

Evaluation Cooperation Group - ECG

**GOOD PRACTICE STANDARDS ON
INDEPENDENCE OF INTERNATIONAL FINANCIAL INSTITUTIONS'
CENTRAL EVALUATION DEPARTMENTS**

June 2010

A. Purpose of these Good Practice Standardsⁱ

1. The Development Committee Task Force on Multilateral Development Banks recommended in 1996 that:

“the heads of the five MDB evaluation units should..... be allowed to issue final evaluation reports to the MDB President and Executive Directors without prior clearance by anyone outside the unit.”ⁱⁱ

Implicit in this statement is the notion that the Central Evaluation Department (CED) of an International Financial Institution (IFI) should exercise independence in conducting and reporting on its evaluation work. Since 1996, the concept of evaluation independence has been articulated further. These Good Practice Standards are intended to guide IFI policies and procedures for ensuring the independence of the CED, and to be used in self-assessments, peer reviews, and governing Board reviews of the CED.

B. CED Independence

2. The key function of the CED is to provide independent evaluation of the projects, programs, policies, and activities of the parent IFI. While independence is essential for the IFI to maximise the benefits from its evaluation system, the *raison d'être* of independence is not for its own sake but to provide for impartial, credible evaluation as a means to help improve the performance of an organisation. Four principles should be borne in mind when considering independence:ⁱⁱⁱ

(i) The rationale for independence in its various dimensions is to provide for, and to protect, the impartiality of evaluations and to ensure that the ability of the evaluators to provide credible reports and advice is not compromised.

(ii) Independence does not mean isolation, as both operations and evaluation activities are enriched through cross-fertilisation of knowledge and experience, and evaluators can help to introduce good practice and innovations by being aware of relevant developments outside the IFI. This has implications for evaluation work processes and issues such as the rotation of CED staff to and

ⁱ These Good Practice Standards on independence of evaluation departments have been prepared by the Evaluation Cooperation Group (ECG). The ECG comprises the heads of evaluation of the following institutions which are all *ECG member*: the five multilateral development banks (World Bank, Inter-American Development Bank, Asian Development Bank, African Development Bank and European Bank for Reconstruction and Development), the European Investment Bank and the International Monetary Fund. *ECG Observers* are: the Chair of the United Nations Evaluation Group and the Chair of the OECD/DAC Network on Development Evaluation. The following institutions are *ECG observers (aspiring members)*: the Islamic Development Bank, the International Fund for Agricultural Development and the Development Bank of the Council of Europe.

ⁱⁱ Development Committee, Task Force on Multilateral Development Banks, *Serving a Changing World: Report from the Task Force on Multilateral Development Banks*, March 15, 1996, page xi, paragraph 33.

ⁱⁱⁱ Adapted from Evaluation Cooperation Group, *Peer Review of IFAD's Office of Evaluation and Evaluation Function: Final Report*, February 15, 2010, p. 5.

from other parts of the IFI and the mix of CED staff with experience inside and outside the IFI.

(iii) Independence does not imply any particular approach to evaluation. In particular, independence does not mean that evaluators should focus more on accountability than on learning.

(iv) Independence does not mean lack of accountability and responsibility or that CED is exempt from the same degree of transparency as any other part of the IFI. The mechanisms used to ensure adequate levels of accountability for the evaluators may be somewhat different from, and independent of, the mechanisms for the parts of the organisation reporting to management.

In 2003 the Evaluation Cooperation Group (ECG) adopted a framework for assessing evaluation independence along four dimensions: organizational, behavioral, avoidance of conflict of interest, and protection from outside interference.^{iv}

C. CED Mandate, Scope of Responsibility, and Oversight

3. The CED operates according to a Board-approved Mandate that specifies its mission, scope of responsibilities, reporting structure and key operating principles. The governance arrangements are designed to ensure the CED's independence, its relevance to the IFI's mission, and the delivery of its corporate accountability and learning value-added. To ensure organizational independence, the CED does not report to IFI Management, is located organizationally outside the line and staff management function, and is independent of the IFI's operational, policy, and strategy departments and related decision-making. The CED operates with full autonomy but in close consultation with the IFI's other departments to ensure, as far as possible (subject to the primacy of sound evaluative principles and practices), both (a) coherence of corporate standards among operations, portfolio and strategy analysis, and evaluation, and (b) good prospects for corporate ownership of the CED's findings and recommendations for improvement.

4. The CED's work is overseen by the Governing Board, a designated committee of the Board, or an independent governing body; for purposes of these GPS such bodies are referred to as the governing Board. Where the IFI has a monitoring and evaluation policy, it should make specific provision for the organizational and behavioral independence of the CED and its protection from interference by Management. The policy should reflect the Board-approved Mandate of the CED.

5. The CED's role is to ensure the relevance, quality and impartiality of the products of the IFI's evaluation system. Under its Mandate the CED has a scope of responsibility that extends, without restriction, to all the determinants of the IFI's operational results. To help ensure that the independent evaluation work responds to the IFI's needs for information to guide policy and operational decisions, the CED's annual work program,

^{iv} See, Evaluation Cooperation Group, "Template for Assessing the Independence of Evaluation Organizations," undated; World Bank Operations Evaluation Department, "Independence of OED," February 24, 2003.

the principal determinant of the CED budget, is widely discussed during preparation with the Board, managers and IFI staff.

D. CED Head

6. The Head of the CED is appointed by the governing Board or the Board Committee that oversees the evaluation function, through procedures approved by that body. These procedures may include a search committee on which IFI Management is represented, as well as the use of outside search firms or consultants, provided that the governing Board retains final decision-making authority. When the MDB does not have a resident Board, the minimum requirement regarding the appointment of the Head of the CED is the presence of at least one Board representative in the selection process. Only the Board may terminate the Head of the CED; any such termination should be for cause, based on performance or conduct grounds. A policy on termination should be in place.

7. The CED Head's appointment normally is for a fixed term, but may include an option for renewal at the end of that term. If renewal is allowed, the governing Board has the authority to extend such a renewal. To preserve independence, upon termination of service as CED Head, the individual is not eligible for staff positions within the IFI. The Head of the CED holds a grade-rank equal at minimum to the level immediately below Vice-President or equivalent, with commensurate compensation.

8. The CED Head's performance is assessed by the governing Board or an individual or body designated by it for this purpose. To preserve independence, IFI Management, including the President, may provide inputs into this process by way of feedback, but is not the assessor.

E. CED Staff

9. The staff of the CED are selected by the CED Head or his/her designee, in accordance with overall personnel policies of the IFI. Such staff should have or be required to acquire specific evaluation skills; the CED should provide training needed to meet these requirements. Unlike the CED Head, such staff may be permitted to rotate out of evaluation into other IFI units, subject to the conflict of interest limitations discussed in section F.

10. CED staff should not be disadvantaged because of the judgments and findings they report, and policies should be in place to ensure against such disadvantage. These should include policies that permit (but not necessarily require) the use of separate processes for assessing CED staff for changes in compensation, promotions, and job tenure, and for handling human resource issues. Such processes may be parallel to those for other staff of the IFI, but should protect CED staff from potential career limitations for findings and recommendations in their evaluations.

F. Conflict of Interest

11. The CED has policies and procedures to ensure against conflicts of interest involving CED staff. Staff are prohibited from evaluating projects, programs, or other

activities for which they previously held responsibility. The CED also has a policy regarding movement of evaluation staff into other IFI units to ensure that they are not subject to conflicts of interest while seeking or being sought for such positions.

G. Work Program and Budget

12. The CED develops its own work program, which may be endorsed by the governing Board. The CED may consult with IFI staff and Management, as well as the Board and outside organizations or experts, in constructing its work program, but Management does not exercise direct control over the work program.

13. The CED's budget is approved by the governing Board, commensurate with the work program. Management does not have approval authority over the CED's budget. However, the CED may be required to follow IFI processes of general applicability in presenting its budget and in accounting for the use of budget resources. The CED is subject to the institutional auditing requirements of the IFI. However, audits must be conducted by an auditor independent of Management, and approved by the relevant governing body or bodies.

H. Access to Information

14. The CED has unrestricted access to (a) the IFI's staff and records in the context of an actual evaluation, and (b) co-financiers and recipients of the IFI's loans, grants, and equity investments. The CED also has access to project, program, and activity sites, as well as other stakeholders.^v

I. Evaluation Stakeholders^{vi}

15. The CED's major stakeholder is the governing Board to which it reports. The Board is responsible for ensuring the efficient use of resources and achieving results on the ground with sustainable development impact.

16. The CED also serves a wide range of internal and external stakeholders. Major internal stakeholders may include, but are not limited to:

- IFI Management, which is responsible for acting on and following up evaluations, and for how evaluation findings might influence the IFI's future directions;
- operations staff concerned with the feedback of evaluation lessons and findings, and how those might affect future operations; and

^v In some private-sector activities, the Mandate may allow for restrictions on access to clients and projects where an evaluator's direct contact could prejudice the IFI's financial interests or materially increase the risk of litigation. Should client access be restricted in such jeopardy cases, the number of such cases would be reported in the IFI's annual report and/or annual evaluation review.

^{vi} Adapted from *Review of the Independence and Effectiveness of the Operations Evaluation Department*, Manila: Asian Development Bank, 2008, pp. 12-13.

- other IFI staff concerned with knowledge management, dissemination of evaluation findings, lessons and recommendations, and evaluation capacity development.

Major external stakeholders may include, but are not limited to:

- governments, executing agencies, and institutions responsible for implementing IFI-supported projects in borrowing countries;
- beneficiaries and targeted populations directly affected by IFI support;
- cofinanciers and other partner institutions, including NGOs, civil society organizations, development research centers, and evaluation networks that are engaged in CED-financed operations; and
- multilateral and bilateral institutions concerned with harmonizing evaluation methods and practices, and other development partners with whom the CED may undertake joint evaluations of programs, projects, policies, and strategies, disseminate best practices, and organize evaluation seminars and workshops.

J. Reporting and Disclosure

17. The CED transmits evaluation products to the governing Board, normally after review and comment by Management, but without any Management clearance or Management-imposed restrictions on the scope and content of the products. Management has responsibility for implementing CED recommendations. However, the CED is responsible for a system to monitor and report to the governing Board Management's record of adoption of and response to recommendations, including its success in remedying any problems found in evaluations.

18. Disclosure of evaluation findings is an important component of IFI accountability to stakeholders, and of behavioral independence on the part of the CED. Therefore, written reports and other evaluation products are disclosed in accordance with the CED's Board-approved disclosure policy. Such a policy should be explicit, consistent with the IFI's general disclosure policy, and cover all evaluation products.^{vii} Moreover, within the limitations of the applicable disclosure policy, the CED Head may determine the appropriate types and level of external activities to promote the dissemination of disclosed evaluation reports and other evaluation products, without Management interference.

^{vii} To protect client company confidentiality, promote the candor needed for effective corporate learning, and reduce risk to the IFI's credit rating that partial release of investment portfolio data (and related standards and benchmarks) might entail, the IFI may decide not to disclose individual evaluation reports or the full text of the CED's annual review for private sector operations.