



Corporate Evaluation

# Evaluation of the Development Effectiveness Framework

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# **Evaluation of the Development Effectiveness Framework**

**Office of Evaluation and Oversight**





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## [Response by IDB and IDB Invest Management](#)

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## Acronyms and Abbreviations

<b>ADB</b>	Asian Development Bank
<b>AfDB</b>	African Development Bank
<b>AUG</b>	Office of the Auditor General
<b>CRF</b>	Corporate Results Framework
<b>DEF</b>	Development Effectiveness Framework
<b>DEM</b>	Development Effectiveness Matrix
<b>DEO</b>	Development Effectiveness Overview
<b>DFID</b>	Department for International Development (UK)
<b>ECG</b>	Evaluation Cooperation Group
<b>ECG-GPS</b>	Evaluation Cooperation Group's Good Practice Standards
<b>GLAM</b>	Global Learning on Adaptive Management
<b>IEG</b>	Independent Evaluation Group
<b>IDB</b>	Inter-American Development Bank
<b>IDB-9</b>	Ninth General Capital Increase of the IDB
<b>IFAD</b>	International Fund for Agricultural Development
<b>KIC</b>	Knowledge, Innovation, and Communication Sector
<b>M&amp;E</b>	Monitoring and evaluation
<b>MDB</b>	Multilateral development bank
<b>OECD DAC</b>	Development Assistance Committee of the Organization for Economic Co-operation and Development

<b>OVE</b>	Office of Evaluation and Oversight
<b>PCR</b>	Project Completion Report
<b>PMR</b>	Progress Monitoring Report
<b>QRR</b>	Quality and Risk Review
<b>SG</b>	Sovereign-guaranteed
<b>SPD</b>	Office of Strategic Planning and Development Effectiveness
<b>TAPOMA</b>	Task Force on Portfolio Management
<b>TOC</b>	Theory of change
<b>USAID</b>	United States Agency for International Development
<b>VPC</b>	Vice Presidency for Countries
<b>VPS</b>	Vice Presidency for Sectors and Knowledge
<b>XSR</b>	Expanded Supervision Report

# Executive Summary

The Development Effectiveness Framework (DEF) was introduced at the Inter-American Development Bank (IDB) in 2008 with a clear purpose: “Increase the effectiveness of all of the Bank’s products through (i) setting clear standards and metrics for the evaluation of all development interventions; (ii) providing clear guidance to staff about analytical requirements for meeting the standards; (iii) aligning governance structures to comply with those set out as good practice standards; and (iv) establishing a results framework incorporated in the Corporate Performance Framework to monitor progress in key development effectiveness indicators.” The DEF aimed for “a greater focus on results, based on hard evidence, while improving the quality of the effort.”<sup>1</sup>

## Objective and methods

This evaluation assesses the degree to which the DEF is achieving its objectives and identifies the factors influencing its performance. In recent years, the Board and Management have prioritized improving development effectiveness, particularly after the Barranquilla Resolution of 2021<sup>2</sup> and the subsequent Washington Resolution of 2022.<sup>3</sup> It is also one of the priority areas under subsequent Bank institutional strategies. In accordance with international practice, the performance of the DEF is assessed through an objectives-based approach, evaluating the extent to which the DEF has achieved its objectives.

This evaluation uses mixed methods, combining quantitative and qualitative research methodologies. In addition to interviews, three surveys were conducted targeting project team leaders, Chiefs of Operations, and the Board of Executive Directors. Furthermore, the Office of Evaluation and Oversight (OVE) conducted two quantitative studies using machine learning and causal inference models. The first aimed to identify the factors predicting project ratings upon completion, while the second sought to understand the broader impact of the DEF on project performance as measured by project cancelations and execution delays. The evaluation findings are also based on internal document reviews and a comparative analysis of project development effectiveness management tools, comparing

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1 Document [GN-2489](#), para. 1.1.

2 Document [AG-7/21](#).

3 Document [AG-7/22](#).



those used by the Bank with those utilized by the African Development Bank, Asian Development Bank, International Fund for Agricultural Development, and World Bank.

### **The DEF: Description**

The foundational document establishing the DEF in 2008<sup>4</sup> stipulated the DEF's broad purpose and key elements for implementation. However, it did not make explicit the full causal chain between the actions proposed and the broad objective, prompting OVE to reconstruct the DEF objectives. The reconstructed general objective is to enhance the effectiveness of the Bank's products by fostering an institutional culture of achieving and demonstrating development results. The reconstructed specific objectives include (i) adopting governance arrangements that enable the effective implementation of the DEF; (ii) improving design, monitoring, and evaluation throughout the intervention's cycle; (iii) enhancing accountability for development results; and (iv) increasing learning from past experience.

The DEF was designed as a comprehensive system consisting of three interconnected pillars—governance, instruments, and reporting mechanisms. The governance pillar includes the roles and responsibilities of all actors involved, supported by a set of regulations, processes, and incentives, to align all stakeholders to effectively implement the DEF. The instruments pillar includes three instruments: the Development Effectiveness Matrix (DEM), the Project Monitoring Report (PMR), and the Project Completion Report (PCR). The DEM seeks to enhance evaluability at design. The PMR is used during implementation and seeks to ensure that activities and outputs are generated within the expected costs and time frame. The PCR is used at project completion; it is a self-evaluation report of the project's performance for accountability and learning. The reporting pillar includes two mechanisms for tracking progress in the achievement of the DEF's objectives: the Corporate Results Framework (CRF) and the Development Effectiveness Overview (DEO). The CRF monitors IDB Group's institutional strategy through a set of indicators and targets established every four years, including two indicators related to DEF instruments. The DEO is the IDB Group's annual report on development effectiveness, which reports on the progress on CRF indicators and includes lessons learned, results, and findings from PCRs and other sources of information.

### **Main findings**

The report assesses progress under each of the reconstructed DEF objectives.

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<sup>4</sup> Document [GN-2489](#).

- i) Specific Objective 1: Governance arrangements enable the effective implementation of the DEF.

The evaluation found that roles and responsibilities are dispersed across multiple documents, without one document providing a view of the entire system. This arrangement is particularly complex given that DEF instruments are applied in a decentralized manner, with different levels of validation. The dispersion of roles and responsibilities exists for two main reasons. On the one side, DEF governance arrangements were not fully defined from the beginning, as some stakeholders were overlooked or their responsibilities were not comprehensively or sufficiently defined. On the other side, roles and responsibilities continued to be developed separately for each DEF instrument, without providing a coherent view of the responsibilities throughout the project cycle.

Under the current definitions of roles and responsibilities, the Office of Strategic Planning and Development Effectiveness (SPD) has mainly an advisory and supportive role over the implementation of the DEF. SPD does not review or validate all information on DEF instruments, nor is it the final approver. The current dispersion in roles and responsibilities has left two important gaps in the DEF's implementation: first, promoting learning, as the Knowledge, Innovation, and Communication Sector (KIC) is not a direct stakeholder in the DEF; and second, ensuring effective quality assurance, as this function lies with the approver of each DEF instrument, and external validation is done on only parts of DEF instruments.

Processes for managing changes during implementation are inadequate and do not incorporate principles for adaptive rigor. On the one hand, non-substantial changes to projects are approved by Management, but the ongoing validity of a project's vertical logic is generally not verified. On the other hand, substantial changes to projects require Board approval; however, the processes for such approval are cumbersome.

The DEF instruments produce project scores and ratings that have created positive but also perverse incentives. On the positive side, these scores and ratings have garnered substantial attention within the institution, triggering some action when they fall below the target. On the negative side, they tend to bias the discussion toward what is measured by these indicators, overlooking other important elements. The perceived need to comply with the targets prompts gaming the system and disincentivizes candid assessments. Currently, strong incentives for approval, disbursement, and output delivery still prevail.

- ii) Specific Objective 2: Design, monitoring, and evaluation throughout the project cycle are improved

One of the main contributions of the DEF has been enabling the Bank to ascertain whether its projects are achieving their intended results, through the use of the three DEF instruments. With the DEM, the IDB was a pioneer among multilateral development banks in introducing a tool to enhance evaluability at entry. The DEM instigated an important cultural shift within the organization, bringing more rigor into project design and establishing key elements every project should have. However, one of the main shortcomings is that the DEM score ended up not being a relevant signal, as all projects consistently receive very high scores. Moreover, there is room for improvement to enhance the focus on results during project design.

One of the primary contributions of the PMR has been the meticulous monitoring of project outputs. However, the signals raised by the PMR have proven insufficient to predict the attainment of development results. The PMR classification is relevant to predict overall project outcome ratings in PCRs, but not their effectiveness. Furthermore, many projects with low effectiveness ratings never received an alert or problem classification in the PMR. Unlike the classification systems of other institutions reviewed, the PMR classification does not consider progress toward achieving objectives. Although the PMR reports outcomes, there are challenges with the quality of the information reported, and the instrument's contribution to assisting projects in achieving their intended results is limited. The PMR does not require verifying whether changes in project outputs affect expected project outcomes and, more broadly, whether the project's vertical logic continues to hold during implementation.

PCRs were substantially revised starting 2014, aligning their methodology to international standards, shifting toward an objectives-based methodology, and incorporating the evaluation criteria of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD DAC). However, despite these advancements, challenges persist in the quality of PCRs. OVE validation reports have revealed deficiencies primarily related to incomplete analyses and missing information. Additionally, PCRs for underachieving operations often lacked adequate explanations for their performance, limiting the opportunity for learning and improvement.

The three DEF instruments were not implemented simultaneously; the modifications to the PCRs were the last component, allowing systematic validation from OVE only since 2017. In recent years, project teams and SPD have begun incorporating learnings from going through the entire project cycle, including the PCR and its validation. Despite being designed as an integrated system, the DEF has failed to function as such. The objectives defined for the instruments are disconnected from each other. The focus on results present in the DEM and the PCR is lost in the PMR, whose objective is to ensure that

activities and outputs are generated within the expected costs and time frame. The use of the instruments is disconnected, diminishing the potential for introducing improvements throughout the project cycle. The disconnect between instruments is also illustrated by the sharp contrast between the average DEM score and PMR classification on the one hand, and the project ratings in PCRs on the other.

Despite the disconnects between instruments, the impact of the effects of DEF on project performance, as measured by project cancelations, shows that the implementation of its instruments generated a significant reduction in financial cancelations of projects. This positive result is noteworthy, given that in the Bank's self-evaluation system, avoiding such cancelations is the primary predictor, at closing, of the ultimate success and effectiveness of projects. On the other hand, OVE's estimates show that the DEF instruments increased execution delays for projects, potentially affecting their efficiency when measured by cost and time overrun analysis.

iii) Specific Objective 3: Accountability for development results is enhanced

Although the Bank has a reporting system similar to those of other institutions, the information reported on the active portfolio is inadequate, partly due to PMR-related shortcomings. Current reporting primarily emphasizes disbursements and PMR classification during implementation, neglecting other areas. Although the PMR offers additional information, such as an assessment of the likelihood of achieving development results and an examination of the implementation status along with lessons learned, the former tends to be overly optimistic, and the latter varies in quality due to inconsistent attention. Reporting on completed projects is somewhat deficient, as more information is still needed on the factors that explain project performance.

The deferral of changes to the PCR to later stages of the DEF implementation resulted in a delay in establishing reliable project performance data, affecting accountability. Only when a couple of years of reliable project performance data were available could OVE provide an analysis of trends in development effectiveness, making it evident that project results needed to improve. Although indicators related to satisfactory ratings from the PMR and PCR have been incorporated into the work plans of Bank Managers, these do not seem to have had the intended effect. Finally, Bank staff have concerns about the methodology for assessing results achievement through PCRs. The approach is perceived as too inflexible, given the long project execution periods and the cumbersome process of

reformulating projects. This perception erodes the sense of ownership and accountability among staff, as an important factor contributing to insufficient results is being attributed to the methodology itself.

iv) Specific Objective 4: Learning from past experience is increased

Learning was a central objective of the DEF to increase effectiveness; however, it has been hindered by multiple factors. The DEO is the only product related to the DEF that aggregates and systematizes information from the project level to a higher level. However, this document has mainly the purpose of communication and outreach, rather than being a knowledge source for project teams. The PMR is not extensively utilized for learning to inform future operations, whereas PCRs are somewhat employed for this purpose. The learning sections of these instruments are of insufficient quality, in part due to a lack of incentives for producing quality lessons learned. In the case of PCRs, there is limited guidance to project teams for writing lessons learned. Moreover, the overall institutional setup and incentives have not led to candid assessments. The current institutional culture, described by interviewees as being the “only good news Bank,” prioritizes positive news rather than embracing failures as valuable learning opportunities. Extracting operational insights from project implementation still needs to be prioritized, and the mechanisms for internalizing operational knowledge have proven insufficient.

## **Conclusions and recommendations**

The purpose of the DEF was to enhance the effectiveness of the Bank’s products by fostering an institutional culture of achieving and demonstrating development results. The DEF successfully brought about improvements, providing the Bank with a structured system aligned to international standards to measure and evaluate whether projects achieve their intended results. However, project results have still fallen short of institutional targets for several reasons. First, the DEF started with a diagnostic focused mainly on the Bank’s inability to demonstrate project results in a credible manner, leading to a limited scope. The DEF placed substantial emphasis on *measuring* project results but lacked sufficient focus on *improving* project results. Second, the DEF implementation centered its attention on the instruments pillar, developing the instruments’ templates and guidelines, and ensuring the use of these instruments throughout the project cycle. However, these instruments were not sufficiently used for improving results for borrowing countries, in part due to a lack of focus on the governance and reporting pillars. Third, although conceived as interconnected, the instruments were disconnected on several levels, including their objectives, their use, and the signals raised by them. Fourth, the implementation approach of the DEF, which deferred making changes to the PCR, further intensified the disconnect, as it took many years for the full DEF system to become operational. Fifth,

the DEF did not adequately address strategic selectivity, which is key to enhancing project results. Sixth, the DEF did not sufficiently incorporate the role of countries, despite the fact that development effectiveness should be a shared goal between the Bank and the borrower. Seventh, the DEF had shortcomings in its evaluability and its monitoring and evaluation (M&E), which prevented the Bank from recognizing the need for improvements. Eighth, DEF governance was developed not systematically but rather in a reactive manner, to address the requirements of the instruments. The governance pillar was supposed to enable the effective implementation of the DEF but failed to establish a functional organizational structure to achieve the necessary culture change. Finally, there are factors deeply rooted in the Bank's business model and institutional culture that have hindered the focus on results.

Based on the findings of the evaluation, and given that the Bank is undertaking measures to enhance development effectiveness, OVE recommends to Management the following:

1. **Ensure proper incentives reflecting a sustained commitment from the top to prioritize development results rather than merely focusing on meeting targets for some aggregate indicators, which may create perverse incentives.** The key element for the success of the new approach to development effectiveness is the sustained commitment of the Bank's leadership and Senior Management with a focus on results in every aspect of Bank activity. Scores, ratings, and corporate targets should be used with caution as current targets for corporate indicators—such as a satisfactory performance classification on the PMR or satisfactory development results at completion on the PCR, have created incentives that discourage candid reporting, assessments, and learning, and do not necessarily contribute to fostering the achievement of results.
2. **Ensure well-defined roles and responsibilities for all stakeholders.** With the aim of addressing the gaps identified in the definition or fulfillment of roles and responsibilities, consider enhancing the role of SPD to extend beyond advisory and support functions to ensuring quality. Provide the necessary resources for effective oversight. Additionally, contemplate strengthen the role of KIC in development effectiveness, equipped with the appropriate resources to effectively advance operational learning.
3. **Ensure that the approach to development effectiveness includes these elements:**
  - a. **Mechanisms to foster strategic selectivity.** The DEF has acknowledged that to increase effectiveness, it needed to work both on “doing the right things” and “doing things

right.” The former requires applying selectivity to country programming but was not properly addressed by the DEF’s original design nor during its implementation. The DEF focused exclusively on country strategies, which only partially guide the programming processes.

- b. Mechanisms to foster the capacity and commitment of borrowers to focus on results.** Prioritizing a focus on results must be a shared objective between the Bank and the borrower. Without this commitment, the Bank’s ability to focus on results is restricted. Furthermore, such a shared commitment should also be accompanied by the appropriate support for borrowers’ capacity to plan, monitor, and manage for results.

- 4. Ensure that the new development effectiveness approach is reflected in an appropriate TOC and includes an M&E framework.** The approach to development effectiveness should clearly spell out the different levels of objectives (including specific ones, i.e., at an outcome level), the causal chain to achieve them, and key assumptions and risks. There should be logical coherence between these objectives, the new approach’s overall structure, and each of its components. Additionally, the components should be interconnected to allow proper functioning as a system. These elements should facilitate the M&E of the new approach, assessing its progress, determining whether it is achieving its objectives, and identifying areas for improvement during its implementation.
- 5. Clarify and streamline the processes for managing changes to projects in execution by integrating principles of rigorous adaptive management, including incentives and appropriate checks and balances to ensure accountability for project results.** There should be incentives to adapt and enhance the design of projects during implementation, making evidence-supported, transparent, well-documented, and justified course corrections that steer the project toward achieving its objectives. To ensure adequate accountability, project changes should occur within a system of checks and balances to avoid perverse incentives to simply change projects for the sole purpose of achieving positive ratings. For substantial changes such as shifts in objectives and scope, incentives should be included for teams to introduce them early on (e.g., before the disbursement of 50% of project financing). What matters is whether the development challenges a project was designed to tackle are addressed by the project as demonstrated by results.



**6. Ensure that development effectiveness instruments, either the current ones or subsequent iterations, incorporate these elements:**

At entry—

- a. Ensure that the assessment at entry includes a review of (1) an explicit TOC for the project, which outlines the project rationale, vertical logic, and key assumptions; and (2) lessons learned from previous operations.
- b. Review the scoring system at entry to ensure that it takes into account projects' varying degrees of evaluability.

During implementation—

- c. Enhance monitoring to report progress toward project development objectives. If the PMR classification or a similar rating is retained, ensure it includes progress toward project development objectives. Include a requirement to review the continued validity of the project's TOC during implementation, especially as the project undergoes changes in its outputs, components, or context.

At closure—

- d. Improve quality assurance of completion reports to ensure a sound analysis of factors explaining the achievement or lack of achievement of project development results, and also identify lessons learned for future operations.







01

# Introduction

- 1.1 This report presents the evaluation of the Inter-American Development Bank's Development Effectiveness Framework. The evaluation assesses the degree to which the Inter-American Development Bank's (IDB's) Development Effectiveness Framework (DEF) is achieving its objectives, and identifies the factors influencing its performance. It aims to inform ongoing Bank discussions on reforming its approach to enhancing development effectiveness. These discussions gained momentum after the Barranquilla Resolution of 2021 and the Washington Resolution of 2022,<sup>1</sup> whereby the Board of Governors mandated the Board of Executive Directors to direct Management to conduct in-depth analyses and initiate reforms to enhance development effectiveness, among other topics.
- 1.2 Under the Bank's new leadership, a new institutional strategy has been approved, emphasizing a focus on results. The new IDB Group Institutional Strategy, called "Transforming for Scale and Impact," was approved by the Boards of Governors of the IDB and of IDB Invest in March 2024. One of the strategy's five main channels for increasing scale and impact is to focus on results. The strategy also presents reforms that will be pursued "to generate stronger incentives and more effective, larger-scale investments." The first key reform presented is development effectiveness and impact orientation, "recognizing the importance of heightened development effectiveness in addressing development challenges."<sup>2</sup>
- 1.3 The evaluation uses mixed methods, combining qualitative and quantitative research methodologies. In accordance with the approach paper,<sup>3</sup> the evaluation process involved desk reviews and analyses of both quantitative and qualitative information gathered from surveys and interviews. The Office of Evaluation and Oversight (OVE) conducted three surveys targeting project team leaders, Chiefs of Operations, and the Board of Executive Directors. Additionally, OVE interviewed 47 staff members, including project team leaders, development effectiveness focal points, current and former Division Chiefs, Chiefs of Operations, and other key informants.<sup>4</sup> OVE also conducted two quantitative studies using machine learning and causal inference models. The first aimed to identify factors predicting project performance upon completion, while the second sought to understand the broader impact of DEF on project performance, as measured by project cancelations and

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1 Documents [AG-7/21](#), [AG-7/22](#).

2 Document [GN-3159-9](#).

3 Document [RE-583-1](#).

4 Given the DEF focus being primarily internal to the Bank, the approach paper did not include interviews with clients or executing agencies.

execution delays. The evaluation findings are also based on a document analysis covering corporate documents describing the DEF, the instruments' guidelines and templates, corporate and operational regulations, and other relevant documentation. Finally, the evaluation findings rely on a comparative analysis of project development effectiveness management tools for sovereign-guaranteed (SG) operations, assessing the Bank's DEF against those utilized by the African Development Bank (AfDB), Asian Development Bank (ADB), International Fund for Agricultural Development (IFAD), and World Bank.

- 1.4 The evaluation is objectives-based and uses a reconstructed theory of change to guide the analysis. The evaluation is done against the general and specific objectives presented in the theory of change (TOC) reconstructed by OVE based on official documents describing the DEF (see Annex I and the Approach Paper<sup>5</sup>). The TOC identifies and organizes the different elements of the DEF, unpacking how the DEF's objectives were intended to be achieved, considering the different DEF components, and making explicit the key assumptions required for the functioning of the system. This approach lets us understand not only what has been achieved but also the reasons for the achievements or lack thereof.
- 1.5 This report is divided into seven chapters. Following the introduction, chapter II describes the motivation, objectives, and main structure of the DEF. Chapters III to VI discuss progress under each of the four specific objectives of the DEF. The final chapter provides conclusions and recommendations.

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5 Document [RE-583-1](#).





# 02

Description of  
the DEF

- 2.1 The DEF aimed for “a greater focus on results, based on hard evidence, while improving the quality of the effort.”<sup>6</sup> The DEF was launched in 2008 with a clear purpose: “Through the DEF, Management intends to increase the effectiveness of all of the Bank’s products through (i) setting clear standards and metrics for the evaluation of all development interventions; (ii) providing clear guidance to staff about analytical requirements for meeting the standards; (iii) aligning governance structures to comply with those set out as good practice standards; and (iv) establishing a results framework incorporated in the Corporate Performance Framework to monitor progress in key development effectiveness indicators.”<sup>7</sup>
- 2.2 The DEF responded to a diagnosis of insufficient ability to demonstrate the results of the Bank’s interventions and aimed for profound institutional changes. In 2005, OVE found that few of the Bank’s projects were approved with clear development objectives or solid vertical logic.<sup>8</sup> OVE’s assessment of the 2004 Project Completion Reports (PCRs) showed that even though 94% of PCRs self-rated their projects’ development objectives as “effective” or “very effective,” OVE could validate the development objectives ratings for only 11% of the projects reported on.<sup>9</sup> The main reason was a lack of information, which in turn constrained the Bank’s capacity to manage for results. In addition, PCRs were delivered late, resources allocated to the PCR preparation process were minimal, and most PCRs did not comply with the PCR guidelines or with the Evaluation Cooperation Group’s Good Practice Standards (ECG-GPS).<sup>10, 11</sup> OVE’s assessment also pointed out that incentives did not seem aligned with a results-based monitoring system.<sup>12</sup> When launched in 2008, the DEF acknowledged that incentives had been placed on approvals and that PCRs did not seem useful for accountability or learning.<sup>13</sup>

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6 Document [CN-2489](#) para. 2.5; document [CN-2489-2](#) para. 1.2.

7 Document [CN-2489](#), para. 1.1.

8 OVE’s 2005 evaluability report found that only 25.3% of projects had a relatively clear definition of their objectives and only 10.8% had relatively clear vertical logic. Document [RE-333](#).

9 Document [RE-315](#), page v.

10 Document [RE-315](#).

11 The ECG elaborated its GPS for evaluating SG operations based on good evaluation practices existing since 2008. These standards were designed to be consistent with multilateral development banks’ operational policies. In 2012, GPS for SG and non-SG operations, as well as for the governance of evaluation departments, were set in the ECG Big Book on Good Practice Standards (ECG 2012). For simplicity, the book and its standards will be referred to as “ECG-GPS.”

12 Document [RE-315](#), para. 7.6.

13 Document [CN-2489](#), para. 4.7.

2.3 The DEF was designed as a comprehensive system consisting of three interconnected pillars—instruments, governance arrangements, and reporting mechanisms. Each pillar had specific logic and elements:<sup>14</sup>

- a. Governance: The governance pillar included the roles and responsibilities of all actors involved, supported by a set of regulations, processes, and incentives, to align all stakeholders to effectively implement the DEF.
- b. Instruments: The DEF included three instruments to support the design, implementation, and evaluation of SG operations: the Development Effectiveness Matrix (DEM), the Project Monitoring Report (PMR), and the PCR. The DEM seeks to enhance evaluability at design;<sup>15</sup> it is primarily a checklist that assesses an operation's alignment with IDB's strategic priorities, as well as its evaluability, risks, and additionality. The PMR is used during implementation and seeks to ensure that activities and outputs are generated within the expected costs and time frame. The PCR is used at project completion; it is a self-evaluation report of the project's performance for accountability and learning.
- c. Reporting: Two mechanisms were defined for tracking progress in the achievement of the DEF's objectives: the Corporate Results Framework (CRF) and the Development Effectiveness Overview (DEO). The CRF monitors IDB Group's institutional strategy through a set of indicators and targets established every four years, including two indicators related to DEF instruments: the proportion of active projects with satisfactory PMR ratings and the proportion of closed projects with satisfactory PCR ratings. The DEO is the IDB Group's annual report on development effectiveness, which reports on the progress of CRF indicators and includes lessons learned, results, and findings from PCRs and other sources of information.

2.4 As the DEF documents did not make explicit the full causal chain between the actions proposed and the broad objective, OVE reconstructed a DEF's TOC. The document establishing the DEF in 2008<sup>16</sup> stipulated the DEF's broad purpose and its key elements for implementation (see paragraph 2.1). However, it fell short of describing more explicitly how the different elements for implementation would help attain the DEF's broad purpose.

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14 For more information, see Development Effectiveness Framework: Technical Note, document [RE-583](#).

15 Evaluability refers to the extent to which an activity or a program can be evaluated in a reliable and credible fashion (document [GN-2489](#), para. 2.4).

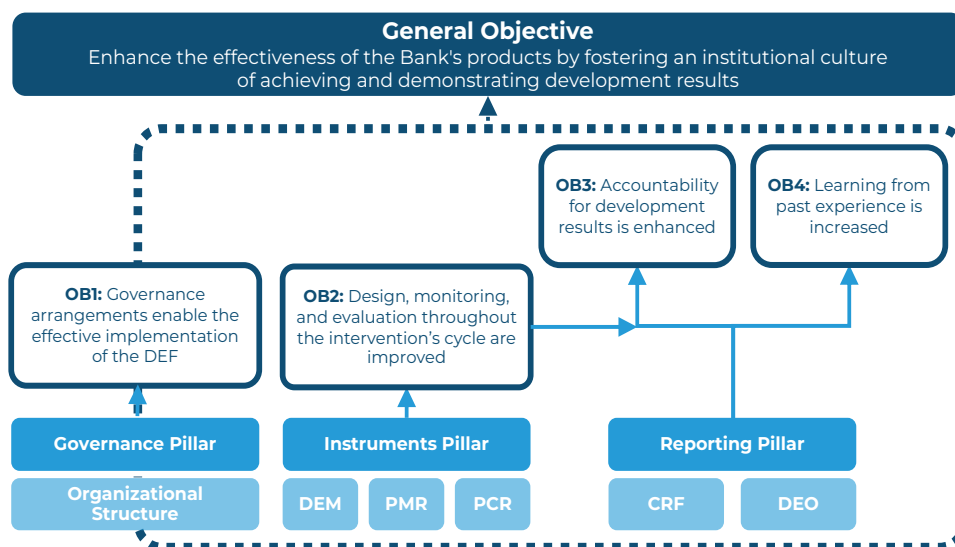
16 Document [GN-2489](#).



In other words, it did not describe the expected causal chain between the implementation of the activities of the three pillars (setting standards and metrics, aligning governance structures, etc.) and the final objective of increasing effectiveness. The changes that these actions would produce were missing, as well as how they would contribute to increased effectiveness. To fill the gaps, OVE reconstructed the DEF's TOC, describing the different levels of objectives, making the causal chain explicit, and thus providing a more transparent analytical framework for evaluation (Figure 2.1 and Annex I).

**Figure 2.1**  
**Reconstructed objectives and pillars of the DEF**

Source: OVE.



- 2.5 The DEF implementation has been dynamic, undergoing several changes to its instruments through the approval of various documents. The DEF was launched with document [GN-2489](#), which had subsequent modifications. The DEF instruments were incorporated into the Bank's operational regulations, which cover the rules for preparation, supervision, and closure of operations. Templates were developed for each instrument, and standards or guidelines were also established. Over time, these have been adjusted. Bank documents also define specific DEF roles, such as PMR focal points, and their corresponding responsibilities, such as those of the Chief of Operations during the PMR validation cycle. A variety of documents have been created to explain the functioning of the DEF.
- 2.6 The DEF acknowledged that to enhance effectiveness, the Bank needed to focus on two components: “doing the right things” and “doing things right.” The first component, “doing the right things,” implied implementing selectivity in country programming: “Any intervention is a choice that prioritizes some things over others. To prioritize well and effectively requires a clear planning exercise

in which the reasons for that prioritization are clearly explained. This requires a programmatic approach by country and by sector [...] so that the strategic choices that are made reflect the way in which the Bank can contribute—demonstrably and effectively—to certain larger priorities set by the countries.”<sup>17</sup> To address the first component, the DEF aimed for a programmatic approach that would work on the links between sector analytical work, country analytical work, operations, and knowledge, although this approach was not completely implemented.

- 2.7 Before the DEF, other institutional reforms aimed at improving the Bank’s development effectiveness. Concerns about the Bank’s insufficient focus on results date back to at least 1989, when the Bank underwent an important institutional reform known as “the Reorganization.” One objective of this reform was to provide for the effective and unobstructed development and execution of quality operations based on clearly defined project or program objectives agreed upon between the Bank and the countries it serves. At that time, the President established three internal task forces. One was the Task Force on Portfolio Management (TAPOMA), formed in February 1993, meant to assess all factors that affected portfolio performance. The TAPOMA report found that the Bank was mainly organized around two objectives: the initial approval of projects and the subsequent control of execution. Both, according to the report, were inimical to the objective of “managing for effective development” because they took the focus away from development results. More recently, in 2006, another important institutional reform was conducted, “the Realignment.” The aim of this reform was to enhance development effectiveness and organizational efficiency through stronger technical excellence, deeper knowledge of the situation at the time in each country, greater strategic selectivity, closer proximity to the countries themselves, greater use of program-based approaches, and movement away from an overemphasis on loan approvals and disbursements. To accomplish that, the Realignment defined four key goals: sharpening sector focus and expertise, sharpening country focus, strengthening risk- and results-based management, and enhancing institutional efficiency—all geared ultimately toward enhancing the development effectiveness of the Bank’s work and increasing the Bank’s relevance and presence in Latin America and the Caribbean.
- 2.8 Despite previous reforms, the predominant culture was still mainly focused on approvals at the launching of the DEF. The document that launched DEF (document [GN-2489](#)) acknowledged that “traditionally, the Bank has placed

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17 Document [GN-2489-5](#), para. 2.5.

more emphasis on approvals than on implementation and demonstrating results at completion”<sup>18</sup> and that “incentives for project teams [were] on preparation.”<sup>19</sup> In line with these prevailing practices, the Agreement of the Ninth General Capital Increase of the IDB (IDB-9) in 2010 emphasized the need to increase the Bank’s effectiveness: “We recognize that the Bank must not simply become larger, but that it must also become more effective at achieving its mandates.”<sup>20</sup>

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18 Document [GN-2489](#), Appendix 1, para.2.2.

19 Document [GN-2489](#), para. 4.7.

20 Document [CS-3868-1](#), para. 3.



# 03

Specific Objective  
1: Governance  
Arrangements  
Enable the Effective  
Implementation of  
the DEF

- 3.1 Governance arrangements seek to align stakeholders to enable the DEF's effective implementation. However, several challenges affect the functioning of this pillar. As explained below, roles and responsibilities are scattered across multiple documents lacking a clear hierarchy, primarily due to inadequate definition at the inception of the DEF. This dispersion is exacerbated by the independent development of each DEF instrument, implemented in a decentralized manner with minimal external validation. These instruments bring forth new responsibilities for project teams, necessitating additional support and specific knowledge, which is, at times, lacking within the teams. Processes for managing changes during implementation are inadequate and do not incorporate principles for adaptive rigor. Moreover, DEF's project scores and ratings have the potential to inadvertently foster perverse incentives. To compound matters, robust incentives for approval, disbursements, and output delivery persist.

## **A. Roles and responsibilities**

- 3.2 DEF instruments are applied in a decentralized manner, with different levels of validation; therefore, the definition of roles and responsibilities is key to ensuring their proper functioning. DEF instruments are part of the operational cycle being prepared by project teams. However, their approval process is diverse, involving numerous actors, with final approval being the responsibility of various organizational entities. The DEM is prepared during project preparation, and final approval is done by the Sector Manager as part of the project package. The PMR is completed during project supervision, reviewed by the COF Chief of Operations, and validated by the Sector Division Chief and the Country Representative, who also approves it. The PCR is prepared by the project team at the closure of the operation and approved by the Country Manager.
- 3.3 However, roles and responsibilities are dispersed across multiple documents without one document providing an overview of the entire system. Stakeholders and their responsibilities<sup>21</sup> are delineated in various document types. Some are specific to the DEF, such as the main document describing the DEF (document GN-2489) and its subsequent versions, DEF instruments' guidelines, accompanied by supplementary guidance materials; while others are organizational regulations and operational regulations that apply both before approval and during

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21 For more information, see Development Effectiveness Framework: Technical Note, document [RE-583](#).

project execution.<sup>22</sup> However, there is no single framework that consolidates the DEF's governance arrangements and would ensure a coherent view of the DEF as a system. Furthermore, the current set of documents does not reflect a clear hierarchy. These different types of documents sometimes overlap, are not fully cross-referenced, and are insufficiently clear. As a result, there is not a unified view of DEF governance, making it challenging to discern the responsibilities and roles of each stakeholder throughout the project cycle in fostering the achievement of development results.

- 3.4 One reason for the dispersion in roles and responsibilities is that the DEF governance arrangements were not fully defined from the beginning. The main document describing the DEF (document GN-2489) did not provide a comprehensive description of roles and responsibilities for all stakeholders. It identified some key ones: OVE, the Office of Strategic Planning and Development Effectiveness (SPD), the Vice Presidency for Countries (VPC), the Vice Presidency for Sectors and Knowledge (VPS), Country and Sector Managers, Division/Unit Chiefs, and Country Representatives. However, these descriptions overlooked the involvement of other key stakeholders, specifically the Knowledge Department (then the Knowledge and Learning Sector; today the Knowledge, Innovation, and Communication Sector, or KIC), essential for the systematization and dissemination of operational knowledge; the Operations Policy Committee, tasked with reviewing and approving operations before submission to the Board; and the Board of Executive Directors, holding an oversight role over the Bank's operations. Furthermore, the roles and responsibilities of project team leaders, tasked with project design, supervision, and evaluation, were not sufficiently defined.
- 3.5 Likewise, the description of roles and responsibilities for VPC and VPS was primarily focused on carrying out self-evaluations. The main document describing the DEF (document [GN-2489](#)) defined governance in relation to the evaluation system,

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22 *Progress Monitoring Report: Update to the Methodology and Validation Process*. Approved version ([OP-1072-5](#)); [Project Completion Report—Principles and Guidelines](#) (Annex 1 of OP-1696-6); *Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-Sovereign Operations*. New revised version (document [GN-2489-5](#)); [The Role of the Sector Focal Point in the Progress Monitoring Report \(PMR\)](#); *Development Effectiveness Framework* (document [GN-2489](#)); [The Role of the Chief of Operations in the Progress Monitoring Report \(PMR\)](#); *Operations Policy Committee* ([OR-203](#)); *Management's Programming Committee* (document [OR-202](#)); *Knowledge, Innovation and Communication Sector* ([OR-KIC](#)); *Office of Strategic Planning and Development Effectiveness* ([SPD-Brochure](#)); *Operations Processing Regulations, Sovereign Guaranteed Operations Overview* (document [PR-200](#)); *Table of Authority for the Administration of Operations with Sovereign Guarantee—Investment Loans* ([OA-420](#)), *Substantial and Fundamental Changes to Operations* ([OA-430](#)); *Monitoring and Evaluation of Outcomes* ([OA-220](#)); and *Closure of Operations* ([OA-500](#)).

highlighting the distinction between self-evaluation, which involves the Vice Presidencies and SPD, and independent evaluation, managed by OVE. Thus, except for SPD and OVE, the responsibilities outlined in the document for VPC and VPS pertained solely to the self-evaluation process, whether in terms of time and resource allocation, compliance with guidelines and international standards, or the timely execution and delivery of self-evaluations. However, the implementation of the DEF goes beyond carrying out self-evaluations (or PCRs). The document does not detail the responsibilities of VPC and VPS regarding project design and supervision. Although the document mandates that all operations must have a DEM, the description of roles and responsibilities for these stakeholders does not reference the DEM, either. Last, there are no specified responsibilities for fostering learning from these self-evaluations.

- 3.6 A second reason for the dispersion in roles and responsibilities is that they continued to be developed separately for each DEF instrument. During the implementation of the DEF, subsequent versions of the main document describing the DEF were developed.<sup>23</sup> However, these versions focused on updating specific elements related to the DEM and the PCR, along with their related processes and requirements, providing a piecemeal approach to the definition of governance arrangements. As the DEF instruments were progressively implemented, additional roles and responsibilities were identified, and more detailed descriptions were incorporated into guidelines. However, governance arrangements set out in these documents responded to the implementation of each instrument and did not provide a coherent view of the responsibilities throughout the project cycle. Operational regulations outline various procedures related to the processing and implementation of operations, from which some DEF-related responsibilities can be inferred. However, they do not provide a comprehensive view of these responsibilities.
- 3.7 Under the current definition of roles and responsibilities, SPD has mainly an advisory and support role over the implementation of the DEF. It proposes quality standards for the design and execution of projects to ensure their evaluability, relevance, efficiency, and effectiveness. SPD develops the instruments' guidelines and templates, and provides technical support and guidance throughout the process of preparing the information for DEF instruments. For the PCR specifically, SPD has a stronger role than to advise and support, as it is responsible for overseeing

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23 Documents [GN-2489-5](#) and [GN-2489-10](#).

compliance with policies and standards regarding the PCR.<sup>24</sup> However, SPD is not the final approver of each instrument (see Table 3.1), which implies that SPD cannot guarantee the quality of the information provided on DEF instruments. Furthermore, due to limited resources, SPD does not provide in-depth support to all project teams. Thus, SPD's support has operated in two ways: the "traditional support," which involves an SPD reviewer looking at the evaluability of the project proposal; and the "in-depth support," provided only for some operations where an SPD staff member is integrated into the project team.<sup>25</sup>

- 3.8 Given SPD's limited role, quality assurance lies with the approver of each DEF instrument, and there is external validation of only parts of DEF instruments. SPD does not review or validate all information on DEF instruments, nor is it the final approver. In the case of the DEM, SPD validates the evaluability section and reviews the sections on strategic alignment and additionality. For the PMR, SPD validates the project's results matrix in the start-up plan. In addition, during the PMR cycles, SPD reviews the timely submission of the PMR and checks that the information required to yield a PMR classification is reported. For the PCR, SPD provides training and oversees compliance with the guidelines; according to interviewees, its level of support for PCR preparation varies, prioritizing assistance to challenging projects. Consequently, SPD does not ensure the quality of information on DEF instruments; instead, final approvers have this responsibility. OVE has found shortcomings in the quality of information across all instruments, raising concerns about whether final approvers are adequately performing their quality assurance role. Furthermore, other than SPD's validation of the DEM score and OVE's validation of PCR project ratings, DEF instruments do not have quality assurance from areas of the Bank not directly involved in a given operation.

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24 Document [OA-500](#), *Closure of Operations*.

25 Based on interviews, project teams particularly appreciate the latter form of support, emphasizing that SPD's assistance is instrumental in improving project quality, especially during the preparation of the DEM and PCR.



**Table 3.1. Key roles and responsibilities by stakeholder**

Instrument	Key Components	Stakeholder	Role	Approves
DEM	Evaluability	SPD	Reviews and validates	Sector Manager, as part of the project package
	Additionality		Reviews	
	Risks	-	-	
	Alignment with strategic priorities	SPD VPS* VPC*	Reviews	
PMR	Results matrix	Focal Point within VPS	Reviews	Country Representative
		SPD, Division Chief, Chief of Operations	Validates	
	Risk matrix	Chief of Operations, Division Chief	Reviews	
	Implementation status and learning	Chief of Operations, Division Chief	Reviews	
	PMR classification	Chief of Operations, Division Chief	Validates	
PCR		VPS**	Ensures overall quality in the preparation of PCRs	Country Manager
		VPC**	Reviews and decides if QRR is conducted	
		SPD	Oversees PCR policy compliance	
	Project ratings	OVE	Validates and prepares the PCR validation report annually	

Sources: IDB, 2015, 2018c, 2018d, 2019b, 2021a, 2021b, 2022a.

Notes: \* Alignment of each operation with country strategies is within the purview of the VPC, alignment with climate change is validated by the Climate Change and Sustainability Division, and gender alignment is validated by the Gender and Diversity Division. \*\* According to the PCR guidelines, VPC is responsible for ensuring the quality of the PCR to be approved and submitted for OVE's validation. VPS is responsible for ensuring the overall quality, completeness, and transparency of the PCR process in its entirety. QRR = Quality and Risk Review.

3.9 The DEF implied new responsibilities for project teams, requiring additional support to properly use its instruments. Implementing the DEF required specific knowledge to strengthen evaluability during project design, monitoring, and evaluation, which was not always within the team's expertise. For instance, it required a more precise definition of the project development objectives, the creation of a results matrix to measure their achievement, and the identification of appropriate outcome indicators for the results matrix. Over time, OVE has found that identifying

appropriate outcome indicators has been challenging.<sup>26, 27</sup> To address some of these knowledge gaps, KIC has developed several training courses for project teams; however, participation is not mandatory.<sup>28</sup>

- 3.10 Acknowledging the need for more support to project teams to enhance development effectiveness, formal or informal focal points were progressively created in both VPS and VPC. Within VPS, mostly informal focal points bring a sectorial perspective and provide technical support to divisions on DEF-related matters.<sup>29</sup> They review and guide teams regarding framing a project's vertical logic, meeting the evaluability standard, designing a results matrix, and developing a PCR, among other topics. This support mainly focuses on the DEM and the PCR, although in some cases it also covers the PMR. These informal focal points do not hold a formal role with specifically or exclusively defined DEF-related responsibilities. Additionally, there are formal PMR focal points within VPS and SPD that offer guidance and technical support in reviewing the results matrix of the operations. More recently, VPC has designated development effectiveness focal points for every country department. They ensure that projects incorporate a development effectiveness perspective throughout the project cycle, facilitating discussions focused on results and ensuring the alignment of the country results matrix with the portfolio and the country program.
- 3.11 The current dispersion in roles and responsibilities has left two important gaps in the DEF's implementation. First is promoting learning, a key objective of the DEF. KIC is not a direct stakeholder in the DEF, and no other DEF stakeholder has an explicit role in fostering learning from operations. Although KIC provides training, it is not involved in generating lessons within the DEF instruments and, therefore, cannot influence the quality of the information recorded on them. Second is ensuring effective quality assurance. While the final approver of each instrument should ensure its quality, this role is not currently fully filled.

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26 OVE's report from the 2022 validation cycle found that out of the 45 operations that had negative effectiveness ratings, 13 had inadequate indicators and 4 had insufficient indicators (document [RE-565](#)). Similarly, OVE's report from the 2023 validation cycle found that out of the 44 operations that had negative effectiveness ratings, 13 had inadequate indicators and 9 had insufficient indicators (document [RE-591](#)).

27 Acknowledging the difficulties in defining appropriate outcome indicators, some sector divisions have recently compiled a common set of outcome indicators for their results matrices. Moreover, this effort also aims to enhance comparability and aggregation over time.

28 Within the Operations Learning Program, KIC has designed different learning paths that consider the specific abilities and corporate information desired for different roles. There are specific courses about the DEF and its instruments. Per survey responses, 65% of team leaders and operations analysts had no DEM training, 26% had no PMR training, and 37% had no PCR training, even though they were involved in filling out these instruments.

29 One sector division has formalized this role.

Moreover, while SPD has a stronger responsibility in relation to the PCR, this responsibility is vaguely defined, and in practice, SPD is not performing quality assurance of PCRs, either.

## **B. Key processes related to managing project changes**

- 3.12 Nonsubstantial changes to projects are approved by Management, but the ongoing validity of a project's vertical logic is generally not verified. Various levels of Management, in agreement with the executing agency, have the authority to approve a project change that is not considered substantial.<sup>30</sup> For example, the total or partial cancelation of a loan within the disbursement period is approved by Country Managers and Sector Managers. The general extension of the deadline for final disbursement is approved by the project team leader, Country Representative, or Country Manager, depending on the length of the extension. Changes to project outputs can be approved by the project team leader. According to interviews, the problem is that, in most cases, no one verifies how the changes will affect the project's likelihood of achieving its objectives.
- 3.13 Substantial changes to projects require Board approval; however, the processes are cumbersome. When a project's change is considered substantial, the project needs to be reformulated or modified,<sup>31</sup> a process closely mirroring the preparation of a new SG loan and requiring approval from the Board. Based on interviews, the time required to address substantial changes is unduly long, discouraging teams from utilizing these procedures and hindering the Bank's capacity for rigorous adaptive management.
- 3.14 All comparator institutions have updated their project restructuring policies within the last several years.<sup>32</sup> These updates have generally been undertaken with two objectives: (i) to introduce more flexibility and streamline restructuring procedures to encourage proactive restructuring when an operation is off track, and (ii) to clarify criteria for restructuring and associated approval authority. Like the IDB, all institutions differentiate between two levels of restructuring, depending on the nature of the changes involved. The first level involves changes in project design, which require approval by the respective institution's Board of Directors, while the second

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<sup>30</sup> Regulation [OA-420](#).

<sup>31</sup> The difference between a reformulation and a modification is that the latter skips the first stage of preparing the project profile.

<sup>32</sup> Updates by comparator institutions were undertaken in the following years: ADB in 2018, AfDB in 2022, IFAD in 2018, and World Bank in 2017. By comparison, IDB's procedures date back to 2011.

level involves changes for which the approval authority has been delegated to various levels of the institution's Management. The extent of delegation from the Board to Management for approval of restructuring varies across institutions. The World Bank's Board has delegated the most wide-ranging approval authority to Management, including approval of modifications of a project's development objectives.<sup>33</sup> By contrast, substantial changes to the scope, development objectives, and expected outcomes in all other comparator institutions require Board approval. All institutions require that Management regularly report to the Board on projects that were restructured.

- 3.15 Balancing incentives for project restructuring while preventing its use solely to improve project ratings is important. While streamlining restructuring procedures in comparator institutions has been motivated by a desire to address project underperformance proactively, easy restructuring procedures can also harbor the risk that project teams will water down the results framework at the end of project implementation to increase performance ratings at completion. To counter this risk, the World Bank is applying a split rating method when evaluating restructured projects. Such projects are evaluated against the originally approved development objectives and associated expected results, and also against the revised results frameworks (and objectives if these were changed during project restructuring). Two separate outcome ratings are determined. The overall project outcome rating for the restructured project is the weighted average of both outcome ratings, with the weights being the share of resources disbursed before and after restructuring. Using the share of disbursements as weights provides incentives for restructuring nonperforming projects early, when relatively few resources have been disbursed. None of the other comparator institutions apply this method.
- 3.16 Fostering rigorous processes of adaptive management is key to achieving results. Adaptive management “involves an ongoing process of working collaboratively and flexibly to learn, make decisions, test assumptions, and adjust actions on the basis of new information, lessons, and changes in context. [It is] often used to take action under conditions of ongoing uncertainty based on the best available evidence and involves systematically monitoring and evaluating results, and adjusting decisions as more information is learned.”<sup>34</sup> Adaptive management is highly relevant given the dynamic contexts where IDB projects are implemented; it supports continuous improvement to achieve a project's intended objectives. The two most recent PCR

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33 World Bank, 2017.

34 OECD, 2022.

validation reports from OVE explained that the most frequently cited reasons for projects not achieving their specific objectives were related to institutional changes on the borrower's side (e.g., shift in priorities, organizational changes in the government and regulatory changes) and external factors (e.g., the Covid-19 pandemic, the macroeconomic and financial context, natural disasters). Adaptive management practices can enhance project implementation by incorporating lessons learned during implementation and making evidence-supported adjustments, thereby improving overall project effectiveness.

- 3.17 A well-designed monitoring and evaluation system is crucial for adaptive rigor. However, current Bank practices do not incorporate principles for adaptive rigor. Although adaptive management could be perceived as an excuse for improvisation, it can be done rigorously and can support accountability over project objectives.<sup>35</sup> There are different approaches and tools for adaptive rigor. For example, monitoring, evaluation, and learning systems commonly align data collection with the project's TOC. The TOC guides data collection efforts, identifying the type of data relevant for decision making and ensuring a well-documented record of the decisions made. Moreover, causal link monitoring supports refining the project's TOC by pinpointing areas of uncertainty.<sup>36</sup> This involves mapping data requirements on the TOC, ensuring coverage of the project's strategic elements and contextual factors. It also implies using monitoring and evaluation (M&E) data not only for reporting purposes but also for decision making and course correction. However, the current processes for managing changes during project implementation lack integration with adaptive management principles. Modifications or reformulations essentially involve preparing a new project, and according to interviews, decisions regarding other modifications are made without being guided by an analysis of how best to achieve project objectives.

## C. Incentives

- 3.18 The DEF instruments produce project scores and ratings that influence behaviors and create incentives. Each DEF instrument generates a score or rating: the DEM produces the evaluability score, the PMR generates the PMR classification, and the PCR yields project performance ratings upon completion. Project-

35 In 2018, the UK's Department for International Development (DFID) and the United States Agency for International Development (USAID) established the Global Learning on Adaptive Management (GLAM) initiative. GLAM aims to strengthen the use and uptake of adaptive management within DFID and USAID, and across the development sector as a whole, through a focus on strengthening monitoring, evaluation, and learning.

36 Britt, Hummelbrunner, and Greene, 2018.

level scores are aggregated into corporate indicators. Currently, the CRF tracks the percentage of projects with satisfactory PMR classifications and those with satisfactory PCR development results.<sup>37</sup> The CRF indicators from the PMR and PCR cascade down to performance indicators for supervisors in the Bank's Career Point system, along with an additional indicator on the timely delivery of PMRs and PCRs (see paragraph 5.6). This system of scores garners substantial attention within the institution. The case of the DEM was noteworthy; setting a minimum evaluability score required for Board project approval facilitated the rapid implementation of the tool across all projects. Additionally, these indicators are monitored, and actions are taken if they fall below the target. If the PMR classification is not satisfactory, additional resources can be allocated for project supervision, and the team leader must provide extensive reporting on the project's status. Project teams and Chiefs of Operations undertake substantial efforts to prevent a nonsatisfactory classification. In the case of the PCR ratings, having an average value below the corporate target sparked a comprehensive discussion on enhancing development effectiveness throughout the entire institution, from the Board to project teams.

- 3.19 However, it is important to exercise caution with these scores, ratings, and targets, as they may inadvertently foster perverse incentives. First, elements not covered in the rating tend to be overlooked, emphasizing the importance of measuring the intended objectives through the ratings. A clear example is the PMR classification, which does not consider the project's progress toward achieving its development objectives. An indicator added in 2018 to focus on results did not tend to serve this purpose because it did not count toward the PMR classification, and therefore incentives did not change. Second, the perceived need to comply with the targets prompts gaming the system. This happened with the DEM evaluability score: teams would often propose conducting impact evaluations to boost the DEM score.<sup>38</sup> SPD later introduced adjustments to address this perverse incentive.<sup>39</sup> In the case of the PMR, a validation process allows for overruling the PMR's automatic classification. Based on SPD estimates, reclassifications have stayed at around 10% to 12% of all PMRs.<sup>40</sup> Moreover, SPD found that the justifications for these reclassifications did not comply with all of the criteria

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<sup>37</sup> The percentage of evaluable projects used to be tracked in the previous version of the CRF but was dropped with the CRF 2016–2019.

<sup>38</sup> Document [RE-512-1](#), para. 1.9.

<sup>39</sup> Document [GN-2489-10](#), para. 2.1.

<sup>40</sup> IDB, 2020d.

specified in guidelines.<sup>41</sup> Finally, when elaborating PCRs, teams tend to avoid describing negative aspects of the project, as those aspects can be used to justify a downgrade of the project rating during validation.

3.20 Strong incentives for approval, disbursement, and output delivery still prevail. The current IDB culture places a high priority on project approval. Team leaders receive more support in terms of resources and staff during the project preparation phase compared to the execution phase, and obtaining approval is what garners greater recognition. Of project team leaders surveyed, 76% stated that getting operations approved by the Board is what generates the most recognition in their respective units or divisions. Interviewees explained that there are several reasons for the focus on approvals. First, the approval process is within the Bank's control. Second, it represents a short-term and measurable milestone. While preparation and approval may take a few months, the execution phase can span several years. Third, approvals respond to client demand. Team leaders and operations analysts reported that achieving a satisfactory PMR classification is the second aspect, after getting operations approved by the Board, in the amount of recognition that it garners within their division or unit. However, the PMR classification depends essentially on the project's physical and financial progress. Ensuring that project disbursements progress as planned and that outputs are delivered is necessary to achieve results. Yet, there is a lack of attention to ensuring that these outputs will produce actual results. Indeed, team leaders and operations analysts ranked the level of recognition related to the PCR as third, lower than that related to approvals (which came in first) and achieving a satisfactory PMR classification (ranked second). Having a satisfactory rating on the PCR validation is the aspect that generates the fourth-most recognition, followed by having a quality PCR (fifth) and generating lessons learned (sixth).

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<sup>41</sup> A justification for a change of performance classifications must meet the following five criteria: (i) include only the specific factors affecting the project's performance that are not reflected in the auto-calculated classification, (ii) place emphasis on actions needed to solve the issues affecting the operation, (iii) focus on the period under monitoring at the corresponding cycle, (iv) not mention outlier indicators or incorrect data as motive, and (v) be self-contained.



# 04

Specific Objective  
2: Design,  
Monitoring,  
and Evaluation  
Throughout the  
Project Cycle are  
Improved



- 4.1 DEF instruments seek to improve project design, monitoring, and evaluation throughout the project cycle. Through the DEF, the Bank established a system for measuring and monitoring project outcomes. The DEM enhanced project design by setting standard key elements. However, the DEM score has lost relevance, as projects consistently receive high scores. Moreover, project proposals lack a mandatory explicit TOC. Regarding the PMR, while it monitors physical and financial outputs, its signals are insufficient to predict development result attainment. Despite reporting most project outcomes, challenges persist in the PMR's information quality and its limited contribution to achieving intended results. Finally, PCRs were significantly revised to align with international standards, yet their quality remains a challenge. The disconnect between the DEF instruments hampers improvements throughout the project cycle, evident in the sharp contrast between the average DEM score and PMR classification on the one hand, and the project ratings in PCRs on the other. The implementation of the DEM and the PMR is, however, associated with lower financial cancelations but increased project implementation delays.
- 4.2 With the DEF, the Bank developed a system to measure and monitor whether projects were achieving their intended results. One of the main contributions of the DEF has been enabling the Bank to ascertain whether its projects are achieving their intended results. The DEF was a response to a diagnosis of insufficient capacity to demonstrate project results in a reliable and credible manner. Since the rollout of the DEF in 2009, most projects use the DEM (98%), PMR (99%), and PCR (98% for investment operations, 100% for policy-based loans, and 91% for policy-based programs).<sup>42</sup> The deployment of these instruments, working alongside projects from preparation to closure, has allowed the building of a structured system to measure whether they are achieving their objectives.

## **A. The DEM**

- 4.3 The DEM introduced rigor to project design, establishing a standard for the key elements that all projects should incorporate. Through the DEM, the IDB was a pioneer among multilateral development banks (MDBs) in introducing a tool to enhance evaluability at entry.<sup>43</sup> As described by several interviewees, the DEM instigated an important cultural shift within the organization, bringing more rigor into project design.

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<sup>42</sup> For PCRs, these percentages are calculated for projects that closed after 2014, when the main revision to the PCR methodology was introduced.

<sup>43</sup> Document [GN-2607-1](#), para. 3.19.

It established key elements every project should have, such as a well-defined diagnosis and an evidence-based intervention. In the words of one interviewee, “*before the DEM, projects were poetry.*” The DEM assessed the project’s diagnosis and proposed intervention, the quality of its results matrix and economic analysis, and its M&E arrangements.

- 4.4 The DEM’s purpose was to improve evaluability. However, some stakeholders consider the section on strategic priorities to be the most useful. Although the DEM is the instrument for rating project evaluability at project design,<sup>44</sup> it contains three sections in addition to the evaluability assessment that do not contribute to the DEM score: strategic priorities, additionality, and risks. The former is highly regarded by Board members and project teams. Half of the surveyed Board members from borrowing countries considered verifying strategic alignment as the most important aspect of the DEM. Among team leaders and operations analysts, 67% and 80%, respectively, considered verifying strategic alignment as the most useful<sup>45</sup> aspect of the DEM. However, several interviewees raised concerns regarding the number and emphasis of the comments received during the Eligibility Review Meeting and Quality and Risk Review stages of project preparation. They perceive that these comments are overly focused on project alignment as compared to other elements of project design. The value added by the risk section is unclear, as it mostly duplicates the information found in the project’s annex addressing risk. The risk section of the DEM is currently not reviewed by SPD or any other specific division and is considered the least useful by team leaders in the survey.
- 4.5 The DEM score has ended up not being a relevant signal, as all projects consistently receive very high scores. The DEM was originally intended to operate as an “information tool,” illustrating, through its scores, the diversity among projects across various dimensions. There was a particular emphasis on distinguishing those with a strong evidence base from those that were more innovative. However, following the implementation of the minimum threshold mandated by the Ninth General Capital Increase of the IDB (IDB-9),<sup>46</sup> the DEM became a “filter tool.” Projects needed to reach a minimum score to be submitted for Board approval. The definition of the threshold created incentives to be less candid and to use the system to attain higher scores. As a result, DEM scores increased, on average, while variance among them decreased,<sup>47</sup> leading to

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44 Document [GN-2489-10](#), Appendix 1, para. 2.15.

45 Combining answers for “moderately useful” and “very useful.”

46 Document [AB-2764](#).

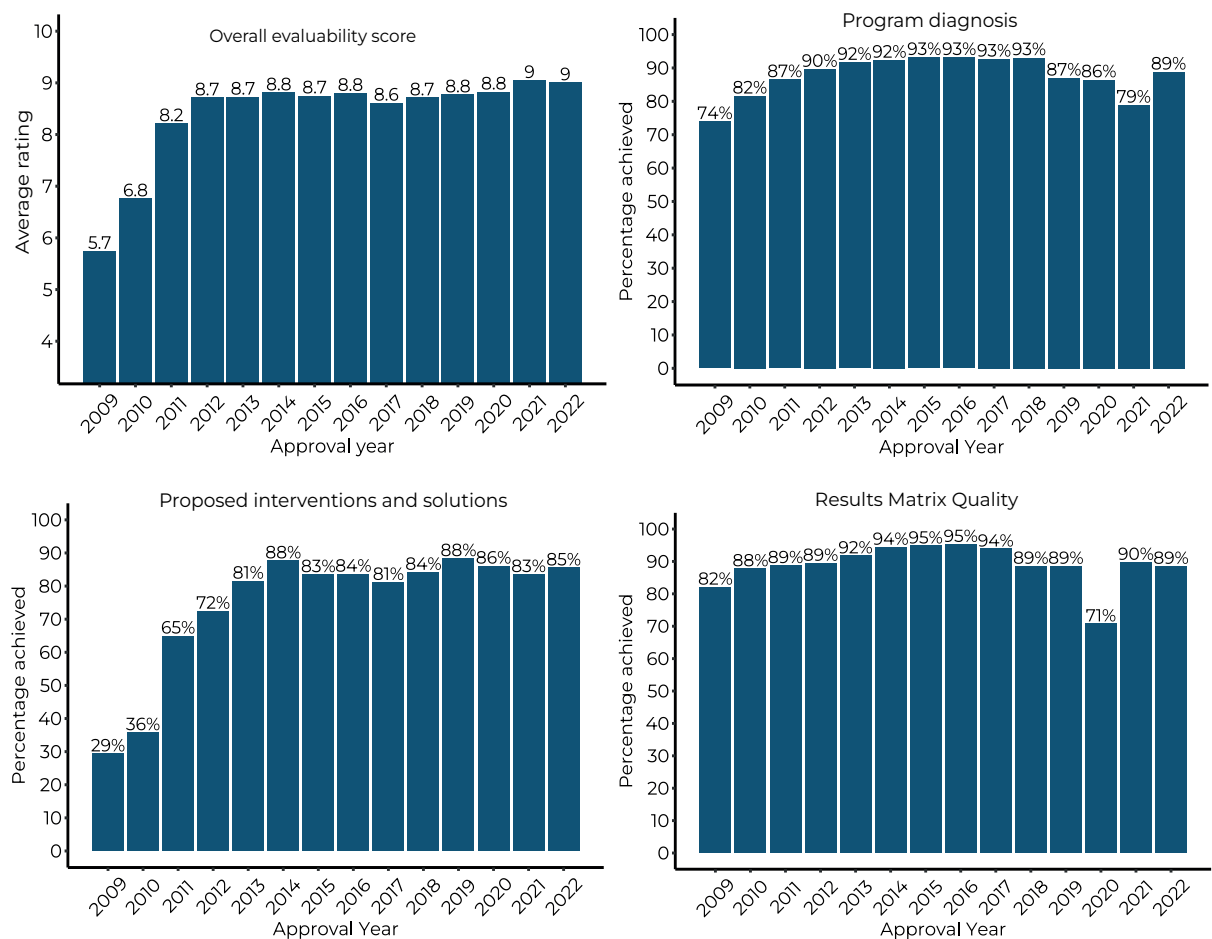
47 Document [RE-583](#), Figure 3.1.

a loss in both the instrument's capacity to showcase the diversity between projects and its effectiveness to screen projects. These high scores are observed across most dimensions assessed by the DEM (see Figure 3.1). OVE estimated predictive models<sup>48</sup> to identify the primary predictors of project ratings in the PCR. The overall DEM score is not among the top predictors of the effectiveness rating, but the program logic subsection score is. Projects with a higher score in this subsection of the DEM are more likely to receive a positive rating on effectiveness at closing (see Annex III). Currently, project team leaders no longer perceive the DEM as valuable. Almost half of them (49%) regard the DEM as “not useful at all” or “slightly useful.”<sup>49</sup>

**Figure 4.1**

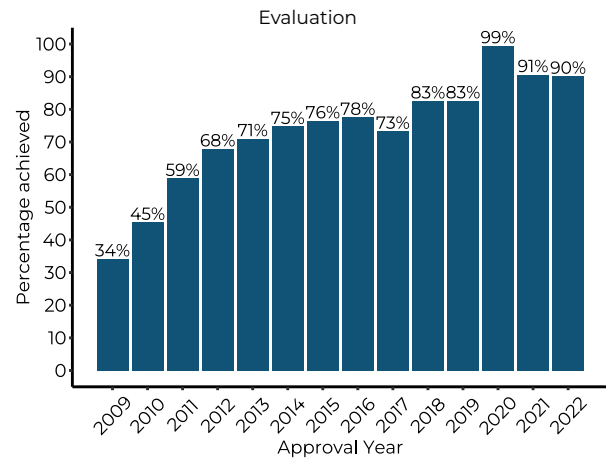
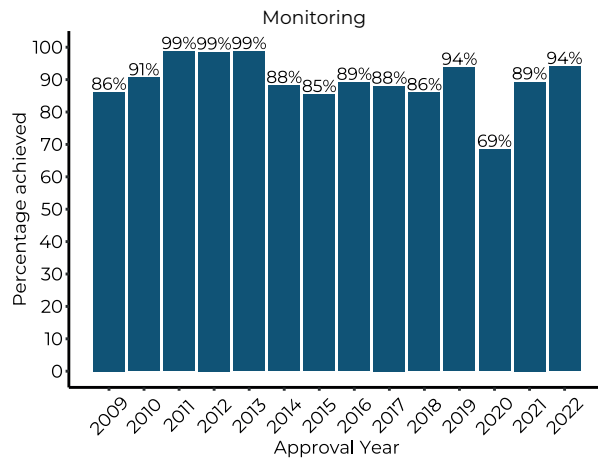
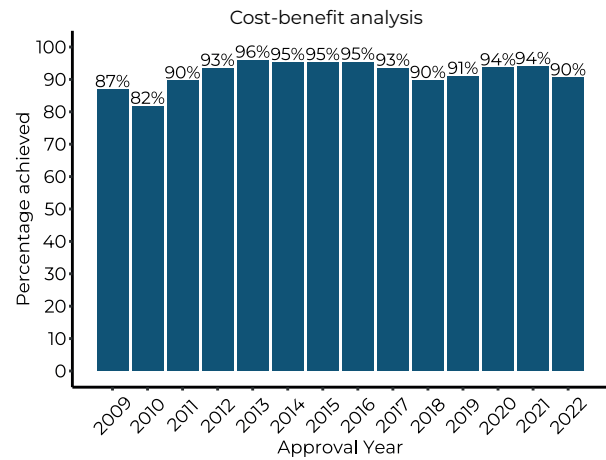
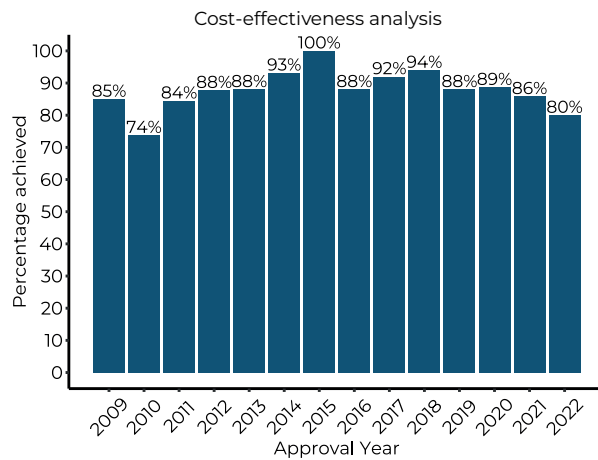
**DEM scores  
2009–2022**

Source: OVE,  
using data  
from Data  
Marketplace,  
IDB 2023b.



<sup>48</sup> The study used supervised machine learning models to identify the primary predictors of project ratings in the PCR. The database comprises 423 SG projects with a PCR validated by OVE between 2017 and 2023. The models were trained using more than 300 variables characterizing the operations in terms of their design and implementation features, the economic and political conditions of the borrowing country, and characteristics of the implementing agency and the Bank team responsible for the project.

<sup>49</sup> Combining answers of all DEM aspects.



Note: Total of 1,448 operations. Percentages of rates achieved are calculated as the achieved rate divided by the maximum rate for each subcategory. Maximum rates for each subcategory may vary annually due to changes in the DEM format. The databases include a variable indicating the format utilized in each project's DEM until 2019. Starting in 2020, the approval year serves as a proxy for the format used. Caution is needed when comparing with 2020 and 2021 because two DEM formats were applied on those years.

4.6 The focus on results can be improved during project design. OVE's analysis of PCRs in the 2023 validation cycle<sup>50</sup> revealed vertical logic and M&E issues stemming from the projects' designs. These issues were observed in 27% of validations for SG projects. For the projects identified by OVE as having a weak vertical logic in their PCR validations, their DEM vertical logic assessments were positive. Similarly, OVE identified 18 validations<sup>51</sup> of projects with insufficient or inadequate indicators. Among these, the DEMs of all but 3 projects had a perfect score in the dimensions related to the use of SMART outcome indicators, as well as in the identification of baseline values and data sources for outcome indicators. However, the criteria to assess outcome indicators on the DEM have changed over time.

50 Document [RE-591](#).

51 The operations referenced span from 2010 to 2018 and the DEM format used corresponded to the year of approval.

4.7 Beyond the DEM's assessment, there is no requirement for an explicit TOC in project proposals. An explicit TOC for the project is not required during project design but is required in PCRs. While the DEM covers certain aspects of the project's vertical logic, such as the link between project outputs and objectives, a TOC would provide a more comprehensive perspective. It would not only illustrate the logical chain from activities and outputs to outcomes, but also incorporate the rationale, assumptions, and pathways for achieving the project objectives. In contrast, two of the four comparator institutions examined in the benchmarking exercise, IFAD and the World Bank, require project designs with a TOC explicitly linked to the results framework. Interviews with the Independent Evaluation Group (IEG) and operational staff at the World Bank suggest that this requirement has contributed to sharpening the results focus and evidence base of World Bank projects.

## **B. The PMR**

- 4.8 The PMR monitors the project's physical and financial outputs during execution. The predecessor of the PMR, the Project Performance Monitoring Report (PPMR),<sup>52</sup> monitored components and outputs at a more general level. It did not include the detailed physical and financial planning related to outputs the PMR does. Of the team leaders and operations analysts surveyed, 87% indicated that the main added value<sup>53</sup> of the PMR is monitoring a project's physical and financial progress.<sup>54</sup>
- 4.9 The signals raised by the PMR have proven insufficient to predict the attainment of development results. The PMR classification provides a relevant signal to predict overall project outcome ratings in PCRs. OVE's predictive models, described in Annex III, reveal that a significant predictor of project overall ratings in PCRs is the proportion of PMR cycles during which the project was on alert or problem status.<sup>55</sup> However, this is not the case for the effectiveness criterion, as the proportion of PMR cycles during which the project was on alert or problem status is not among the relevant predictors of its effectiveness ratings. Furthermore, many projects with low effectiveness ratings never received

52 To see examples of PPMRs refer to document [GN-2108-1](#).

53 Combining answers for "moderately useful" and "very useful."

54 Furthermore, the PMR automatically classifies the project's overall implementation progress, based on whether outputs are delivered within the expected budget and time frame, and how the project's disbursement ratio compares with the average country disbursement profile. This results in the project being categorized as satisfactory, alert, or problem. This automatic classification can be modified during the validation process of the PMR (see paragraph 3.20).

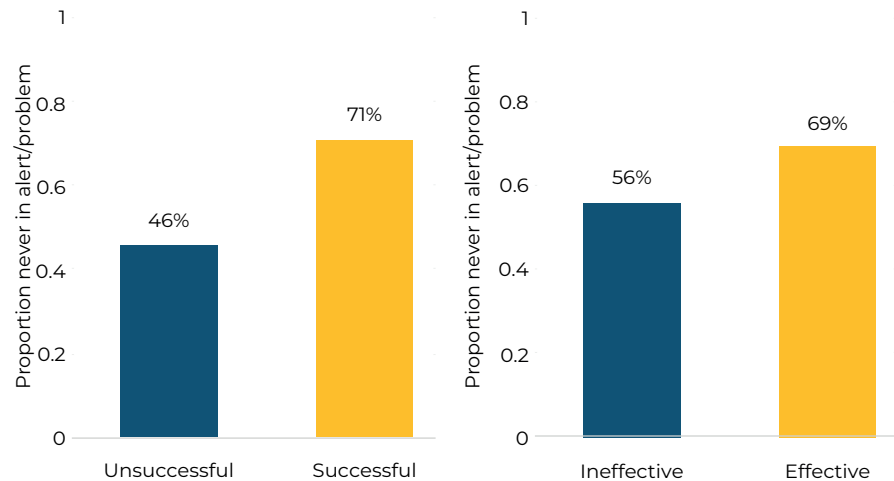
55 Projects spending a substantial part of their life cycle in alert or problem status have a lower probability of receiving a positive overall outcome rating on the PCR.

an alert or problem classification in the PMR, as depicted in Figure 3.2. The figure illustrates the proportion of projects with positive or negative ratings for both overall outcome and effectiveness, revealing that more than 50% of projects failing to meet their development objectives and consequently rated as not effective did not trigger any warning signal in the PMR. The PMR classification does not consider progress toward achieving objectives, unlike the classification systems of most other institutions reviewed.

**Figure 4.2**

**Project performance and PMR classification 2017–2023**

Source: OVE, using data from Data Marketplace, IDB 2023b.



Notes: In both cases, OVE-validated ratings are used. The universe corresponds to 333 operations with a PCR validated by OVE between 2017 and 2023 that have at least one stage 2 PMR classification. “Proportion never in alert/problem” indicates the proportion of projects that were never classified as alert or problem in their stage 2 PMR cycles. Projects labeled as “Unsuccessful” are the ones that received a negative rating on their overall PCR score, while “Successful” projects received a positive rating on this score. “Ineffective” projects are the ones that received a negative rating on the effectiveness criterion, while “Effective” projects are those that received a positive score on this criterion.

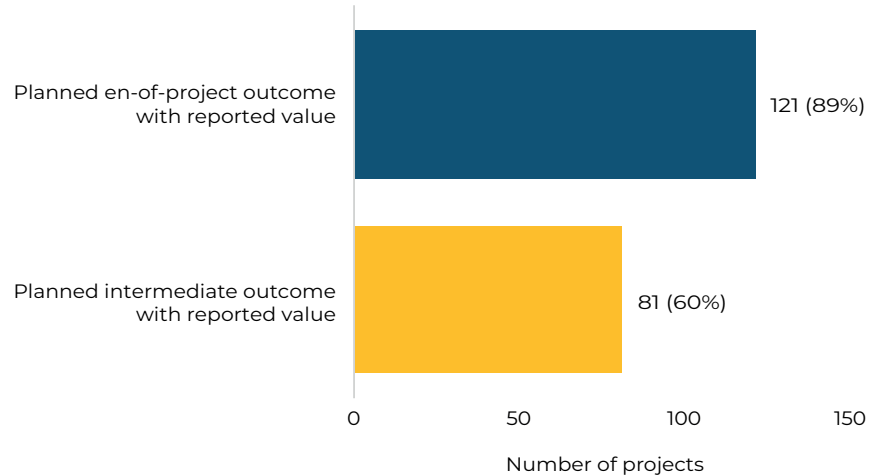
4.10 The PMR reports project outcomes, but there are still challenges with the quality of the information reported. Projects typically encompass multiple outcome indicators, and although reporting these is not mandatory, most outcomes are being reported in PMRs. Of the closed operations considered, 89% feature at least one outcome indicator with both a target and a reported value at the end of the project in their PMRs, while 83% of all outcome indicators had both a target and a reported value at the end of the project in their PMRs. Some intermediate outcomes—those with a planned value before the project’s end—are also reported, though less frequently. Of closed operations, 60% include at least one planned intermediate outcome indicator with both a target and a reported value (see Figure 3.3). Nevertheless, there are challenges with the quality of the information reported on outcomes, as some indicators feature targets without corresponding actual values reported, while others have values

reported without specified targets. Based on interviews, the M&E plan prepared during project design is not always used during project implementation.

**Figure 4.3**

**Percentage of projects with at least one outcome indicator reported (closed projects)**

Source: OVE, using data from Data Marketplace, IDB 2023b.



*Note:* The dataset for this figure comprises 136 closed projects. This dataset is derived from the following calculation: Out of 773 investment loans approved from 2013 to 2022, 559 required a PMR and reached the eligibility stage. Among these 559 operations, only 136 are closed projects. Policy-based loans are excluded from the analysis since these projects disburse rapidly and generally do not have complete information within the PMR.

4.11 Although the PMR reports outcomes, its contribution to assisting projects in achieving their intended results is limited. According to interviews, one shortcoming of the PMR in contributing to the achievement of results is the absence of a requirement to verify whether changes in project outputs affect expected project outcomes and, more broadly, whether a project’s vertical logic continues to hold during implementation. PMRs also do not require updates on whether the original assumptions for project success, such as “the government will support the project” or “the sector reform process will continue as planned,” remain valid—a component that the predecessor of the PMR had. These shortcomings are reinforced by the fact that project success during implementation is measured through a satisfactory PMR classification, which is in turn driven by physical and financial progress. The PMR is still primarily regarded as a reporting rather than a project management tool. Interviewees noted that the PMR falls short in project management due to its retrospective focus; by the time a problem is reported, it is often too late to take corrective actions. Additionally, project management demands greater granularity to oversee all procurement processes and other milestones necessary for a project’s progress. In fact, one sector division developed a tool to address these limitations and improve project and portfolio execution, but it will be discontinued.<sup>56</sup>

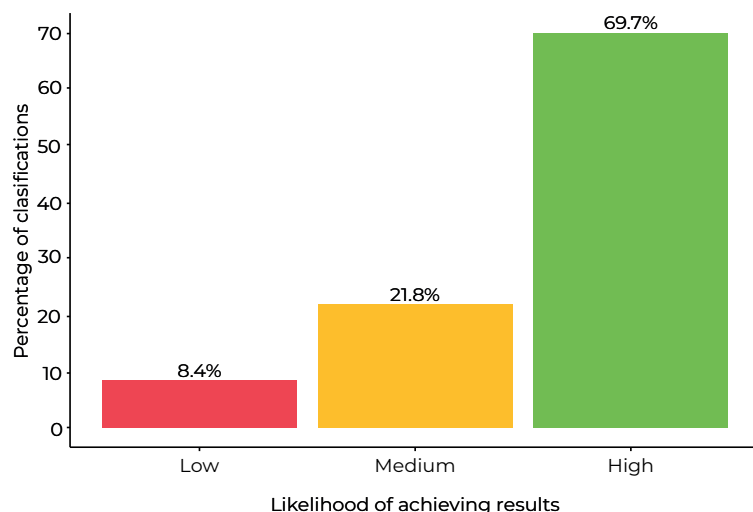
<sup>56</sup> The *Herramienta de Acompañamiento* emerged as a response to challenges faced by the Energy Division, dealing with portfolio reporting delays and operations categorized as alert and problem in the PMR. The tool featured a single dashboard showing financial and physical execution, tracking every bidding process and project contract,



4.12 In 2018 the PMR was revised to emphasize results; however, challenges persist in ensuring realistic reporting. In the evaluation of the IDB-9, OVE highlighted that the PMR fell short of its results-oriented focus.<sup>57</sup> In response, in 2018, the PMR format underwent revision, including changes to the implementation status and learning section. This adjustment aimed to place greater emphasis on explaining the implementation status and assessing the likelihood of achieving the project's expected objectives. However, this variable is still reported in an overly optimistic manner. Of closed projects with information about outcomes available in their last PMR, 70% reported a high likelihood of achieving their development objectives (see Figure 3.4). This contrasts with projects' effectiveness ratings measured by PCRs, which have been at around 30% on average.<sup>58</sup> These challenges are not unique to the IDB; evaluations from various other institutions<sup>59</sup> have found that reporting tends to suffer from either a lack of credible data, reluctance by team leaders to report problems, or overoptimism by staff. Institutions need to ensure that incentives are aligned for candid reporting and allocate resources in project budgets to ensure proper data collection.

**Figure 4.4**  
Likelihood of achieving development objectives reported by project teams in last available PMR (closed projects)

Source: OVE, using data from Data Marketplace, IDB 2023b.



Note: The dataset for this figure comprises 119 closed projects derived from the following calculation: Out of 773 investment loans approved from 2013 to 2022, 559 required a PMR and reached the eligibility stage. Among these 559 operations, only 533 had information on the likelihood of achieving results. Of these, 414 are active projects and the remaining 119 are closed projects.

simulating projections for upcoming PMRs' milestones in the project cycle (approval, eligibility, first disbursement, mid-term evaluation, date of last disbursement). This tool provided a monthly (at the contract level) and multiannual (at the project level) project performance visualization, allowing teams to promptly identify deviations from the original plan made during execution, and quantify the main challenges affecting operations performance throughout the year. However, given its ad-hoc design, this tool suffered some technical and security issues and, therefore, it will be discontinued.

<sup>57</sup> Document [RE-515-6](#).

<sup>58</sup> Document [RE-591](#). Data refers to OVE validated ratings.

<sup>59</sup> IEG, 2016, IFAD, 2023, ADB, 2020, AfDB, 2021.



## C. The PCR

- 4.13 Starting in 2014, PCRs were substantially revised, aligning their methodology with international standards. PCR guidelines underwent an important revision in 2014,<sup>60</sup> with subsequent updates every two years until 2020.<sup>61</sup> The guidelines shifted toward an objectives-based methodology, incorporating evaluation criteria from the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD DAC) and aligning them with the ECG-GPS. Following an evaluation methodology that is aligned with international standards, that allows results to be validated based on the evidence presented, and that delivers PCRs to OVE as planned is a noteworthy achievement. PCRs date back to the 1970s, and reviews of their application and content have been conducted since the 1980s by both the evaluation office at the time and by Management. These reviews consistently revealed challenges with PCR compliance regarding the preparation for all required operations, the methodology, and the content of information presented. PCRs tended to be overly descriptive and were even considered unreliable self-evaluation tools, lacking necessary metrics for assessing project development objectives and often lacking adequate supporting data.
- 4.14 Despite these achievements, the quality of PCRs still needs to improve. The latest validation reports have highlighted lingering quality issues with PCRs. From 2018 to 2023, PCRs obtained mixed quality ratings. Areas for improvement, as identified in the validation reports,<sup>62</sup> include the need for greater clarity of rating by objectives as well as in the discussion of the validity and achievement of indicators used for the self-assessment. Additionally, there is a need for further analysis on relevance, a more comprehensive approach to efficiency, and better information regarding performance on sustainability and safeguards. Shortcomings in information justification, quality and completeness of the analysis, and transparency persist, particularly in the PCR's effectiveness, efficiency, and relevance sections. The lack of completeness in PCRs emerged as a significant issue during the 2022 validation cycle. PCRs were missing key information necessary to assess performance, requiring Management to submit additional information and OVE to revisit evidence and reassess relevant ratings. The 2022 and 2023 validation reports also noted that nearly half of the PCRs for operations experiencing underachievement—a

60 Document [OP-1242-3](#).

61 Documents [OP-1242-5](#), [OP-1696-1](#), <https://idbg.sharepoint.com/sites/SEC/SitePages/EN/Home.aspx>.

62 Documents [RE-544](#), [RE-552](#), [RE-565](#), [RE-575](#), [RE-591](#).

primary factor behind negative effectiveness ratings—failed to offer sufficient or adequate explanations for their lack of results, missing a valuable learning opportunity. OVE’s validations also revealed limitations related to lessons learned, such as irrelevance, lack of detail and depth, and a shortage of lessons for future operations (see paragraph 6.4).

## **D. Instrument coherence**

- 4.15 The three DEF instruments were not implemented simultaneously; the modifications to the PCRs were the last component, making possible the full operation of the DEF system only since 2017. The DEM and the PMR were introduced first, requiring significant efforts from the Bank. This led to postponing changes to the PCR to later stages, which began in 2014 when the PCR guidelines were substantially revised; they were subsequently updated multiple times. The practice of OVE validating all PCRs is relatively recent. While there were occasional ad hoc or pilot exercises in the past, OVE PCR validations of all projects started in 2017.<sup>63</sup> One of the changes proposed by the DEF was the requirement for OVE to validate all PCRs. This change sought to “increase accountability mechanisms at the corporate level, putting emphasis on monitoring the achievement of development results, shifting from approvals.”<sup>64</sup>
- 4.16 In recent years, project teams and SPD have begun incorporating learnings from going through the entire project cycle, including the PCR and its validation. Both project teams and SPD have responded to the increased focus on project ratings in PCRs. According to interviews, there is increased awareness among project teams regarding the importance of defining a realistic results matrix and preparing projects with demonstrable outcomes. Interviewees also explained there is more attention on compiling outcome data well before project closure. The DEM’s template and SPD’s validation process have been adjusted accordingly. In 2020, the DEM template<sup>65</sup> was modified to include whether each specific objective has one or more associated results achievable at project closing, and whether the evaluation plan proposes a methodology to assess effectiveness in the PCR by addressing each specific objective. Furthermore, the score for the results matrix quality subsection was increased. SPD’s validation emphasis has also shifted from a strong focus on the availability of evidence to justify the project toward more of a focus on the quality of the results matrix. After validation

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63 Document [RE-520](#).

64 Document [GN-2489](#) para. 5.24.

65 Document OP-1696-6, Annex 1.

exercises became systematic and PCR guidelines were updated in 2018,<sup>66</sup> SPD noticed that project results matrices were being substantially modified between the approval and the start-up plan. Consequently, in 2020, SPD began validating project results matrices at the start-up plan.

- 4.17 The disconnect between instruments has limited the possibilities for introducing improvements to a project throughout the project cycle. Despite being designed as an integrated system, the DEF has failed to function as such for several reasons. First, the instruments' objectives were disconnected. The focus on results present in the DEM and the PCR is absent in the PMR. This disconnect is also reflected on the PMR classification, which does not consider progress toward achieving development results. Mirroring this disconnect, project monitoring is segregated from the rest of the DEF within SPD, with the Monitoring and Evaluation Division overseeing the PMR while the Development Effectiveness Division coordinates the DEM and PCR.<sup>67</sup> Second, the use of the instruments is disconnected, diminishing the potential for introducing improvements throughout the project cycle. Teams lack incentives to revisit the DEM post approval, even when comments included in the DEM may highlight project features for potential improvement. Additionally, the DEM was initially intended to be recalculated during project execution and at the end,<sup>68</sup> but this was not implemented due to limited resources and other priorities at the time. Similarly, according to survey respondents, the information recorded in PMRs has not substantially facilitated the preparation of PCRs.<sup>69</sup> One reported difficulty when preparing a PCR is the lack of its connection to the project's history during the execution stage. One current positive aspect is the utilization of the PCR to inform future projects, as reported by surveyed team leaders (see paragraph 6.3).
- 4.18 The disconnect between instruments is illustrated by the sharp contrast between the average DEM score and PMR classification on the one hand, and the project ratings in PCRs on the other. Between 2011 and 2022, the average DEM score has consistently exceeded 8 on a scale of 0 to 10. From 2013 to 2022, 78% of PMR reports classified operations as satisfactory.<sup>70</sup> Between 2017 and 2023, 57% of SG projects have been evaluated as successful, and 33% have been assessed as effective. OVE's predictive models (see Annex III) indicate that the DEM variables have a limited

66 Document [OP-1696-1](#).

67 [SPD Brochure](#).

68 Document [GN-2489](#), para. 5.29.

69 Of survey respondents, 68% reported that the information recorded in the PMR about the project's implementation made the preparation of the PCR document difficult or did not affect the preparation of the PCR.

70 Document [RE-583](#), Figure 3.5.

contribution in anticipating which projects will be successful or effective. On the other hand, PMR classifications are significant in predicting successful projects, but not necessarily effective ones. As Figure 3.2 shows, 56% of the projects evaluated as ineffective consistently received a satisfactory classification on the PMR. Thus, there is potential for further improvement by fostering better integration among the instruments. This integration should ensure that the information and scores produced by the system provide a realistic picture of the state of the portfolio, raising timely signals to allow course correction.

- 4.19 Despite the disconnect between instruments, OVE's analysis suggests that, by reducing cancelations, the DEF has contributed to the achievement of project results, although it has also increased project delays. OVE conducted an impact evaluation (see box 4.1 and Annex IV) to assess the causal effects of using the DEM and PMR on financial cancelations and project delays.<sup>71</sup> It is not feasible to estimate the impact of the DEF on project effectiveness, as the current measurement of effectiveness was introduced with the DEF and there is a reliable data series only since 2018. Financial cancelations have emerged as a key predictor of project performance ratings in the PCR, as shown in OVE's predictive models (see box 4.1 and Annex III) and Management studies.<sup>72</sup> OVE found that projects using the DEF instruments (the DEM and PMR) experience around 5 percentage points fewer financial cancelations than those not using these instruments. This reduction is substantial. The mean cancelation for projects without DEF has been 20%, versus 15% for projects with DEF. By type of instrument, the observed effects stem mainly from projects using the DEM alone or the DEM and the PMR. Surprisingly, projects solely utilizing the PMR showed no significant impact. OVE also found that the use of DEF instruments has increased project implementation delays.<sup>73</sup>

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71 The estimation exploits the variation among four groups of projects: those with only DEM, those with only PMR, those with both DEM and PMR, and those with neither. However, since the DEM and the PMR became mandatory with the DEF rollout in 2009, despite some variations in their implementation allowing for these four groups, the model primarily compares cancelations and project delays before and after the DEF rollout. To address the limitations of simply comparing cancelations and project delays before and after the DEF rollout, the estimation employs a causal machine learning method (post-double selection lasso) with two key features. The first feature is its ability to control for a broad set of variables that could affect project cancelations and delays in the pre- and post-DEF periods. Time and sector trends are included to control for changes, such as teams' heightened concerns about cancelations during specific time periods or within particular sectors. Additionally, the model controls for specific practices that may have occurred in particular approval or closure years, using dummies for these periods. The second feature is that the model uses a data-driven method to select the relevant variables to be included in the final model, reducing the risks of omitting important variables and the problems that arise when the evaluator arbitrarily chooses which variables to include in the specifications.

72 IDB Technical Notes [2135](#), [2136](#), and [2417](#).

73 Project implementation delays are measured as the difference between the original date planned for the last disbursement and the actual last disbursement date.

On average, projects that used DEF instruments required an additional 14 months for implementation, compared with projects that did not use these tools. This effect is explained mainly by using the PMR.<sup>74</sup> The increase in project delays may have affected the efficiency of projects, as measured by cost and time overrun analysis.

#### ***Box 4.1. Quantitative Studies of the Development Effectiveness Framework at the IDB***

OVE conducted two quantitative studies using machine learning and causal inference models (see annexes III and IV). The first aimed to identify factors predicting project performance upon completion, while the second sought to understand the broader impact of DEF on project performance, as measured by project cancelations and execution delays. The first study analyzed a comprehensive dataset of 423 sovereign guaranteed projects from the period of 2017 to 2023, with a PCR validated by OVE. The dataset captured various aspects of each project, including project characteristics, economic and political conditions of the borrowing country, as well as implementation agency and Bank team characteristics. Canonical supervised machine learning models, such as Random Forests, Gradient Boosting Machine (GBM), Neural Networks, and Lasso, were employed to predict project success and effectiveness. The performance of the models was assessed, using conventional metrics in the machine learning literature, to understand how well they could anticipate which projects would be rated as successful upon completion. Additionally, feature importance analysis was conducted to identify the key predictors of project success, including the relevance of the DEM and PMR tools in signaling potential setbacks.

The results of the study show that it is possible to predict whether projects will end with a positive overall outcome rating on the PCR. The preferred model (GBM) balances high accuracy, precision, and recall in identifying successful projects. The feature importance analysis revealed that variables related to project implementation, such as financial cancelations, implementation delays, and the proportion of time spent in alert or problem status, were the most influential predictors of project success. Political and economic factors of the host country, including the political cycle and governance quality, also played a significant role in determining project outcomes. When the models were used to predict performance on the core evaluation criteria of relevance, effectiveness, efficiency, and sustainability, the results were more nuanced. The models performed exceptionally well in forecasting relevance and sustainability but faced greater challenges in anticipating effectiveness and efficiency. This suggests that predicting effectiveness is particularly challenging and that more analysis is required to identify unobserved factors that account for unexplained variation in this dimension. Overall, these findings highlight the importance of both project-level and contextual factors in determining the success of the Banks' development interventions.

The second study utilizes a rich dataset of over 1,428 closed projects approved between 2001 and 2022, containing a comprehensive set of over 87 variables spanning project characteristics, economic and political conditions in borrower countries, implementation agency features, and Bank team attributes. The data allows to identify projects that used the DEF tools, namely the DEM and the PMR, either individually or in combination. The empirical strategy employs a causal machine learning approach—the Post-Double-Selection Lasso (PDS Lasso)—to estimate the impact of the DEF on project outcomes, specifically

<sup>74</sup> The results could be subject to omitted variable bias. However, robustness tests presented in Annex IV show the credibility of the estimates.

financial cancelations and implementation delays. This method, which relies on the sparsity and unconfoundedness assumptions to identify causal effects, involves a multi-step process that first identifies the most predictive covariates for the outcome and treatment variables, and then uses an ordinary least squares regression to estimate the causal effect of the DEF, while controlling for the selected covariates. This approach helps address challenges like omitted variable bias and overfitting, providing robust and reliable estimates of the DEF's impact. Furthermore, the analysis disaggregates the DEF treatment into distinct groups to understand the individual and combined effects of the DEM and PMR tools, offering nuanced insights into the mechanisms driving project performance.

Regarding financial cancelations, the findings of this study indicate that the overall implementation of the DEF led to a substantial reduction in the fraction of financial resources canceled by projects, as well as the likelihood of projects canceling more than 20% of their budgets. Specifically, DEF-treated projects showed a 5-percentage-point lower fraction of resources canceled and a 8-percentage-point lower probability of substantial cancelations compared to non-DEF projects. Disaggregating the DEF tools, the analysis reveals that the DEM had a particularly strong impact, with DEM-only projects exhibiting a 12 percentage-point reduction in the fraction canceled and an 18-percentage-point lower probability of large cancelations. In contrast, the effects of the PMR-only were more modest and not statistically significant. However, projects that utilized both the DEM and PMR experienced robust reductions in financial cancelations. The impacts on project delays present a different picture. The results show that DEF-treated projects, especially those using the PMR alone, experienced significant increases in implementation delays, ranging from 4 months for DEM-only to over 20 months for PMR-only projects. This suggests potential trade-offs between improving the utilization of financial resources and timely project execution.

*Source:* OVE.

*Note:* \* Sparsity refers to the assumption that the true underlying model that generates the outcome variables (e.g. financial cancelations) depends on only a small subset of the available covariates. Unconfoundedness assumes that, conditional on the set of observed covariates selected by the Lasso regressions, the assignment to the DEF treatment groups is independent of the potential outcomes.





# 05

Specific Objective  
3: Accountability  
for Development  
Results is Enhanced



- 5.1 The DEF sought to enhance accountability, as it was not possible for the Bank, at the time, to report project results in a credible and reliable manner. The Bank has a reporting system similar to that of other institutions. The information reported on the active portfolio is inadequate, partly due to PMR-related shortcomings. Current reporting focuses mainly on disbursements and PMR classification during implementation, neglecting other areas. The PMR offers additional information, such as an assessment of the likelihood of achieving development results and of the implementation status, but these sections suffer from quality shortcomings. Reporting on completed projects is somewhat deficient, as more information is still needed on the factors that explain project performance. Additionally, although indicators related to satisfactory ratings from the PMR and PCR have been incorporated in the work plans of Bank Managers, these do not seem to have the intended effect. Finally, Bank staff concerns about the methodology for assessing results achievement through PCRs compromise the sense of ownership and accountability for development outcomes.
- 5.2 Like other institutions, the Bank reports on development effectiveness at project and aggregate levels. The reporting system consolidates data from DEF instruments and other sources at the project level. Individual PMRs contribute to operational dashboards, with certain information made public.<sup>75</sup> The Board receives, for information, reports on the active portfolio's performance as well as PCRs. PCRs are made publicly available. Annually, OVE produces a report on PCR validations, which is discussed by the Board and then made publicly available. The CRF, accessible through an [online tracker](#), is updated quarterly, while the DEO is produced annually, discussed by the Board, and subsequently disclosed to the public. Among surveyed Board members, a majority report these sources to be useful for the Bank's accountability on development effectiveness. OVE's validation report of the PCR and the Expanded Supervision Report (XSR) is the most used source (91%), followed by the CRF (83%) and the DEO (81%). The reporting system developed by the Bank aligns with those of benchmarked institutions, all of which provide annual updates for the corporate results framework, report the performance of the active portfolio to the Board, make project monitoring reports public to varying degrees (except for one institution), share project self-evaluations with the Board and the public, and produce annual reports on project self-evaluation validations, which are discussed by the Board.

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<sup>75</sup> Every section of the PMR is included in the public version. However, although the risk management section is included, the information reported in the public version is limited. It reports on only the risk status, taxonomy, and management strategy, without describing the risk itself.

- 5.3 The information reported about the active portfolio is insufficient, partly due to shortcomings related to the PMR. Reporting requires information provided by team leaders and operations analysts for all instruments, demanding both time and effort. In the words of one interviewee, *“In complying with all reporting requirements, we sometimes work more for the internal client than for the external client.”* However, nearly half of the surveyed Board members (45%) find the information provided by Management for supervising the active project portfolio inadequate. This percentage rises to 64% for members from non-borrowing countries. When asked about the most important aspects during supervision, respondents ranked progress toward achieving development objectives first. Board members often mentioned a lack of information regarding the challenges faced and lessons learned during implementation. Reporting on the active portfolio primarily focuses on disbursements and the PMR classification, which receive the most attention during implementation. The PMR includes additional information, such as an assessment of the likelihood of achieving development results and an examination of the implementation status along with lessons learned. However, the former variable still tends to reflect an overly optimistic view of projects (see paragraph 4.12), and the latter often exhibits varying levels of quality, as attention is not consistently directed to this section of the PMR.
- 5.4 Reporting about completed projects has shortcomings. Information on completed projects is conveyed in different ways. Individual PCRs are submitted to the Board for information. OVE prepares an annual report with the results of the validation exercise covering all PCRs submitted. Management’s annual DEO includes a section about achievements and lessons learned along with validated ratings from completed projects, which are part of the CRF indicators. However, there is room for improvement. Aligned with OVE’s validation reports from 2022 and 2023,<sup>76</sup> 34% of Board members surveyed found the reporting to be inadequate. This percentage is higher (50%) among non-borrowers. Respondents expressed the need for more specific information, especially concerning the causes of failures and the factors hindering development effectiveness. Currently, about two-thirds of the surveyed Board members acknowledged that they do not utilize or rarely utilize individual operation PCRs to inform themselves about the portfolio of completed projects—a percentage that is considerably higher among non-borrowers (93%) than among borrowers (55%).

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<sup>76</sup> Documents [RE-565](#), [RE-591](#).

- 5.5 The deferral of changes to the PCR to later stages of the DEF implementation resulted in a delay in establishing reliable project performance data, affecting accountability. Only when a couple of years of reliable project performance data were available could OVE provide an analysis of trends in development effectiveness. The 2020 validation report by OVE<sup>77</sup> was the first to show project performance over several years, making it evident that project results needed improvement. This report was instrumental in creating awareness around the limited development effectiveness of IDB projects. In that sense, the reporting of validated PCRs by OVE contributed to the objective of enhancing accountability for results. Following this report, the Board of Directors requested more information from Management regarding project results and the reasons behind low performance. These efforts culminated in the Barranquilla Resolution of 2021 and the Washington Resolution of 2022,<sup>78</sup> whereby the Board of Governors mandated the Board of Executive Directors to direct Management to conduct in-depth analyses and initiate reforms to enhance development effectiveness, among others. The new President of the Bank, elected in December 2022, also prioritized development effectiveness, which is reflected in the new institutional strategy, approved by the Board of Governors in March 2024.
- 5.6 Targets related to PMR and PCR ratings were incorporated in the employee performance system for Bank Managers, but these do not seem to be having their intended effect. The individual annual work plans of Bank Managers (e.g., Sector and Country Managers, Country Representatives, Chiefs of Operations, and Division Chiefs) include indicators with specific targets for the proportion of PCRs and PMRs rated as satisfactory, under a section on development effectiveness.<sup>79</sup> While the rationale for these targets may have been to foster development effectiveness, in practice, as seen by OVE during the validation cycle of 2023–2024, they may have disincentivized honest reporting on project results and, specifically, on project failure (see paragraph 3.19).
- 5.7 There are concerns from Bank staff about the methodology to assess the achievement of results through PCRs, diminishing the sense of accountability for development outcomes. Based on interviews, there is a perception among staff that the approach to assessing the achievement of results in PCRs is flawed, even as the methodology is broadly aligned with international best practice. This may be a lasting consequence of Management's

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<sup>77</sup> Document [RE-552](#).

<sup>78</sup> Documents [AG-7/21](#), [AG-7/22](#).

<sup>79</sup> Based on a review of work plans, by four General Managers, Country Representatives, and Chiefs of Operations from the four country departments, plus four Sector Managers and Division Chiefs, as recorded in the Bank's Career Point system.

first reaction when the problem of low effectiveness emerged in OVE's 2020 report: that the problem was not how well the projects were working (or not) but that the way project performance was measured was incorrect. A particular issue is about the flexibility to change the outcome indicators and their targets. The current approach assesses progress using the results matrix from the start-up plan. After that point, outcome indicators and targets can be altered only when the project undergoes reformulation or modification, a process that necessitates approval from the Board (see paragraph 3.13). New outcome indicators can be added after the start-up plan and during implementation with the approval of SPD, and as part of the validation process, OVE determines whether to accept the added indicators. The requirement of using the results matrix from the start-up plan was introduced by Management in the PCR guidelines in 2018 in response to teams' practice of changing indicators and targets, even up to the last PMR or even during the PCR exercise. This extreme flexibility compromised the ability to assess how effectively an operation had performed.<sup>80</sup> Currently, the approach is perceived as too inflexible given the long project execution periods and the cumbersome process to reformulate projects. The results matrix from the start-up plan is often perceived as diverging from the actual project or country context by the time of the PCR. This perception erodes the sense of ownership and accountability among staff, as an important factor contributing to insufficient results is being attributed to the methodology itself.

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80 Document [RE-515-6](#), para. 3.26.





# 06

Specific Objective  
4: Learning from  
Past Experience  
is Increased

- 6.1 Learning was a central objective of the DEF to increase effectiveness; however, it has been hindered by multiple challenges. While PCRs are somewhat employed for learning, both PMRs and PCRs lack extensive use due to various factors, including the insufficient quality of their information. An absence of incentives for learning contributes to the subpar quality of learning sections in PMRs and PCRs, exacerbated by an institutional setup that does not foster candid assessments. Project teams lack clear guidance for writing lessons learned in PCRs, and mechanisms for internalizing operational knowledge remain insufficient. At the corporate level, the DEO has not been widely utilized to inform future operations. Prioritizing the extraction of operational insights from project implementation is necessary considering that the mechanisms for internalizing operational knowledge have proven insufficient.
- 6.2 The DEO aims to take stock of the development effectiveness agenda but is not widely used to inform future operations. The objective of the DEO, established in 2006, was to take stock of the Bank's development effectiveness agenda.<sup>81</sup> The IDB-9 Agreement established minimum content requirements for the DEO, to be reported annually. In addition, each edition of the DEO includes topics deemed important by the Board and Management. The DEO is the only product related to the DEF that aggregates and systematizes information from the project level to a higher level. However, this document is drafted and perceived by staff mainly with the purpose of communication and outreach, rather than as a knowledge source for project teams. Of surveyed team leaders and operations analysts, 79% reported they had not used the DEO to inform the preparation or supervision of new projects. Similarly, 65% of surveyed Chiefs of Operations said they consider the DEO "slightly useful" or "not useful at all" for improving the design of new projects or for supervising operations. These results contrast with the perceptions of Board members, 81% of whom considered the DEO a "very useful" or "moderately useful" product for promoting institutional learning. Consequently, a gap exists between the knowledge generated by project-level instruments and the higher-level synthesis presented by the DEO. This gap means that knowledge generated at the project level is not currently being aggregated and systematically used at an intermediate level to facilitate learning.
- 6.3 The PMR is not extensively utilized for learning to inform future operations, whereas PCRs are somewhat employed for this purpose. More than half (54%) of surveyed team leaders and operations analysts reported they had not used a previous PMR

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<sup>81</sup> Document [GN-2444-1](#), page i.

to inform the preparation or supervision of new projects. Most of the surveyed Chiefs of Operations (60%) reported that the PMR is “not useful at all” or only “slightly useful” for identifying lessons that could help improve the design of new projects or for supervising the active portfolio. The use of PCRs to inform future operations surpasses that of PMRs, especially concerning the preparation of new projects, as opposed to their supervision. Of surveyed team leaders and operations analysts, 59% reported employing PCRs from past projects to inform new project preparation, while only 19% reported using them for supervision. Chiefs of Operations recognized the usefulness of PCRs in extracting lessons. They prioritize the review of lessons alongside reported information on core project performance criteria, with 75% stating that PCRs aid<sup>82</sup> in identifying insights that could help improve new project design and ongoing operation supervision.

- 6.4 The use of PMRs and PCRs for learning is limited by various factors, including the quality of their information. The PMR includes a section on implementation status and learning, providing a space for a qualitative description of the project’s implementation progress, an assessment of the likelihood of achieving development objectives, and an examination of lessons learned. However, it is not mandatory for project teams to include lessons. This section underwent revision in 2018 (see paragraph 4.12), but there was a qualitative section before that as well.<sup>83</sup> The quality of the information reported in this section has been poor since the introduction of the PMR. Management and OVE had previously identified quality shortcomings,<sup>84</sup> and interviews conducted for this evaluation confirmed the information’s heterogeneous quality. It was noted that this section does not receive the same attention as the PMR sections that contribute to the PMR classification. The PCR has a final section for general and specific findings, and lessons learned from project design and implementation, but its quality has also been insufficient. OVE validations report from 2020 analyzed the lessons included in all the PCRs validated between 2017 and 2020. It highlighted that the lessons and, more broadly, the PCRs were not sufficiently focused on enhancing institutional learning. These documents offered limited analysis of the factors affecting project performance and provided unclear and inconsistent narratives across evaluative criteria, making it challenging to identify the drivers of project results.

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82 Combining “very useful” and “moderately useful.”

83 Throughout 2013–2017, the qualitative section was called “Findings and Recommendations.”

84 Document [RE-425](#) and IDB (2020d).



- 6.5 The lack of incentives is one of the reasons for the insufficient quality of the PMR and PCR learning sections. Three factors contribute to the lack of incentives for producing quality lessons. First, generating them necessitates a candid assessment of both negative and positive elements during the project's life cycle, yet institutional conditions have not supported such candid assessments (see paragraph 6.6). Second, there is no quality control for these sections. The PMR and PCR review processes are predominantly focused on the sections that generate the classification in the former and project ratings in the later. Third, according to team leaders and operations analysts, generating operational lessons is given less recognition within divisions than are other tasks. When team leaders and operations analysts were asked to rank various categories by priority,<sup>85</sup> generating lessons about operations consistently emerged as having the lowest priority among people in both roles. Identifying learning comes in as the least useful feature of the PMR among surveyed team leaders and operations analysts. PCRs are perceived more as compliance documents that serve accountability purposes than learning tools.
- 6.6 The institutional setup and incentives have not led to candid assessments. Candid assessments require a culture that fosters open discussions about the problems faced during a project's life cycle without fearing reputational costs or being perceived as a poor performer. Recognizing problems faced as a valuable learning opportunity is essential. However, project teams do not perceive this as the prevailing practice. Survey responses indicate that problems are not always reported in the PMR or the PCR: Only 52% of respondents indicated that problems are reported most of the time in the PMR, while for the PCR, the figure was 62%. Among the reasons for not always reporting problems, the most significant factor for the PMR was the perceived lack of usefulness in doing so, followed by constraints related to the frequency of the PMR and space. Also, there was concern that reporting problems would not be well received internally and by counterparts. The primary obstacle for not always reporting problems in the PCR was the concern that it would not be well received by counterparts, coupled with the public nature of the document. The internal reception of reported problems is also a concern, and there is a lack of clarity regarding the usefulness of reporting them. These results suggest that the current institutional

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<sup>85</sup> The categories are the following: preparing operations that can be submitted to the Board of Executive Directors for approval, having projects with a satisfactory rating in the PMR, supporting counterparts so that the project achieves the development results that were set, obtaining a satisfactory rating on the PCR validation, having a quality PCR, and generating lessons about operations.

culture, described by interviewees as being the “only good news Bank,” prioritizes positive news rather than viewing failures as valuable learning opportunities. Various stakeholders expressed reluctance to share their lessons learned in PCRs due to potential downgrades in project ratings during the validation process. Team members reported adopting a defensive rather than a candid approach when completing the PCR.

- 6.7 There is limited guidance to project teams for writing lessons learned in PCRs. Based on interviews, the guidance provided for articulating lessons learned in PCRs is insufficient. This guidance is outlined in the PCR guidelines, the PCR annotated template, and the guidance note on the preparation of findings and recommendations. However, these documents are not sufficiently clear in defining what constitutes a lesson learned and how it differs from a finding or recommendation. The terminologies used vary across these documents; the learning section in the PCR document is called “Findings and Recommendations” in the annotated template and guidance note, while the PCR guidelines call it “Findings and Lessons Learned.” Other institutions distinguish these concepts and emphasize that a lesson should not be presented as a fact, a finding, or a recommendation.<sup>86</sup> Distilling quality lessons is not a trivial exercise; lessons need to be specific enough to offer valuable insights and general enough for broader applicability.
- 6.8 Extracting operational insights from project implementation still needs to be prioritized. Some interviewees emphasized that in the Bank’s knowledge generation process, operational knowledge generated from project implementation is considered less relevant than other types of knowledge. OVE’s 2020 PCR validation report emphasized that the Bank was not generating enough knowledge about what worked or did not work during implementation, and issued a recommendation about ensuring that the 2020 PCR guidelines asked for lessons relevant to institutional learning, focusing on project elements to replicate or avoid. The report stressed that the Bank seemed to know more about how projects should have been designed than about what they did during the implementation to avoid

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<sup>86</sup> ADB’s guidelines, along with the World Bank’s guidelines for validators from the IEG, distinguish these concepts. According to these guidelines, a fact is what happened—an event demonstrated by data—and is not in dispute. A *finding* is what the report writer interpreted or concluded from the facts or the data. A *lesson* refers to the broader significance of a finding. It draws a conclusion from experience that may be applicable beyond the operation that has been evaluated. A *recommendation* proposes future actions, considering the evaluation as a whole. Moreover, IEG’s guidelines emphasize that lessons learned should be evidence-based. Therefore, if something has been found not to work, the lessons should refrain from suggesting alternative actions, as there is likely no evidence for what would have worked, only evidence for what did not.

disappointing outcomes.<sup>87</sup> Some pilot initiatives for capturing operational lessons resulted from this recommendation,<sup>88</sup> but these have been neither continued nor mainstreamed.

- 6.9 The mechanisms for internalizing operational knowledge have proven insufficient. Accessing the information poses challenges, as PCRs are not easy to find,<sup>89</sup> unlike the case of XSRs, which can be located through the [Development Effectiveness Analytics](#) platform in IDB Invest. Although there are efforts led by KIC<sup>90</sup> to promote the use of lessons learned, such as [FindIt](#), a knowledge search engine within the institution, they still rely on what was written in PMRs and PCRs and, therefore, are constrained by the quality issues explained above. KIC currently lacks an assigned role in the design of the DEF instruments, as well as in reviewing and curating lessons from PMRs and PCRs, leading to minimal influence over their content and quality. Interviewees across the organization noted that there are no mechanisms facilitating learning from operations but rather ad hoc initiatives. They explained that lessons are primarily shared through informal communication channels rather than by relying on PCRs. Consequently, operational knowledge tends to be primarily retained within the teams, with only a small portion being systematized or shared, making it susceptible to knowledge loss due to staff turnover. Some interviewees mentioned that they do not find PCRs useful for learning purposes, as most focus on the details of operations (or of series in the case of programmatic operations). Instead, they expressed a preference for knowledge products that assess a broader sample of projects within a specific topic.

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<sup>87</sup> Document RE-552, para. 4.7.

<sup>88</sup> Templates were created and reviewed by the Development Effectiveness Division to capture operational lessons from a few projects. They aimed to identify events, circumstances, or occurrences during the project's life, their impact on project performance, and suggestions for future mitigation or replication.

<sup>89</sup> The PCR dashboard serves as a centralized repository for all PCR-related data. It provides a gateway to a given project's Convergence profile, but it does not always contain a valid file for the PCR.

<sup>90</sup> KIC has recently sought to improve the loop between analytical and operations knowledge, particularly in capturing and disseminating lessons learned. Key initiatives include holding a contest to encourage systematic documentation, developing an AI assistant to capture tacit knowledge, and using AI to enhance the quality of lessons. Efforts are also being made to improve the capture of lessons learned outside formal frameworks. Knowledge exchange events and operational analysis days are organized to address common project execution challenges and foster solutions.



# 07

## Conclusions and Recommendations

- 7.1 The purpose of the DEF was to enhance the effectiveness of the Bank's products by fostering an institutional culture of achieving and demonstrating development results. The DEF was conceived with three interrelated pillars: instruments, governance arrangements, and reporting mechanisms. The three-pillar structure recognized that the system's proper functioning required more than just using DEF instruments. Instruments were intended to be utilized within an institutional setup that provided the right incentives for focusing on results throughout the entire project cycle, with governance arrangements and reporting mechanisms playing a key role. This approach would allow for course correction, learning, and accountability over development results.
- 7.2 The DEF successfully brought about improvements. Before the DEF, the Bank was not able to credibly demonstrate the results of its interventions. This has changed. The Bank has a structured system aligned to international standards to measure and evaluate whether projects achieve their intended results. Through the DEM, the IDB was a pioneer among MDBs in introducing an at-entry tool to assess the expected project results and the evidence behind the proposed intervention. The DEM brought more rigor to project design and identified some of the key elements every project should contain. During implementation, the PMR has enabled thorough supervision to ensure that project outputs are delivered within the expected time and costs. Finally, by ensuring that PCRs are prepared following international standards, the DEF shifts the reporting focus from outputs to outcomes. Furthermore, OVE's analysis suggests the DEF has made a positive contribution to improving results through a reduction of cancelations.
- 7.3 However, project results have still fallen short of institutional targets. OVE's latest validation report revealed that 59% of projects in 2023 received positive overall outcome ratings, falling short of the 70% CRF target for 2020–2023. The performance of projects in achieving their stated development objectives (i.e., their effectiveness) has been the weakest area, with only 32% of projects receiving a positive rating in 2023. This criterion has consistently received the lowest ratings, showing no substantial improvement since 2019. Several factors explain the insufficient progress.
- 7.4 First, the DEF started with a diagnostic focused mainly on the Bank's inability to *demonstrate* project results in a credible manner, leading to a limited scope. The DEF originated in response to the diagnosis that the Bank was unable to *demonstrate* the results of its interventions at completion. Consequently, it started with the introduction of a tool to improve the evaluability of its

interventions at entry, in addition to subsequent M&E tools. The DEF placed substantial emphasis on *measuring* project results, but it lacked sufficient focus on *improving* project results.

- 7.5 Second, the DEF implementation centered the attention on the instruments pillar. Much effort was invested in developing the instruments' templates and guidelines, and ensuring the use of the instruments. While this is a necessary stepping stone, it falls short of advancing the DEF objectives. These instruments are not sufficiently used to improve project design and to facilitate course correction and learning, so as ultimately to achieve improved results for borrowing countries. This is in part due to a lack of attention on the governance and reporting pillars. Management made considerable efforts to adjust all DEF tools. However, while adjustments addressed specific needs, they were mostly focused on tweaking the system while keeping its structural elements in place. Therefore, they were not able to resolve the insufficient focus on results during project implementation that had been identified by OVE and Management.
- 7.6 Third, although the instruments were conceived to be interconnected, they are not, and the disconnect exists at several levels. The focus on results present in the DEM and the PCR is mostly lost in the PMR. This disconnect is also reflected in the PMR classification, which does not consider progress toward achieving development results. Consequently, the focus on results is also omitted from the discussion of active portfolio performance. The use of DEF instruments is also disconnected, reducing the potential for introducing improvements throughout the project cycle. The DEM is used during project design but is not revisited after the project's approval despite containing valuable comments that could enhance project design. The vertical logic of the project, which is checked to some extent through the DEM at entry, is not subsequently monitored during implementation. The PMR, used during project implementation, does not facilitate the preparation of the PCR. Finally, the signals raised by the DEM score and the PMR classification depict an overly optimistic view of the portfolio, contrasting with project success measures from PCRs.
- 7.7 Fourth, the implementation approach of the DEF, which deferred the changes to the PCR, further intensified the disconnection. The three DEF instruments were not implemented simultaneously. The DEM and the PMR were introduced first, requiring significant efforts from the Bank and leading to the deferral of changes to the PCR to later stages. However, this approach implied that an objectives-based methodology for evaluating projects using the criteria of relevance, effectiveness, efficiency, and sustainability had been established only in 2016. PCRs prepared after this date

followed a common structure and achieved sufficient quality for an independent validation process. Validating PCRs is a relatively new practice, and some feedback loops have only recently emerged once project teams have applied all three instruments and have gone through the PCR validation cycle.

- 7.8 Fifth, the DEF has not properly incorporated strategic selectivity, a key component to enhance project results. The DEF was supposed to work on both “doing the right things” and “doing things right.” The former requires strategic selectivity. The DEM for country strategies and the country results matrix were supposed to enhance selectivity. However, country strategies are broadly defined documents and only partially guide country programming which is not covered by the DEF.<sup>91</sup> Hence, there is a missing link between country strategies and the strategic choice for “doing the right things.” The need to enhance strategic selectivity was also acknowledged in the Bank’s 2006 Realignment, initiated just a few years before the DEF launch. OVE’s evaluation of the Realignment<sup>92</sup> found that the Bank’s programming continued to be determined by the demands of the borrowing country rather than by Bank strategies. The evaluation also found that the pressures on both VPC and VPS to generate a high volume of loans continued to dominate over incentives to generate results or to encourage development effectiveness.
- 7.9 Sixth, the DEF design did not sufficiently integrate the role of countries. While the DEM evaluates project alignment with a country’s needs and priorities, and PCRs assess project relevance in the context of countries’ needs, priorities, and realities, a focus on results entails more than alignment. It should be a shared goal between the Bank and the borrower. OVE highlighted in the Development Effectiveness Report of 2002 that the political priorities of governments may not always align with a focus on measurable outcomes. Without a mutual commitment to achieving results, the Bank’s capacity to focus on them is restricted.<sup>93</sup> In the same report, OVE explained that measuring outcomes was often technically difficult, and even measurable objectives may lack reliable data sources in borrowing member countries. Therefore, OVE pointed out the need to develop or reinforce borrowers’ M&E systems and capacity. Interviewees emphasized that institutional M&E capacity is still lacking in many cases. In fact, problems with the quality and timely delivery of information by executing agencies were identified by survey respondents as the main difficulties in preparing PMRs.

91 Document [RE-515-6](#), paras. 3.11 and 3.44.

92 Document [RE-451-2](#).

93 Document [RE-260](#).



- 7.10 Seventh, the DEF's evaluability and M&E framework had shortcomings, which prevented the Bank from recognizing the need for improvements. The DEF did not clearly identify its specific objectives. OVE reconstructed them for this evaluation because the DEF only outlined its broad purpose and key elements for implementation without clearly defining expected changes at an outcome level. Implementation elements were defined at the level of activities and outputs. Further, progress in implementing the DEF is monitored through the CRF and focuses on aggregate measures derived from project ratings. This approach did not permit the assessment of the use and usefulness of the DEF instruments and reporting mechanisms. It also failed to provide insight into whether governance arrangements were enabling the implementation of the DEF and whether the DEF, as a system, was achieving its objectives.
- 7.11 Eighth, DEF governance was not developed systematically, but rather in a reactive manner to address instruments' requirements. The governance pillar, which was supposed to enable the effective implementation of the DEF, failed to establish a functional organizational structure to achieve culture change. Roles, responsibilities, and processes involving various DEF stakeholders are dispersed across different types of documents and are unclear. Specific responsibilities have been identified in the DEF instruments' guidelines; however, these do not offer a view of the DEF as a system but rather relate to each instrument individually. The processes to manage project changes during implementation do not encourage rigorous adaptive management, a key element for achieving project objectives in the dynamic contexts where projects are implemented. Quality assurance over the information provided on DEF instruments has been insufficient, and no mechanisms or incentives were established to facilitate effective learning from them. Furthermore, the DEF instruments generate scores and ratings with corporate targets that inadvertently create perverse incentives.
- 7.12 Finally, factors deeply rooted in the Bank's business model and institutional culture have hindered the focus on results. Concerns about this insufficient focus date back to at least 1989, and other institutional reforms, predating the DEF, have aimed at improving the Bank's development effectiveness. Despite the implementation of the DEF, once again the incentive structure at the Bank did not change and continued to focus on approvals and disbursements, avoiding open discussions about challenges or failures. There is no common understanding across the institution of the concept of development effectiveness; some equate it solely with PCR ratings. There is limited ownership



of responsibility for development effectiveness, with some assigning it entirely to the country and others to SPD. Recently, Bank Management has made development results a priority of the institution. To fully achieve the objectives of the DEF, as incorporated in the new 2024 institutional strategy and in the reforms mandated by Governorssince the Barranquilla Resolution of 2021, the IDB needs to change its culture by creating proper incentives to promote learning from operations and by avoiding incentives that encourage only showing positive developments rather than candidly addressing challenges. The processes for addressing project changes during implementation need revision to enable the Bank to take corrective action, with appropriate checks and balances, to achieve project results while ensuring accountability for the project objectives defined at approval. A sustained commitment from the top is key to shift the institutional culture.

7.13 Based on the findings of the evaluation, and given that the Bank is undertaking measures to enhance development effectiveness, OVE recommends to Management the following:

1. **Ensure proper incentives reflecting a sustained commitment from the top to prioritize development results rather than merely focusing on meeting targets for some aggregate indicators, which may create perverse incentives.** The key element for the success of the new approach to development effectiveness is the sustained commitment of the Bank's leadership and Senior Management with a focus on results in every aspect of Bank activity. Scores, ratings, and corporate targets should be used with caution as current targets for corporate indicators—such as a satisfactory performance classification on the PMR or satisfactory development results at completion on the PCR, have created incentives that discourage candid reporting, assessments, and learning, and do not necessarily contribute to fostering the achievement of results.
2. **Ensure well-defined roles and responsibilities for all stakeholders.** With the aim of addressing the gaps identified in the definition or fulfillment of roles and responsibilities, consider enhancing the role of SPD to extend beyond advisory and support functions to ensuring quality. Provide the necessary resources for effective oversight. Additionally, contemplate strengthen the role of KIC in development effectiveness, equipped with the appropriate resources to effectively advance operational learning.

3. **Ensure that the approach to development effectiveness includes these elements:**
  - a. **Mechanisms to foster strategic selectivity.** The DEF has acknowledged that to increase effectiveness, it needed to work both on “doing the right things” and “doing things right.” The former requires applying selectivity to country programming but was not properly addressed by the DEF’s original design nor during its implementation. The DEF focused exclusively on country strategies, which only partially guide the programming processes.
  - b. **Mechanisms to foster the capacity and commitment of borrowers to focus on results.** Prioritizing a focus on results must be a shared objective between the Bank and the borrower. Without this commitment, the Bank’s ability to focus on results is restricted. Furthermore, such a shared commitment should also be accompanied by the appropriate support for borrowers’ capacity to plan, monitor, and manage for results.
4. **Ensure that the new development effectiveness approach is reflected in an appropriate TOC and includes an M&E framework.** The approach to development effectiveness should clearly spell out the different levels of objectives (including specific ones, i.e., at an outcome level), the causal chain to achieve them, and key assumptions and risks. There should be logical coherence between these objectives, the new approach’s overall structure, and each of its components. Additionally, the components should be interconnected to allow proper functioning as a system. These elements should facilitate the M&E of the new approach, assessing its progress, determining whether it is achieving its objectives, and identifying areas for improvement during its implementation.
5. **Clarify and streamline the processes for managing changes to projects in execution by integrating principles of rigorous adaptive management, including incentives and appropriate checks and balances to ensure accountability for project results.** There should be incentives to adapt and enhance the design of projects during implementation, making evidence-supported, transparent, well-documented, and justified course corrections that steer the project toward achieving its objectives. To ensure adequate accountability, project changes should occur within a system of checks and

balances to avoid perverse incentives to simply change projects for the sole purpose of achieving positive ratings. For substantial changes such as shifts in objectives and scope, incentives should be included for teams to introduce them early on (e.g., before the disbursement of 50% of project financing). What matters is whether the development challenges a project was designed to tackle are addressed by the project as demonstrated by results.

**6. Ensure that development effectiveness instruments, either the current ones or subsequent iterations, incorporate these elements:**

At entry—

- a. Ensure that the assessment at entry includes a review of (1) an explicit TOC for the project, which outlines the project rationale, vertical logic, and key assumptions; and (2) lessons learned from previous operations.
- b. Review the scoring system at entry to ensure that it takes into account projects' varying degrees of evaluability.

During implementation—

- c. Enhance monitoring to report progress toward project development objectives. If the PMR classification or a similar rating is retained, ensure it includes progress toward project development objectives. Include a requirement to review the continued validity of the project's TOC during implementation, especially as the project undergoes changes in its outputs, components, or context.

At closure—

- d. Improve quality assurance of completion reports to ensure a sound analysis of factors explaining the achievement or lack of achievement of project development results, and also identify lessons learned for future operations.

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## Office of Evaluation and Oversight — OVE

Established in 1999 as an independent evaluation office, OVE evaluates the performance and development effectiveness of the activities of the Inter-American Development Bank Group (IDB Group). These evaluations seek to strengthen the IDB Group through learning, accountability and transparency.

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