Figure 1. RAA Score 2008/2009 and 2004



- 3.6. **The RAA Scores for PCRs approved in 2008/2009 improved when compared to 2004 but are still not satisfactory.** The average RAA for the PCRs approved in 2008 and 2009 reviewed by OVE was 0.363 (out of a possible 1.00). The average RAA of Investment Loans (Avg.0.363) was slightly lower than the average RAA of Policy Based Loans (PBLs) (Avg.0.368).²⁶ Fourteen of the 32 PCRs had RAA scores of zero and another three projects had RAA score under 0.25. Although low, 2008/2009 average represents an improvement over 2004, when the average was only 0.27 (see Figure 1). The lack of

evidence, indicated by a low RAA Index, constrains OVE's ability to validate PCR ratings. Some of the reasons for low RAA scores are indicated below.

- 3.7. **First, the Bank often measures outputs instead of outcomes in the PCR section that reports and analyzes outcome indicators (Section III a. of the PCR Template).** OVE classified as output indicators all those that attempt to measure the means for achieving the objective. Following this criterion, 59% (19 out of 32) of PCRs reviewed use indicators of outputs when outcomes are called for. For instance, AR0120 aims to “improve the coverage, promote equity and improve the population's health condition through the reform of the organization, delivery, and financing of the APS services in the provinces; seeking to improve their efficiency and effectiveness.” It includes among the few outcome indicators “undergraduate programs of doctor and other health professional formation reoriented to the APS and the family's health in 4 universities.” This indicator measures the means to achieve efficiency and effectiveness of the APS and was thus classified by OVE as an output indicator. In VE0112 the objective is to “*strengthen the National System of Innovation*,” but almost all indicators in the PCR are output indicators, such as “Número de estudiantes en postgrados asociativos Estable”, “Nuevos centros de documentación y bibliotecas incorporados en red” or “Redes temáticas activas”. In the case of AR0144, the Development Objectives are “*to improve the SME competitiveness, facilitate the access of SME to the supporting services and stimulate the development of a market of services targeting SMEs*.” The only indicator presented in the PCR is the “*number of business development plans approved*.” This is clearly an output indicator and is insufficient to measure competitiveness, market access or market development.
- 3.8. **Second, some outcome indicators are not adequate to measure objectives.** In the case of AR0231, the objective of the project was “*to enhance the formulation, monitoring and evaluation of public policies and programs, in order to bring long-term improvements to the situation of women in the country*.” Two indicators are used to measure this objective: “*The gender perspective is reflected in policies and laws, locally and nationally (% of total laws and policies)*” and “*% of solicitudes to Women areas as an input for the discussion of policies and laws at a local and national level*.” It is not clear what “gender perspective” is or how is reflected in policies and laws. Clearly laws and policies are output indicators and if these are implemented reflecting “gender perspective” it does not mean that the general objective of improving the situation of women in the country is met. This depends on the effect of the policies and laws on gender inclusion.
- 3.9. **Third, targets and baselines are often missing.** Although some PCRs do a good job at measuring end values for established indicators, in many cases they do not report baseline data. Without the baseline, it is difficult to measure change that occurred during a project or to understand the scope of the potential change. For example, in the case of ES0129, the RAA index is 0.67, mainly as a reflection of the fact that five of the six indicators do not present a baseline.²⁷ Even if the PCR documents a positive change in an indicator, the Bank is accountable for what it planned to achieve. Such targets are not always set initially, and/or they are not reported in the PCR, making it impossible to fully document if the Bank achieved its objectives or not. In the case of ES0140 project: “to help strengthen the social safety net for the very poor, and deepen the medium- and long-term vision of El Salvador's social policy for poverty reduction,” the PCR presents 12 indicators in total. Most of them lacked a baseline valor, and 2 of them did not have a proper metric such as:

Institutional and technical strengthening from 0 to 1. As most of the indicators have no baseline valor, the accomplishment of the objective cannot be measured in relationship to the original value. In the case of JA0059, the program aims to “*Contribute to the improved performance, efficiency and equity of the primary education system,*” but the indicator of performance, efficiency and equity has no baseline or targets, making difficult to determine the progress of the program.

- 3.10. **In some cases evidence is provided but does not corroborate the assertions made.** In the case of NI0183, “*Social Sector Program in Support of the ERCERP,*” according to the PCR there was a waiver of conditionalities and the majority of stated targets were not met. Nevertheless, the PCR concluded that “*Prácticamente todos los indicadores que reflejan el efecto directo de este PBL se cumplieron*” However, OVE found that that claim was not consistent with the fact that much of the program reforms were not implemented. This is also present in UR0123 “*Informal Settlements Integration Program*” where the ex-post evaluation cited in the PCR contradicts the statement of achievement of development objectives. The impact evaluation of the program found no socio-economic impact, when comparing treated and control group, and despite this evidence, the PCR suggested that the project had satisfactory results.

D. Ratings

1. Development Objective (DO)

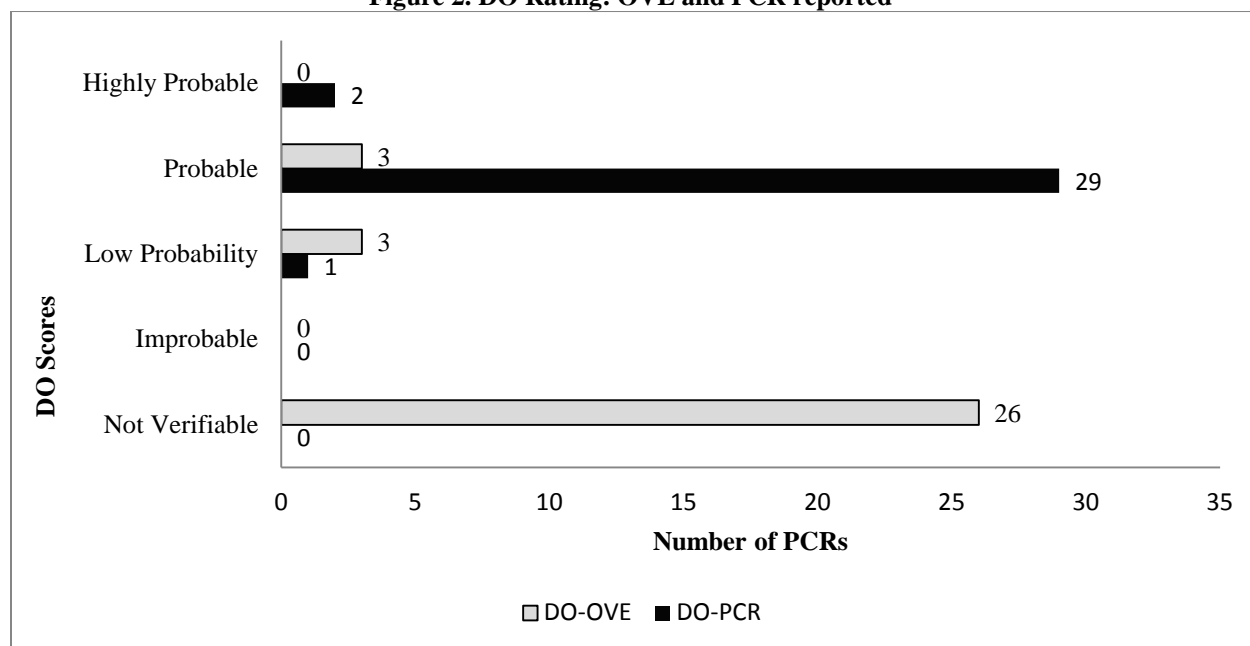
- 3.11. **The ‘outcomes’ section of the PCR Template requires that PCRs identify key outcome indicators; record baselines, milestones, targets, and well end data; and analyze the achievement of the DO by comparing achieved and planned outcome indicators.** If there is a significant gap between them, the PCR should include a brief explanation about the factors responsible for the gap. The Quick Guide also requires the inclusion of estimations of the Internal Rate of Return (IRR) and of Cost Effectiveness for all PCRs of projects that presented such analysis at approval. The Template also contains a section on Externalities: “unintended positive and negative consequences occurring during project execution. To the extent possible, discuss any externalities resulting from this project, with special emphasis on environmental and social aspects.” The Template then request that the PCR ‘rate the project in terms of attainment of the DO according to the following benchmark²⁸:

Table 3. Ratings and Criteria for Development Objective

Score	Rating	Criteria
4	Highly Probable	Project achieved or is expected to achieve or exceed <u>all</u> its DO(s) and it has achieved or is highly probable to achieve substantial development results.
3	Probable	Project has achieved or is expected to achieve <u>most</u> of its DO(s) or is expected to achieve satisfactory development results.
2	Low Probability	Project failed to achieve or is not expected to achieve <u>most</u> of its DO(s) and has not yielded substantial development results.
1	Improbable	Project failed to achieve and is not expected to achieve <u>any</u> of its DO(s).

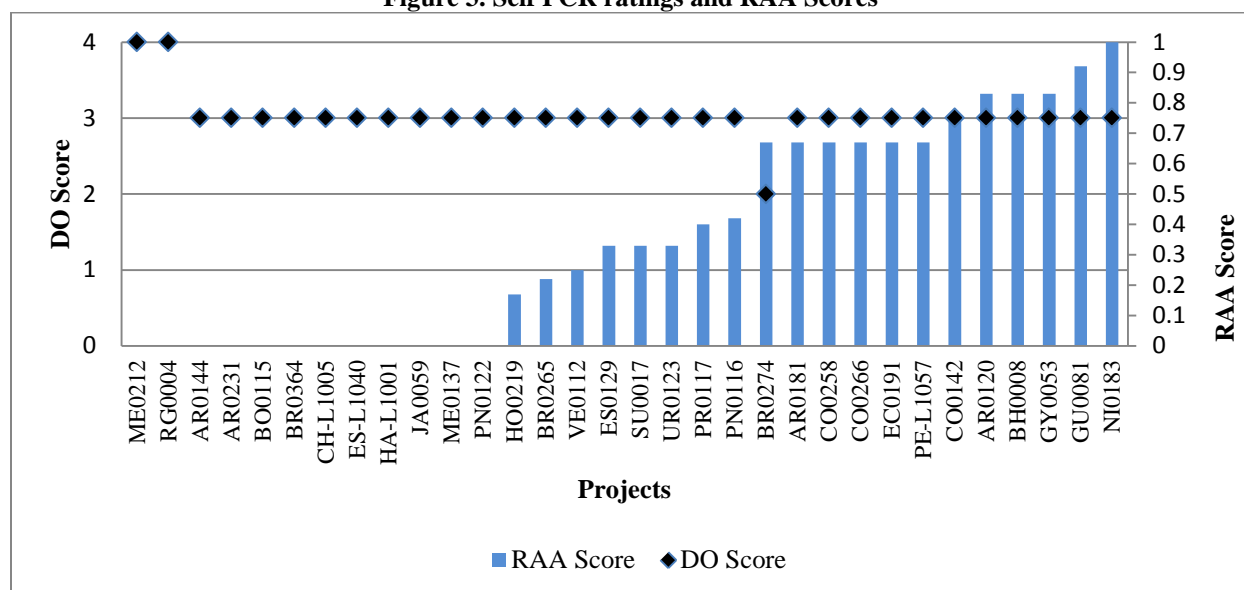
- 3.12. **OVE assessed the empirical adequacy of the PCR DO ratings²⁹ and was able to validate the DO rating in six PCRs.** In only one case (BR0274) in the 2008 cohort was the information presented in the PCR and annexes sufficient and consistent with the ratings provided by the team leaders. In the 2009 cohort the same is true for two PCRs³⁰ and in three other cases OVE found enough evidence to downgrade the DO score given in the PCR.³¹ Figure 2 shows the ratings given by OVE versus the ratings found in the PCRs for the 32 reports analyzed. All project that lack information for validation were rated by OVE as “not verifiable.”

Figure 2. DO Rating: OVE and PCR reported



- 3.13. **IRRs are not being calculated as required.** According to the PCR quick reference guide of 2006, rates of return should be used for assessing a project’s achievement of its Development Objectives. Indeed, the MDB-ECG’s core standards and the PCR Template required projects to re-estimate rates of return.³² To comply with this, a PCR should update the ex-ante IRR calculation if it was done at approval and apply a comparable methodology ex-post. Yet, of the twelve PCRs required to report these estimates, only one project (UR0123) did the ex-post recalculation, but the PCR did not report on that estimate.
- 3.14. **The analysis shows that the availability of data or evidence appears to have no bearing on the PCR DO scores assigned.** Most DO scores reviewed for 2008/2009 had the same rating of three (probable), no matter the empirical evidence provided (RAA score), suggesting that the score is assigned independently of the existence of the appropriate outcome indicators.

Figure 3. Self PCR ratings and RAA Scores



2. Implementation Progress (IP)

- 3.15. According to the quick reference guides, the Output section (Section III. Item c.) of the PCR is supposed to be filled with information from the Bank's monitoring report system, and updated.³³ The authors of the PCR are then asked to update the outputs achieved by the project. At the end of the IP section, the PCR rates the project implementation along the following criteria.

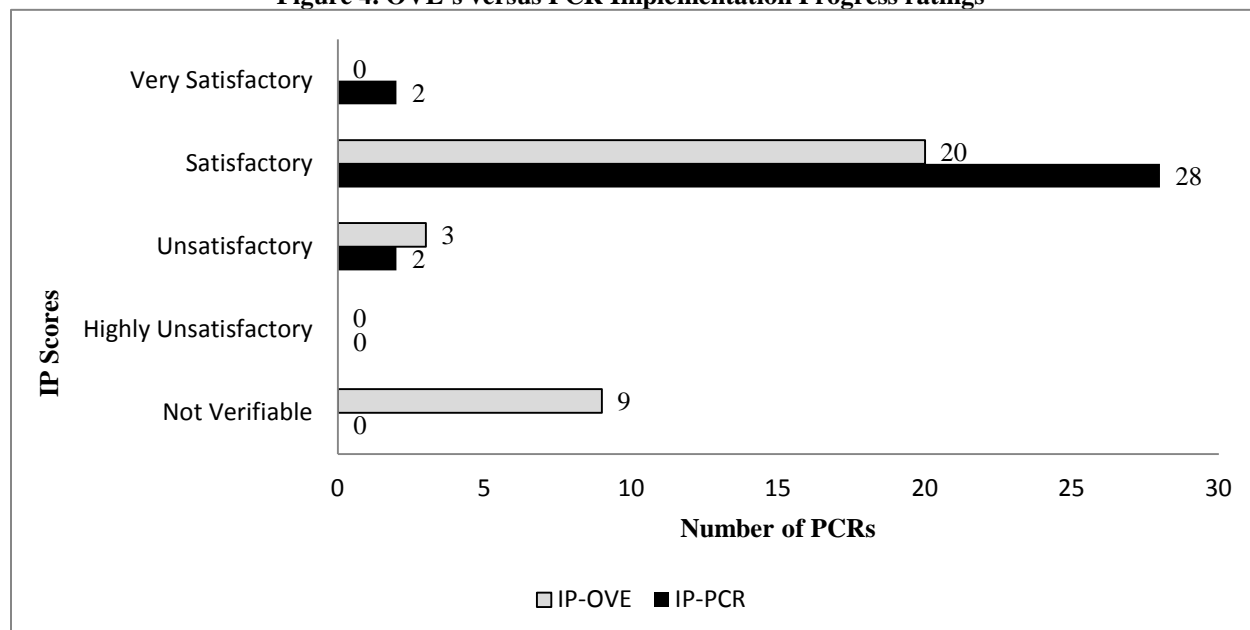
Table 4. Ratings and Criteria for Implementation Progress

Score	Rating	Criteria
4	Very Satisfactory	Implementation of <u>all</u> project components was on schedule as envisaged in the original or revised Project Execution Plan (PEP) and the overall quality of the outputs is good.
3	Satisfactory	Implementation of the <u>significant</u> components (critical to achieving DO) was on schedule as envisaged in the original or revised PEP and the quality is adequate. Some components may require remedial actions, but they will not seriously affect or delay overall project implementation.
2	Unsatisfactory	<u>Most significant</u> components were not in compliance with original or revised PEP and there is a problem with quality. A serious delay in implementation of the project occurred.
1	Very Unsatisfactory	<u>Most significant</u> components were not in compliance with the original or revised PEP <u>and/or</u> there was a serious problem with quality.

- 3.16. OVE was able to validate 23 of the 32 PCR IP ratings.³⁴ Figure 4 shows the results of OVE's validation and contrasts it with the ratings presented in the PCRs. PCRs are better

at documenting what was delivered (outputs) than documenting results from the projects (outcomes). Difficulties in validating IP self-ratings of the remaining PCRs were due to several problems.

Figure 4. OVE's versus PCR Implementation Progress ratings



- 3.17. **First, in several PCRs the discussion on the output indicators was not enough to validate the IP rating.** For example, in the case of ME0137, the Housing Finance Program, the annex of the PCR prepared by the Mexican authorities includes information on one of the projects's key outputs, "number of subsidies." However, it shows a rise trend up to 2003 and a sharp decrease from this year on. The lack of target indicators or a target trend from the outset constrains the possibility of validating the IP rating for the loan.
- 3.18. **Second, the PCRs of projects that experienced cancellations/waivers did not provide sufficient analysis of these issues and the impact on the program as a whole.** For example, the PCR of HA-L1001, Fiscal Reform in Haiti, mentions some conditions that were not achieved by the country. Though waived, these conditions such as the creation of the internal inspection unit with qualified personnel and the approval of a new Customs code seem to affect achievement of the PBL objectives.
- 3.19. **Finally, almost every PCR has insufficient analysis of the quality and cost of outputs.** The PCR Guidelines' state that a PCR's IP rating criteria is also a function of whether the achieved outputs were of expected quality and reasonable cost. But the PCRs rarely discussed the quality or costs of outputs, and even in those rare PCRs that did mention quality or cost, the discussion is insufficient.

3. Sustainability (S)

- 3.20. **In the 'sustainability' section, the PCR Quick Reference Guide requires:** (i) analysis of the critical factors related to the sustainability of the results achieved throughout pro-

ject execution, including a future operation plan; (ii) potential risks that could affect sustainability of results and how these will be managed, including recommendations of Bank follow-up actions; and (iii) EA/Borrower's capacity to sustain project results. This section concludes with the sustainability rating (S rating), defined as follows:

Table 5. Ratings and Criteria for Sustainability

Score	Rating	Criteria
4	Highly Probable	All significant achievements related to its DO are expected to be sustained throughout the economic life of the project. Specific and robust features were included in project design or during execution that will most likely ensure its financial and institutional sustainability
3	Probable	Most of the significant project achievements are expected to be sustained during the economic life of the project. Satisfactory features were included aimed at ensuring its financial and institutional sustainability
2	Low Probability	Some of the significant project achievements are not expected to be sustained throughout the economic life of the project; Few features were included either during the design or execution to ensure its financial and/or institutional sustainability
1	Improbable	Few, if any of the project's achievements are likely to be sustained. No features were included to ensure its financial and/or institutional sustainability

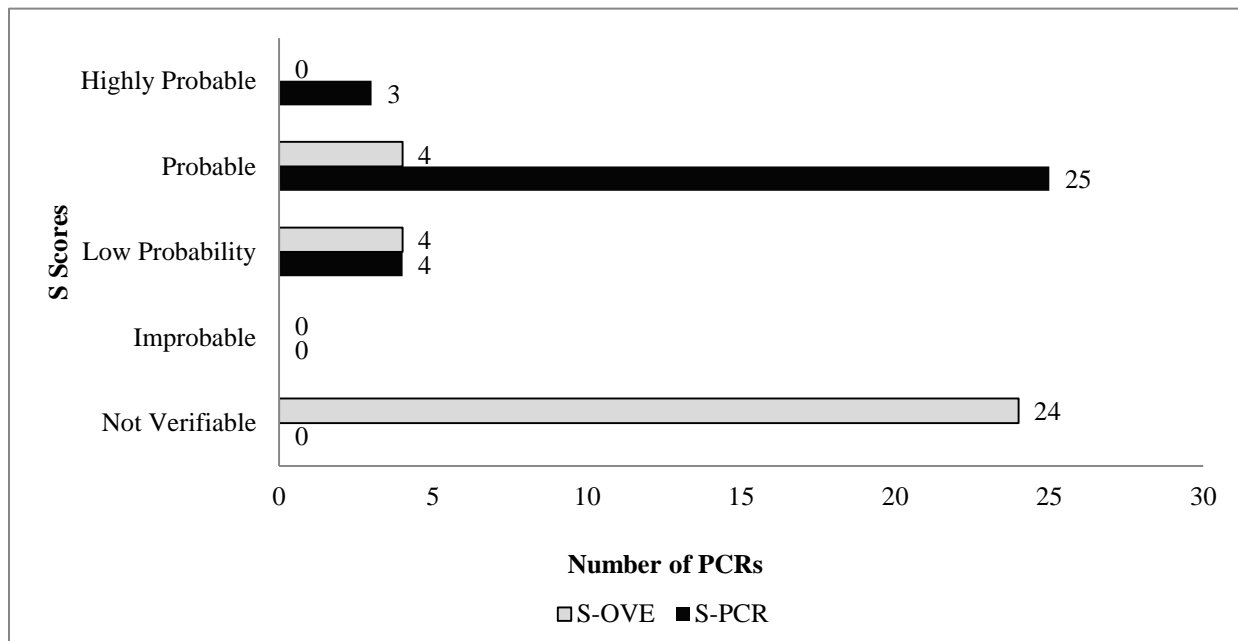
- 3.21. **OVE found that PCRs do not identify critical factors that will affect the continuity of benefits or identify how these will be measured or tracked.** In such circumstances, it is difficult to empirically validate the sustainability findings. Some of the key difficulties are noted below.
- 3.22. **First, sustainability ratings are often constrained by a lack of information on benefits and implementation progress.** OVE considered all information available in the PCR when analyzing the sustainability section. The sustainability rating was validated even if projects did not have information on outcomes achieved, as long as they had a clear discussion of outputs, indicating their sustainability and their link to the achievement of project objectives.³⁵ However, in the many cases information on implementation progress is insufficient to show that either outcomes or outputs will be sustainable. For example, the project “to support diversity in the university” (BR0364) lacks information on achieved results. It also has a number of inconsistencies when discussing the necessary policy changes, which would be necessary to guarantee sustainability. Given these difficulties and the lack of an analysis of their consequences for sustainability going forward, it is not possible to substantiate the positive rating claimed in the PCR. In other instances PCRs assign high sustainability ratings, even though project activities have not executed. This is the case of the regional project RG0004 aimed at “*consolidate[ing] and execut[ing] the Environmental Management Master Plan and the Action Plan for Resettlement and Rehabilitation (as an integral part of the Yacyretá Hydroelectric Project) to safeguard and improve the quality of life of the affected populations.*” The PCR has no outcome indicator and states that the main activities of the project have not been completed when the

PCR was prepared. Nevertheless, the PCR classifies the project sustainability as satisfactory.

- 3.23. **Second, most sustainability sections in PCRs present a poor analysis.** For example, in the case of the “Science and Technology” program (VE-0122), a main part of the program relates to the approval of a new law and to the structural changes at the Ministry level. However, the PCR does not analyze how these fundamental changes will impact the operational and financial sustainability of the project’s benefits. The PCR would have benefited from a thorough institutional analysis in order to substantiate the sustainability rating. In the case of the Epidemiological Shield and Sector Reform project (BO-0115), the discussion on institutional and financial sustainability was also limited, and inadequate in order to justify the reported sustainability ratings. Furthermore, in this particular case the cancellation of the component to support the Health Reform could clearly affect the continuity of the remaining components, yet consequences of this development were also not treated in the PCR. In the “Social Sector Program in support of the ERCERP” (NI-0183), the same trend is seen: the PCR provided no analysis of sustainability, despite indications of significant risks, yet maintains that results would be sustained. In this case the PCR provides evidence that reforms that were central to the project were not implemented, and that central aspects of the education reform could not be passed. Taken together, it is not possible to ascertain that there is a reasonable expectation that benefits will continue, as suggested by the satisfactory PCR rating in this section.
- 3.24. **Third, some sustainability ratings were not consistent with the PCR narrative and information available.** Generally, the PCR’s negative factors were more frequent and significant than the counterbalancing positive factors, yet many PCR’s self-ratings on Sustainability did not fully reflect the balance of these positive and negative factors. In general, there is a disconnect in these section between the narrative and the ratings provided. For example, in the case of the programmatic loan for “the reform of the Sanitation Sector” (PE-L1057) the PCR mentions high risks for the sustainability of the project, but does address or mitigate them in order to justify the PCR positive satisfactory rating. In the project “Low Income Shelters” (SU0117), the PCR raises key considerations related both to its institutional and financial sustainability yet rates the project favorably in sustainability.
- 3.25. **Based on the information contained, OVE could validate eight Sustainability ratings of the 32 PCRs (Figure 5).** Among the nine PCRs with empirical basis for validation, two of them were downgraded. In the project “Consolidation and Self-sufficiency of Agrarian Reform Settlements” (BR-0274), the PCR classifies the sustainability of the project as a “low probability” and the PCR provides the information necessary to demonstrate that the project has not generated the desired model and institutional arrangements that would make possible its sustainability. In the case of the project “Fiscal Reform and Governance” (HA-L1001), the PCR notes that the probability for the project to be sustainable is low due to three main critical factors: political instability, lack of support of the parliament in relation with key reforms, and lack of capacity of human resources. In the case of it is possible to validate the Sustainable score as probable. EC-0191 supported the program SIGTierras and the PCR rating for sustainability was “probable.” OVE found enough evidence in the report to support its rating. For instance, the Ecuadorian

Ministry of Planning has given high priority to the program and the Ecuadorian Ministry of Finance has given financial resources to support the program in 2009. Moreover, SIGTierras has received formal interest by 50 municipalities to implement the titling program, and the ministry of finance is considering further financing of the IDB to upscale the program nationwide. Another example is CH-L1005. OVE validated the sustainability score as probable. The project financed the institutional strengthening of SENEMA. At the beginning of the program SENAMA had 27 functionaries and at the end of the program there were a total of 161, with a proportional increase in the SENEMA. In addition, the continued support from the government of Chile is essential for the program's sustainability.

Figure 5. OVE's versus PCR Sustainability ratings



IV. AREAS FOR IMPROVEMENT IN THE PCR SYSTEM

- 4.1. **OVE's desk review analysis of PCRs approved in 2008 and 2009 led to similar conclusions as OVE's PCR review in 2005.** The evidence provided improved at the output level but is still inadequate at the outcome level. PCRs provide little evidence to document projects' achievement of their Development Objectives. Although projects typically include some version of an ex-ante Results Framework during project preparation, and although the PCR template require PCRs to use outcome indicators to compare planned results with achieved results, this evaluation found that few PCRs contained acceptable analysis of results.
- 4.2. **OVE recognizes that the severe data limitations identified in Chapter 3 above are likely to be related to deficiencies in project design.** OVE reviewed the quality of the results frameworks at approval of five of the 32 projects in the sample.³⁶ Without exception, all projects lacked well-defined outcome indicators.³⁷ The introduction of the DEM and the focus given to evaluation after project approval, as discussed in RE-397-1, have

the potential to improve the data environment in which PCRs will be produced in the future.

- 4.3. **OVE's analysis undertaken for this review also found a number of shortcomings in the current PCR system, which might help explain the low quality of the reports and their lack of data, mirroring the findings of others who have studied the topic.** The report submitted in June 2011 by the Independent Review Panel³⁸ studying IDB's evaluation system³⁹ pointed out that negative perceptions of the self-evaluation system "*run high due to beliefs that the system was introduced too quickly and without proper resources, training, consultation, and guidelines.*" This includes the PCR as well. According to the IRP report, "[w]hile a large majority of respondents view these reports as relevant to their work (...), the evidence in support of their usefulness and influence was weaker. This is consistent with the feedback received during the focus groups that indicated that PCRs received little attention or importance." Similarly, interviews with staff conducted by OVE in 2011 indicated that the existing PCR guidelines provide insufficient direction on evaluation criteria and format, and there has been too little training of staff and consultants on how to write PCRs. This leads PCR authors to seek help from colleagues or to invent their own solutions, a possible cause of poor-quality PCRs.
- 4.4. **The problem of insufficient funding to produce PCRs, was reinforced by staff interviews.**⁴⁰ PCRs are usually financed with the supervision resources remaining at the time of project closure. As mentioned in the staff survey, "*The funding for the PCR comes out of whatever is left in the supervision budget. It is almost assumed that no money is needed for the PCR.*" "*People don't have time for PCRs. The time allocated to preparing projects has been reduced and the number of projects approved has increased, with the same resources.*" Respondents to the staff survey reported that the average number of days they spent on preparing their most recent PCR was less than 14.
- 4.5. **However, despite the general perception that resources are insufficient, it is not possible to determine how much PCRs actually cost, impeding precise measurement of how much more needs to be allocated for the PCR production.** The costs related to PCRs do not enter as a line item in the division's budget, as they are financed by the remaining supervision budget. Since some of these resources are used for other post-project activities (e.g., workshops), they are not a good proxy for the cost of the PCR. Another difficulty in estimating the actual cost of PCRs comes from the fact that PCRs for investment projects can begin to be produced even before the project closes.
- 4.6. **Management's 2012 budget proposal⁴¹ calls for a "gradual incorporation of quality enhancement requirements in operational cost parameters."** It requests an additional \$850 million to ensure adequate monitoring of the DEF, including the Development Effectiveness Matrix (DEM), the Project Monitoring Report (PMR), and PCRs.⁴² However, if costs related to PCRs are not a separate line in the budget, how much is actually spent and how much increase is needed to achieve better quality reports will remain unclear.
- 4.7. **In addition, the system of quality review does not appear to ensure high quality.** Of the 79 PCRs approved in 2010, 29 included the Quality and Risk Review (QRR) comments as an annex; in the other cases OVE had no access to the QRR information. The analysis of available QRR information revealed that in about 25% of the cases the QRR was attached but it generated no comments. Moreover, only slightly more than half of the

survey respondents said that the comments received at the QRR meeting were useful. Only about a third of respondents said that QRR comments addressed the findings, conclusions, and recommendations in the PCR or important topics that had been overlooked. Problems with data or the empirical basis of conclusions drawn in the PCR were covered only 23 percent of the time. As mentioned by a respondent to the staff survey, *“We organize a QRR meeting to review the PCR, but very few people show up. The ones that do have very little to say about the content of the PCR – the discussion is mostly about grammar.”* Another respondent observed that *“Nobody reviews PCRs, so there is little incentive for quality. There isn’t much quality control at the level of the Division Chief either, and not much push at the Board for results.”* In fact, 36% of respondents said there was no division review or review by their manager of the PCR.

- 4.8. **The existing PCR format compounds the problem.** The template contains separate sections for the discussion of project outputs and the discussion of project outcomes, as pointed out by many during interviews. This type of organization breaks the presentation of the results chain – the sequence of events between project activities, outputs, and outcomes – making it difficult to determine whether the intended chain of events did in fact take place and thus whether observed outcomes can be attributed to the project. In addition, the existing PCR template asks only for data on the project performance indicators defined at entry or modified during execution. This gives the appearance that other relevant evidence may be ignored. Limiting evidence to project-defined performance indicators is particularly problematic if the project’s M&E system was poorly designed and/or implemented. Some of these issues were noted during interviews and others were reflected in explicit suggestions for changes in the template in the online staff survey.⁴³
- 4.9. **A comparison of the current PCR template with the Good Practice Standards (GPS) of the Evaluation Cooperation Group (ECG) reveals a number of areas in which the existing PCR guidelines are inconsistent with the GPS.**⁴⁴ These are mainly in the definitions of criteria upon which a project is assessed. The GPS calls for four “core” evaluation criteria to be assessed and rated: Relevance, Effectiveness (achievement of objectives), Efficiency, and Sustainability. The existing PCR methodology calls for three evaluation criteria to be assessed and rated: Achievement of Development Objectives (DO), Implementation Progress (IP), and Sustainability (SU). Of the three, only SU is the same as the GPS core criterion. DO corresponds roughly to the Effectiveness criterion in the GPS, but, as noted above, the discussion of outcomes is separated from the discussion of outputs, splitting the discussion of the results chain into two parts. DO also includes some elements of project efficiency. The third PCR criterion, IP, does not correspond to a GPS criterion, although it could usefully be included in the effectiveness section of the GPS as part of the discussion of the causal chain.
- 4.10. **Data from the staff survey indicates that the Exit Workshop provides some useful information for the PCR, but that more could be gained from these reviews.** Of the 78 PCRs for projects that finished disbursing in 2010, 84 percent included some Exit Workshop material in an annex, although the content of the annex varied: some were the minutes of the meeting, some copied the Bank’s presentation, and some provided the list of participants. This seems to corroborate with the results of the survey: Eighty-three percent of respondents held an Exit Workshop, and 79 percent used information from the workshop in PCR preparation. However, in the staff survey a few respondents pointed

out problems they faced with the exit workshop. For example, *“Depending on the project, exit workshops tend to happen years after the project has ended. That also means that executing units are not there to provide feedback. The Government has no motivation to participate actively in the workshop. It would be more appropriate to have the exit workshop at the same time (or during) the final evaluation.”*

- 4.11. **Most projects have a final evaluation planed at approval, but little information was found about them in the PCRs.** 38 percent of the PCRs approved in 2010 included the final evaluation as an annex. For the remainder 62 percent, it is unclear whether or not a final evaluation was done. Responses to the staff survey indicated that a final evaluation was produced before the PCR 58 percent of the time, and of those, 78 percent were used it as an input to the PCR, this indicates that not always the final evaluation was produced before the PCR.
- 4.12. **A key underlying problem is that PCRs are perceived in the Bank as a document of limited usefulness.** Many staff regard the self-evaluation system, including PCRs, as having limited usefulness and as being too inflexible. As a result, according to the IRP report, the system is not being used as it needs to be to establish a culture of learning. This perception of PCRs was confirmed by interviews with IDB staff. For instance, only 22 percent of survey respondents had used a PCR in discussions with country counterparts or stakeholders regarding public policy or project design. However, many staff commented in the survey that the PCR could potentially be useful to the Bank: *“The PCR could be a useful tool to generate institutional knowledge regarding the feasibility, challenges, and expected outcomes of different types of projects. Bank employees acquire qualitative information regarding these aspects, and the PCR could be a good vehicle to document this information.”* In fact, 46% of survey respondents suggested that motivation of staff to produce good quality PCRs and deliver them on time would be greater if PCRs were used more inside the Bank.
- 4.13. **The PCR is also not used by the counterparts.** Interviews conducted with counterparts revealed that they did not remember the contents of the PCR and saw it as another contractual requirement made by the IDB in order to obtain funds. 66 out of 79 PCRs approved in 2010 included the counterpart PCR, but the contents were brief and did not give evidence or reasons for assigning scores to the Bank. Out of the 66 counterpart PCRs, only in 1 case (BR0372) was an extended and well-documented borrower PCR performed.
- 4.14. **The absence of a regular and sustained process of OVE validation further compromised staff incentives to improve the quality of PCRs.** OVE did not play a central role in setting the right incentives in producing good quality PCRs by validating them annually. Since the last revision of the PCR guidelines in 2006, OVE sent to Management only one cycle of PCR validations, which were reflected in the 2010 DEO, but after that additional validations were not done or made public.
- 4.15. **The limited use of PCRs makes the production of high-quality PCRs difficult.** Interview evidence indicates that staff do not feel a strong incentive to produce high-quality and timely PCRs because self-evaluation is not a priority of Management and there is no further use of the final PCR approved.⁴⁵ More than sixty percent of those surveyed felt that staff are not rewarded or recognized for producing high-quality PCRs by their man-

ager, in departmental meetings or in their performance appraisal. *“PCRs are not visible, and the work required to produce a high-quality PCR is not recognized.”* During 2006-2010, 60 percent of PCRs were delivered more than 180 days after the last disbursement date. For PCRs approved in 2008-11, the average delivery date was 250 days after the date of last disbursement; some were delayed more than a year.

- 4.16. **Conflict of interest is another potential issue.** According to interviews with PCR authors, when preparing PCRs, some authors hesitate to criticize their colleagues who worked in the design or in part of the execution of the project.⁴⁶ This can result in unjustifiably high ratings, particularly on DO and Bank Performance. The share of PCRs with DO ratings that were “probable” or “highly probable” (the upper two of four rating categories) was 80 percent in 2008, 85 percent in 2009, and 87 percent in 2010. PCR authors praised the performance of the Bank even more: in 2010, fully 93 percent of PCRs rated Bank Performance “highly satisfactory” or “satisfactory.”⁴⁷
- 4.17. **Many of the problems with the existing PCR system are not unique to IDB.** Other IFIs and development organizations have had similar experiences with project self-evaluation: a lack of incentives to deliver quality reports; inattention by management and staff; and missed opportunities to apply lessons learned from past operations. For example, a study by the International Development Research Centre (IDRC) of its project completion report process noted “When staff realized that their project completion reports were unlikely ever to be read, they understandably became reluctant to put time and effort into preparing them. As a result, (...) when these people left the program or the organization, IDRC suffered a ‘knowledge drain.’”⁴⁸

V. CONCLUSIONS AND RECOMMENDATIONS

- 5.1 **OVE’s analysis of PCRs approved in 2008-09 indicates that PCRs’ documentation of results improved at the output level but is still inadequate at the outcome level.** On average, the PCRs reviewed contained only 37% percent of the metrics required to fully document the achievements of the project’s development objectives. Objectives were sometimes asserted as achieved but the supporting data did not corroborate the assertion. DO scores are almost all high and unrelated to the extent of evidence presented. Interviews with staff confirm this conclusion: *“People don’t think PCRs are useful because their empirical grounding is not good.”*
- 5.2. **The poor quality of PCRs is associated with several problems identified during the interviews.** Lack of guidance, a poor template, and weak staff incentives to produce good quality reports help to explain the results of the validation exercise.
- 5.3. **Management and the Board of Directors are aware of the deficiencies of PCRs, which were reported in the 2010 Development Effectiveness Overview (DEO) and the IRP report.** There is a consensus at the IDB that the Bank’s project evaluation system should provide quality, accurate and timely information on project results. These results should be produced and delivered by the Bank in a manner that maximizes its use by both the Bank and its clients in improving the quality of project design and public policy. Management plans to build on the achievements of the new monitoring instrument (PMR) and revise the current PCR system. The DEF provides the umbrella framework for self-evaluation, and the progress to date in implementing the DEM and the PMR

should produce a new cohort of projects with greatly improved results frameworks and M&E systems.⁴⁹ This should improve the quality of evidence available for the PCR.

- 5.4. **Accurate and well-documented PCRs are the key for the Bank to report on its results.** Management's willingness to address the problems of the PCRs may represent an opening to significantly improve the Bank's monitoring and evaluation system in this regard and its incentive structure. OVE will also use this opportunity to take a more active role in validating and making the results of its validations public annually after the implementation of the improved system.
- 5.5. **Based on the analysis in this report, OVE recommends the following actions to improve the PCR in IDB:**
 - a. **Revise the current template to harmonize better with the DEF and the ECG-GPS and adopt the template by January 2013.** The goal is to document results and the reasons for those results fully and accurately. The new template should provide space for discussing and rating a project's relevance, effectiveness, efficiency, and sustainability.
 - b. **Strengthen the PCR production process and staff incentives.** Draft PCRs should be carefully reviewed by Management prior to approval, and a representative sample should be validated by OVE after approval. In addition, PCRs should be systematically disseminated internally and externally, and tools for increasing their use should be developed. Finally, in order to increase the incentives for high quality reports, the self-evaluation work should be properly recognized.
 - c. **Use a separate budget code and ensure adequate funding for PCRs.** PCRs are a critical element of IDB's results agenda, and explicit budgeting will strengthen incentives for their production and enable an accurate estimation of appropriate funding levels.

END NOTES

¹ Development Committee, Task Force on Multilateral Development Banks. “Serving a Changing World – Report of the Task Force on Multilateral Development Banks,” March 15, 1996.

² OVE. RE-247-2. “Oversight Review of the IDB’s Project Performance Monitoring Review, the Mid-Term Evaluation, and the Project Completion Report.” October 2001.

³ OVE. RE-315. “Assessment of the 2004 Project Completion Reports (PCRs) Produced under the Bank’s New PCR Guidelines.” Presented to the Board in April 2006.

⁴ OVE also assessed a sample of PCRs in 2010 as part of the effort to report on PCRs in the DEO. The results of the sample analyzed are included in chapter 3 of this report.

⁵ IDB. “Quick Reference Guide for Preparing and Processing the PCR.” August 2006. <http://dev/PMP/English/New-PCR-2006.aspx>

⁶ The latest review of PCRs submitted to the Board included specific recommendations: (i) The Bank should comply with the MDB-ECG principles; (ii) The Result Frameworks should systematically record outcome evidence related to projects’ objectives; (iii) The Bank should improve output reporting; and (iv) Mechanisms and incentives should be designed to guarantee compliance with Bank’s guidelines and supervision function. IDB Management agreed with OVE’s recommendations and the Board suggested the Bank adopt them and track their implementation.

⁷ OVE selected the 25 latest PCRs approved by division chiefs and country representatives in order to do extended interviews with the PCR authors. PCRs approved between June 2011 and October 2011 were selected. Also, interviews with all the main division chiefs in VPS were conducted. 2 interviews were also done with executing agencies regarding PCR use.

⁸ The survey was sent to PCR authors (2006-11) and a sample of other potential PCR users in VPS Divisions, Research (RES), Knowledge and Learning (KNL), and Environmental Safeguards (ESG). Of 452 people in the sample, 132 responded (a response rate of approximately 30%). Seventy-seven percent had participated in the preparation of at least one PCR during the past five years; of these, 77 percent had been the PCR team leader. Eighty-four percent of respondents worked in VPS, evenly split between headquarters and country offices. There was a fairly even distribution of VPS staff by sector.

⁹ PCRs currently are governed by guidelines produced in mid-2006. For Sovereign Guaranteed Operations, PCRs are required for projects supported by IDB loans of \$150,000 or more, with execution periods of at least twelve months. Certain Non-Reimbursable Technical Cooperation activities also require a PCR.

¹⁰ IDB (2006), *Project Completion Report*. Version 1.1, July 25; IDB (2006) *Project Completion Report: Policy-Based Loan*, June; and IDB (2006) *Quick Reference Guide for Preparing and Processing the Project Completion Report*, August. PCRs also are governed by OP-305, *Ex-Post Evaluation Operations*, October 2003, and CO-309, *Project Completion Report Manual*, May 2006.

¹¹ The following NRTC with PPMRs require a PCR: Regional and national NRTC approved as of September 30, 2003 with logical frameworks, equal to or greater than US\$150,000, having an execution period of more than 12 months, financed with resources from the Fund for Special Operations, Japan Special Fund (JSF), the FSF for Poverty Reduction Program, TC funds and other independent technical cooperation funds, including the General Cooperation Fund for Spain (FGCE), the Korean Fund for Technical Cooperation to the Republic of Colombia, and the Disaster Assistance and Reconstruction Fund for Central American Countries affected by Hurricane Mitch.

¹² Only one PCR is required for a series of programmatic Policy-Based Loans (PBLs) or Multi-Phase Program Loans (MPLs).

¹³ Projects often (but not always) require a “final evaluation” to be prepared by the executing agency. If required, the plan for the final evaluation is included in the project’s Loan Proposal. Most final evaluations focus on project implementation, outputs, and costs, rather than on the achievement of development outcomes, but sometimes the final evaluation is an impact evaluation. If available, the final evaluation can be a useful input to the PCR.

¹⁴ The exit workshop usually includes all the key stakeholders for a discussion about the results and the lessons learned during the project.

¹⁵ Among all PCRs approved in 2010 84 percent complied with this requirement.

¹⁶ IDB’s manual “CO-309 Project Completion Report – PCR (FLD-23)(2006),” effective May 2006 indicates that “due date to the CRG (at the country office or HQ) is 90 days from the Totally Disbursed Date (...) and approved by the corresponding CRG no more than 90 days after the due date.”

¹⁷ IDB’s disclosure policy (*Access to Information Policy*, May 11, 2010) does not specifically mention PCRs, but generally allows exceptions to full disclosure when the potential harm to interests, entities, or parties arising from

disclosure of information would outweigh the benefits. The Bank will not disclose information that is contained within country-specific documents produced by the Bank if it has been identified in writing by countries as confidential or potentially damaging to its relations with the Bank.

¹⁸ This chapter is based on the Technical Note wrote by OVE and sent to Management in December 2010. The note included the analysis for the 2008 cohort, i.e. PCRs approved in until June 2009. This chapter updated the findings of the Technical Note to include the results for the 2009 cohort as well.

¹⁹ In the future PCR reviews, OVE intend to follow the protocol of meeting with teams before finalizing each PCR review.

²⁰ The cohort is defined as the universe of PCRs approved prior to July 1st of the following year. For example, the 2008 cohort includes projects that finished disbursing in 2008 and for which the PCR was approved before July 1st of 2009. This cohort also includes the PCRs of projects that had not yet finished disbursing in 2008, but which had PCRs approved between July 2008 and June 2009. OVE followed the rule used by SPD, which in 2009 and 2010 was PCRs approved until June 30th of the respective year.

²¹ Comparing to the previous PCR Assessment (2004), this represent an improvement in congruence. In 2004, only in 4 out of the 19 PCR reviewed PCR objectives were congruent with Loan Document (LD) objectives.

²² Based on the information contained in PCRs, some projects appeared to have been reformulated, such as AR0144, AR0181, BO0115, CO0142, UR0123. In fact, 4 PCRs state that reformulations do not affect development objectives. For instance, in the case of AR0144, the reformulations of the project (in 2000 and 2004) entailed a cancellation of more than 60% of the originally approved amount and a change in the intervention model, yet the Development Objectives were not modified. In other cases, components, indicators and their metric are adjusted, sometimes during retrofitting exercise. In the case of BH0008: "indicators related to the closure of existing official and illegal dumps were removed as well as vague indicators related to the reduction of odors at the landfill sites." In the case of UR0123, only targets were reduced. Also in the case of PN0116, indicators and targets were changed.

²³ A project's objectives in loan documents are often complex and difficult to achieve and yet, after several years in the Bank's supervision system, objectives in the PCRs are frequently rewritten to become vaguer.

²⁴ If the indicator is not considered adequate for measuring the objective it is not counted towards measuring the RAA.

²⁵ This meant in some cases that the general objective was considered, while in others the specific. The main reason for adopting such strategy was to keep the compared objectives at the same level, instead of looking in all cases at the specific objective, which in some projects was defined at the output level and in others at the outcome. Similarly, when considering the general objectives, some were at the impact level and some at the outcome level.

²⁶ Comparing to the previous PCR Assessment (2004), the results are the opposite. In 2004, RAA Investment loan average was 0.31 and RAA Policy Based Loans was 0.15.

²⁷ Outcome indicators without all baselines are also found in BR0274 and BH0008

²⁸ The templates state that for "DO Classification: Note that a more objective rating system is currently being developed. In the meantime, please consider the following"

²⁹ This assessment requires that (i) the intervention be implemented, (ii) the data on outcomes is well defined and tracked over time, and (iii) the data on outcomes is consistent with the rating assigned.

³⁰ GU0081 and CO0258.

³¹ EC0191, GY0053, AR0120.

³² The MDB-ECG's Core Standards require "Re-estimated economic performance, involving re-estimation of economic and financial rates of return when these parameters were estimated at appraisal, and cost-effectiveness analysis for projects not subject to cost-benefit analysis at appraisal." See Appendix. From "Comparative Analysis of MDB Completion Reporting and Performance Review," The World Bank Committee on Development Effectiveness CODE96-77 November 12, 1996. The Guidelines also require the PCR to recalculate the Internal Rate of Return (IRR) and all other economic evaluation indicators if they were initially included in the Loan Document. (PCR Guidelines, May 2004, pg 23)

³³ The PPMR was replaced by the PMR system, however, most of the PCRs analyzed in this report correspond to projects that did not have a PMR, as they completed prior to its implementation.

³⁴ In three PCRs OVE found enough information to downgrade the rating given by the PCR author in the PI section.

³⁵ This is the case of CH-L1005, BR0265, and HA-L1001.

³⁶ The five projects whose results framework were revised, EC-0191, ES-0129, HA-L1001, ME-0212 and SU-0017, were approved in 2001 or 2005, and were subject to the evaluability review done by OVE in these years. The analy-

sis presented in this paragraph reflects the findings in the evaluability notes prepared by OVE for these projects. For more information see RE-275 and RE-333

³⁷ For instance, in ME-0212 the first indicator proposed for the project's purpose is not an outcome indicator. It defines an absolute number not related to a population of beneficiaries and thus is not an indicator of coverage. In fact, the project implicitly recognizes that these are output indicators when it proposes the same variables as indicators for the third component. Similarly, in the loan document for EC-0191 outcomes are not described nor are indicators developed. How enhanced titling security will lead to the ultimate outcomes of a more dynamic land market, increased investment, greater production, and reduced poverty is not explained.

³⁸ In August 2010 the Board commissioned an external review of IDB's evaluation function to assess its quality and recommend ways to strengthen the role of evaluation in achieving development effectiveness.

³⁹ IDB (2011). *Strengthening Evaluation to Improve Development Results: Report of the Independent Review Panel on Evaluation at the Inter-American Development Bank*. Washington, D.C.

⁴⁰ Interviews with staff suggested that the average cost is between \$10,000 and \$20,000. Data from the staff survey are less indicative: the reported cost of a PCR consultant ranged from \$2,500 to \$80,000 (the latter was for a firm), along with between \$500 and \$5,000 for consultant travel and a similar amount for staff travel. Respondents spent an average of two to three weeks preparing the PCR. The amount spent for additional data collection ranged from \$0 to \$5,000, with the typical amount being between \$0 and \$1,000.

⁴¹ IDB (2011), "2012 Program and Budget Proposal," document no. GA-248-2, October 14.

⁴² The amount of resources devoted to monitoring and evaluation in the 2012 budget proposal represents a 26 percent increase over 2009, but includes expenses with the DEMs and PMRs as well.

⁴³ For example, one of the respondents of the staff survey mentioned that "*Taking care of the noted deficiencies, and consolidating the information with the indicators and goals included in the project ris, results, and DEM matrixes thus avoiding the need to prepare 4 separate reports that, worse yet, could have diverging or contradictory information and conclusions.*"

⁴⁴ The GPS calls for an assessment of the project's relevance, including both the Relevance of Objectives and the Relevance of Design. Under the current PCR methodology, Relevance is not included as a separate evaluation criterion, although to some extent, Relevance may be discussed in the DO section. The GPS calls for Efficiency to be assessed and rated as a separate criterion on the basis of both cost-benefit analysis (if feasible and practical) and cost-effectiveness analysis. In the current PCR format, evidence on efficiency -- ex post calculations of economic and financial rates of return and/or cost effectiveness -- is buried in the DO section.

⁴⁵ Of 256 PCRs approved between 2006 and 2010, 33.2% were not found on internet limiting further external use of the PCR.

⁴⁶ The PCR author usually is the person who was responsible for the design and/or implementation of the project, or a consultant who reports to that person. This puts the person responsible for the PCR in the difficult position of having to criticize his or her own work.

⁴⁷ 2008-09 data from DEO 2010; 2010 data from OVE.

⁴⁸ International Development Research Center (2005). *Deepening a Culture of Reflection: IDRC's Rolling Project Completion Report Process*. November; p. 2.

⁴⁹ The report of the Independent Review Panel (IRP), along with a background paper on Management's view of the evaluation function, IDB Management's Self Evaluation of the Evaluation Function at the IDB (Szekely, 2010), found that the changes introduced by the DEF in 2008 have set IDB on the right track for establishing a high-quality self-evaluation function that is consistent with good practice. Nevertheless, the report found that the self-evaluation system faces serious implementation challenges at the operational level.