Institutionalizing the Evaluation Function at the World Bank

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ENHANCING DEVELOPMENT EFFECTIVENESS THROUGH EXCELLENCE AND INDEPENDENCE IN EVALUATION

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Institutionalizing the Evaluation Function at the World Bank, 1975–84

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The changing context for evaluation

Today is the Bank’s birth date. On June 25, 1946, the Bank opened its doors for business. This happens to be my Bank anniversary date, too. It was on June 25, 1951, that I began what turned out to be a wonderful 33 years here. That perspective induces me to reflect briefly on the changing context in which OED has always functioned.

The inception of formal evaluation in the early 1970s and the establishment of the Office of the DGO in 1975 mark roughly the midpoint in the Bank’s history to date. These have been years of virtually nonstop change. A few markers come to mind.

Soon after I joined the Bank I had the opportunity to attend a Board meeting that, among other things, considered whether the Bank should begin lending for municipal water projects. The Board decided not to, perhaps because an important executive director insisted that financing the provision of drinking water for people would be financing consumption rather than productive investment, and the Bank was an investment bank. Financing water for cattle, of course, would be productive and therefore OK!

Similarly, when the Bank later began lending for education, as I recall, this was limited to vocational education. Clearly, these past 56 years have been years of continuing evolution in the Bank’s understanding of its development role.

Critics have complained about the incessant addition of special initiatives, which are said to have diluted the focus and coherence of Bank operations. True as that may be, another way of seeing these changes is as the Bank’s evolving response to its accumulating experience and the broadening expectations of its members. Against the evolution of the past 56 years, the Comprehensive Development Framework could be seen to mark the closing of an evolutionary circle. Past discrete special initiatives, along with new ones such as governance and transparency, are now perceived as integral parts of one interconnected whole.

Of course, what the Bank does in Country X in Year Y will remain particular as to time and place. But I have the impression that the bean-counting approach to the portfolio profile is no longer operative. Virtually anything is now eligible, so long as it is appropriate as to time and place, well justified, and well done.

Which brings us to evaluation.

Origins of evaluation in the Bank

At a Board meeting early in the Bank’s agriculture and rural development initiative, an executive director wondered how the Board would know whether these new projects turned
out to be worthwhile after implementation. That could have been the moment when Robert McNamara first decided to establish an independent evaluation unit in the Bank. I doubt it, because my guess is that such a function was part of his idea of good management. He was, after all, the one who caused *The Pentagon Papers* to be written. But whatever the fact, it was not long after Mr. McNamara became Bank president that Chris Willoughby was asked to establish the first operations evaluation unit in the Bank.

To ensure its independence, the new unit first reported to the Bank’s budget director and, later, to the vice president in charge of administration. In the four to five years before the Office of the DGO was created, the unit produced groundbreaking work that defined the basic evaluation products OED has produced ever since—performance audit reports and impact reports on individual projects, sector and country reviews of groups of projects, and process reviews—all with a small, young staff.

**Forging the relationship between evaluation and operations**

I first encountered OED as a projects director and found the variety and quality of its work impressive. But what I recall most were the reactions of colleagues who had been asked to comment on draft reports on operations in which they had been directly involved. They were deeply bothered by the way differences in views were handled.

That there were differences is not surprising. Multiple observers inevitably have differing perspectives, especially when their views are shaped by differing experience. OED’s staff and consultants at the time had little experience with Bank operations and little direct knowledge of their history and context. So staff who had been involved in these operations often challenged an OED observation. But they found that while some comments were accepted, those that were not accepted were simply disregarded in the final reports to the Board.

This absence of a countervailing operational voice in Board reporting was not appreciated! From where I sat, the resulting friction undercut the feedback benefits of OED’s good work. That was my major concern when the president asked me to take on the new job of DGO.

Chris continued as OED director for a year, pursuing the excellent work he had begun. OED’s link to the Board was by this time well established. But how might the OED-Operations relationship be improved?

I soon concluded that it could only be improved by doing two things: (i) making operational staff an integral part of the evaluation process rather than having them just contribute to OED reports; and (ii) giving them a protected voice in the Board alongside OED’s. The Bank had somehow to become a self-evaluating organization, with OED playing the key, but not the only, role in the evaluation process.

In fact, I always perceived OED as part of a self-evaluating Bank and not as the sole actor on the evaluation scene.

**Annual reporting**

To anchor the institutionalizing process, two annual reports were introduced. One was a review of the findings of all performance audit reports issued during the year. The other was...
a report on the status of evaluation in the Bank. The focus of this second report was on
OED’s work program, but it also reported on the status of self-evaluation in the International
Finance Corporation, the Economic Development Institute, and the Research complex did
not evaluate what these other units did but, by reporting on their activities, sought to
courage evaluation there, too.

**Evolution of completion reporting**

The early efforts concentrated on completion reporting. This was, after all, to be the
foundation of the Bank’s evaluation system, the basic evidence on which country, sector,
impact, and process studies would be based.

The obligation of operational units to produce completion reports on all projects had recently
been established. But, confronted with scheduling and budget pressures to meet lending
programs, it is not surprising that their performance was spotty. Some excellent completion
reports were produced, and some were not produced at all. Some turned out to be inadequate
for submission to the Board, being little more than unfiltered compilations of supervision
documents that just reported the implementation history of the project, with no regard for the
cost of and audience for these reports. Some were as much as 50-60 pages long; others
reflected serious deficiencies in the underlying supervision reporting.

Without timely and comprehensive completion reporting by operational staff, the long-term
vision of completion reporting providing foundation evidence for larger OED studies was at
risk.

OED could not long continue to bring deficient completion reports up to Board standard
while also evaluating a growing Bank portfolio by itself. Operational views of completed
operations had to be assured if the hoped-for evaluation benefits for the Bank were to be
realized.

What happened next was a meeting with project directors over lunch, at which I told them
that OED could no longer remain the unit of last resort for delivering acceptable completion
reports to the Board. Line responsibility for project identification, preparation, appraisal, and
supervision would henceforth also have to include the self-evaluation of implemented
projects. OED would audit completion reports, which would provide basic accountability
evidence and evidence for OED’s sector, country, impact, and process reviews. But the
foundation of the evaluation system would have to be timely and acceptable completion
reporting by operational staff. Remaining free to criticize OED views without first having to
formulate their own views was no longer acceptable.

Project directors were also told that whenever differences in views arose, their dissent would
henceforth be included in the final OED report. I would ask them to confirm that their views
had been reported to their satisfaction before sending the report to the Board.

All this was subsequently codified in the Standards and Procedures document that was
reviewed and approved by the Board.

It is gratifying to see how these arrangements have since evolved from strength to strength.
Accountability for portfolio performance and evaluating operating experience overall
became firmly institutionalized and continued to serve staff and shareholders well.
I don’t know what supervision reporting is like today, but I have the impression that deficiencies in supervision still affect completion reporting and OED studies. Ideally, supervision reporting should track monitoring and evaluation indicators defined in the appraisal report and analyze major deviations as they occur, making it possible for the final supervision report to become the operation’s completion report. But that seems not to have happened yet.

I have been too long out of the Bank to suggest why this should still be a problem after 30 years. It may reflect the ethos of forward-looking, problem-solving staff who prefer leaving to others the task of reporting and reflecting on experience. It may also reflect inadequate budgeting for supervision and completion reporting.

When I reported serious lags in completion reporting to the Joint Audit Committee, the concern became public and, for a period, supervision was declared to have first claim on budgets. But lending programs still had to be delivered, generating real tensions for staff. It took a while before budgets began to make adequate provision for these conflicting claims. Whatever the explanation, I was struck when reading recent OED reports to note that concerns about monitoring and evaluation still persist.

**Strong presidential support**

Mr. McNamara, in whose tenure evaluation was introduced, was its unqualified supporter. He made that clear in everything he said and did. We would meet for lunch every few months, along with the director of the Central Project staff, to review how things were going and alert him to things he should know or do something about. Had the president been less interested and more distant, I dare say the history we are reviewing today might have been very different. All credit goes to him.

**Consistent Board interest**

The Board too was consistently interested in the conduct and evolution of OED’s work. One could see this especially in the discussions that took place over a period of years about the portfolio coverage of the evaluation system. I referred earlier to the evaluation system embracing the whole portfolio, under the oversight of the Joint Audit Committee. When OED’s first work program was presented to the committee, one important director took exception to the planned full coverage of the portfolio. As best I can paraphrase, he said: we already know the Bank is a pretty good organization and that most of the things the Bank does are sound and will probably turn out well. So that’s not what we want to hear. What we want to learn about are the problems, the failures, and how these shortfalls should be addressed. His concept of the DGO was that of an inspector general.

My response was direct. I said that if the only OED reports that the committee ever received were about problems, that would taint their image of the Bank’s entire portfolio, for they would have no way of knowing whether failed projects represented one percent or 91 percent of completed operations. The discussion, however, persisted, to the point that I was eventually forced to tell the committee members they would have to find another DGO if they insisted on what was being asked. I would, of course, report fully about portfolio problems, but context was essential. The committee finally agreed that full project performance audit coverage would be the rule.
Some years later, the 100 percent coverage rule was challenged again, this time by a new president for whom sample coverage made more sense. It was also challenged by the budgetary and staffing reality of OED’s growing portfolio and studies program. The feasibility of projecting 100 percent coverage indefinitely into the future had become a valid question. The solution then proposed to the committee was to reduce the performance audit coverage to 50 percent, bearing in mind that projects not covered in this way would be reviewed later by OED in special studies of groups of projects in a sector or a country. That proposal created a problem for some Board members, who reported that 100 percent coverage was an important element of political support for the Bank in their governments. To reduce this to 50 percent could thus be politically awkward. But that, too, was sorted out, and 50 percent coverage was agreed.

**Reporting relationships**

The president’s place in the DGO’s reporting channels was an early issue. Direct DGO reporting to the Board was the rule from the outset. But what was not immediately clear was the DGO’s reporting link to the president. Reporting through the president would clearly be inconsistent with the independence that the Board required. But reporting only to the Board would bypass the president, who was chairman of the Board, and would create potentially awkward situations were the Board to question the president about reports he had not seen before. After considerable debate, it was agreed that the DGO would report simultaneously to the Board and the president. That proved to be a satisfactory solution and, as far as I know, continues to be the arrangement today.

**Staffing**

I’ve referred to operational staffing constraints when full coverage completion reporting became the rule. OED’s growing workload also created staffing problems for itself, of a different kind. What kind of staff should be sought? Where? How long should OED staff remain in place before reassignment?

Since a major intended benefit of evaluation work was feedback to operational staff, recruiting experienced operational staff for limited periods and then having them move back into operations seemed to be the most appropriate staffing policy for OED. But this proved very difficult to implement because of the way Bank managers and staff perceived career incentives. Managers were understandably reluctant to release their best people and only too happy to transfer their poorest performers! To dissuade staff who expressed interest in OED work for a period, some managers even threatened re-entry difficulties after their evaluation stint. There was nobody to manage staff reassignments in the best interests of the Bank.

But not all managers were obstructionist. The Bank’s first review of Training and Visit agricultural extension criticized aspects of that experience. The author of this excellent report was clobbered by his former agricultural colleagues for the views expressed, and—for the first and only time in my experience—the central staff refused to comment on a draft report, asking instead to have it killed. I said I would withdraw the report if they offered a good reason for doing so. Otherwise, the report would be sent to the Board and, if they persisted in refusing comment, their refusal would be noted in the transmittal note to the Board. To avoid the potential embarrassment implied, the senior vice president was
informed of this unusual situation and saw to it that it was soon resolved. I mention this episode because it was so unusual. Overall, the system functioned as intended.

The best part of this story is that the author of the study, whose reassignment prospects were thought to be in great jeopardy, was welcomed at his preferred reassignment option soon thereafter. Rather than fear his candor, his new manager sought him out for his experience and professional integrity. I would like to think that episode had a positive demonstration effect on subsequent OED reassignment, but I'm not sure.

**Efforts to extend evaluation beyond Bank operations**

I recall vividly my first meeting with senior IFC managers on evaluation. Like that first meeting with project directors, I was welcomed and offered all assistance, except the undertaking to produce evaluations of their own. But that has changed. IFC now has its own firmly established evaluation arrangements.

My only relevant recollection about Research is the overlap in a number of Development Research Center (DRC) and OED studies. It seemed to me that overlapping studies should be planned in more complementary fashion than had been the case. I therefore raised the matter with the then-director of DRC. The reply I received after a few weeks was brief: “DRC plus OED equals zero. End of story.”

Well, it was apparently not the end of story. Today, 30 years later, I see a former director of Research is now the director of OED and former DRC staff members and consultants now work for OED. I don’t know whether OED and DRC studies still overlap, but clearly some good things can happen if one only waits long enough!

Let me now turn to other significant features of the DGO’s early years.

**Evaluation criteria**

The Bank’s lending objectives have been in constant evolution over the past 56 years, a fact that evaluation needs constantly to bear in mind.

An unusual episode offers an implicit commentary on relevance as an evaluation criterion. As I remember the story, the explicit objective of this project, a rather old one, was to increase cattle production for export. The re-lending beneficiaries of the loan were therefore big cattle ranchers. The project was successful as designed, but the consultant’s otherwise excellent report found the project devastatingly wanting for its lack of poverty alleviation. Now, it would have been entirely appropriate to argue that export promotion did not address poverty alleviation and should thus no longer be eligible for financing by the Bank, although that proposition might be argued either way. But to assert years later that this old project’s export promotion objective was wrong in its own time would have been difficult to justify.

**Audience for evaluation**

In my time, the general public was not yet an audience for OED reports. I recall discussions in the Joint Audit Committee, which then oversaw OED work, at which proposals to publish particularly interesting reports were rejected because of the perceived sensitivities involved. All that has since changed.
Outreach

I should have noted that Chris Willoughby began early to seek borrowers' views about particular operations. The thinking was that if borrowers were invited to comment routinely on all OED drafts, they might begin to see value in preparing their own completion reports, in having local officers join OED missions, or, best of all, in establishing their own evaluation arrangements whose reports we could then begin to use.

The comments we received from many borrowers were included in OED's reports in the same way as operational staff comments. But the larger objective was not realized, at least at the time. Some borrowers were reluctant to offer views that would be disseminated to all Bank members. Others, less inhibited, used this opportunity to blame the Bank, not always fairly, for every problem they encountered.

I pursued further the idea of borrowers evaluating at least some of their Bank projects at two regional seminars, one in Nairobi and one in Kuala Lumpur. Participation was widespread, and the exchange of experience was lively. But when I reported on these initiatives later to the Board, I had to say that while the two seminars were well attended and useful, they failed in their purpose of provoking the beginnings of a local evaluation response.

OED maintained a presence at the OECD's periodic evaluation group meetings at which members' evaluation experience was exchanged. Whenever the opportunity presented itself, the DGO and the director also shared OED experience with borrower officers and auditors general to invite their participation in OED's work. But these outreach efforts produced little follow-up or result. A major reason, in my view, was that the operational staff who managed the Bank's day-to-day relations with borrowers had never internalized the idea of encouraging borrower evaluation.

I hope both borrower governments and Bank staff now engage more fruitfully with OED than was the case in OED's early years.

To conclude, perhaps the most important thing to be said is that OED is not just still here but is thriving. Given the tensions inherent in evaluation in any organization, even one such as the World Bank, that is an achievement to be celebrated. Let's now open for questions.

PARTICIPANT: I understand the rule is that if you accept the position of DGO, you cannot accept another position in the Bank. Where did that originate and did that apply when you accepted the position?

MR. WEINER: Yes, it applied when I accepted the position. It originated in the debate within the Board about how this office should be set up. There was great emphasis on independence, and different national experiences were reflected in that conversation. This rule was the outcome.

PARTICIPANT: You mentioned the uneven quality of supervision reports. How did you perceive the quality of the Bank's record keeping during your tenure as director general?

MR. WEINER: I retired before the 1987 reorganization and those that followed, but the stories I've heard about their impact on records are appalling: some records were broken up, and others just disappeared. I don't recall earlier problems of that kind. Although there are
always deficiencies in the record, my recollection was that you could go to the unit responsible for a particular project and expect to find binders with the relevant records there intact.

PARTICIPANT: I'm a former staff member of OED who left in 1992. A few months ago an editorial in *The Wall Street Journal* criticized OED's independence. One of the issues it raised was the fact that the appointment of the DGO is renewable. Does this compromise the independence of OED because, to some extent, the DGO becomes beholden to the president of the institution?

MR. WEINER: Your question has implications for the integrity of the Board, for the DGO is an appointee of the Board. The president submits a short list of up to three names, but it is the Board that then appoints. In the event, the president submitted a short list of one, and after five years they reappointed me, as they have since reappointed Bob Picciotto. I don't see how this arrangement has anything to do with independence because the Board, not the president, makes the appointment. Now, if you are seeking to stick it to the Bank, then this arrangement can provide a hook on which to challenge the notion of independence, because the Bank's president is also the chairman of the Board. Experience with Boards in other institutions may well explain outsiders' skepticism about the independence of the Bank's Board. However, my experience of these arrangements was that independence was never an issue in my time.

By way of elaboration, let me tell you of a revealing incident. When an important Part I executive director, who was on the Board in 1975 when these arrangements were being discussed, was about to return home several years later, he invited me to lunch, just the two of us. I was surprised because, while I knew him, we had never had that kind of relationship. We had a very pleasant lunch, at the end of which he told me what was on his mind. He just wanted me to know that when the DGO arrangements were first made and I was appointed, he had had grave reservations about their appropriateness. The idea of the president submitting a short list of just one, and a staff member at that, while being chairman of the Board, made him uncomfortable.

In his quiet way, he hadn't said anything at the time, but he remembered these deep misgivings. What he wanted to say now that he was returning home was that his initial concern about independence had turned out to be misplaced. After observing how the arrangements functioned and how executive directors were involved, he concluded that they were just fine.

PARTICIPANT: Along the same lines, there is the notion that the DGO had to be above the fray, not only vis-à-vis management but to play a balancing act. He had to protect the management from bad evaluation. That was the reason I thought you had the DGO and then you had the director. The director was staff, and he had the management of the department, but the DGO had to be above the fray. So from an independence viewpoint, he had to play a tricky balancing act. Is that correct?

MR. WEINER: The short answer is I don't know. The balancing issue is there, as we've been discussing, but I don't think it was conceived that way. My guess is, like most of these things, the explanation is simpler. The department with a director existed before the idea of DGO was ever thought of, and the DGO was superimposed on that existing situation. That's my explanation.
PARTICIPANT: You emphasized the learning process from evaluation. Are there some examples of changes in policies and programs that we can attribute to evaluation results? Second, you didn't make any reference to accountability. Was this also an issue of concern during your period?

MR. WEINER: My own view is that accountability came first; hence the emphasis on 100 percent coverage completion reporting and annual reviews. Learning was a product of all this, but the foundation was accountability. The mechanisms for accountability generated the information for learning. You can emphasize the accountability or learning aspects of evaluation, but in my view they're indivisible, two sides of the same coin.

As for examples of learning through evaluation, institutional change comes about in many ways, in response to external pressure as well as by learning from experience. That's especially true today, when the Bank has a much higher and more contentious profile than in the past. Unlike the supportive halcyon days that I remember, 10,000 people are reportedly demonstrating against the Bank in Oslo this very day. Those influences, as much if not more than internal influences, now affect internal policies and procedures.

But I would add something else. If operational staff are competent, conscientious, and working properly, the probability of learning for the first time from evaluation should be quite low. Good-quality staff will always be learning from their experiences. What they may not know of is relevant experience in other units. So evaluation can be very important in disseminating this experience, and thereby enhance learning throughout the Bank.

I had hoped that the then-central operational staff would also disseminate lessons learned, for demand-driven learning is bound to be more effective than supply-driven lessons learned. Unfortunately, only the central agricultural unit took up this role. Behavioral change does not come easily, even in the Bank!

PARTICIPANT: Your comments reminded me of a saying attributed to Harry Truman, that "the only thing new in this world is the history that you don't know." You've taken us through issues you were facing back in the 1970s that are still current today. The one thing that's close to the hearts, I think, of all the managers is the issue of staff rotation. You mentioned the problem of people being damned for their professionalism when it comes time to move back to operations, and you told a happy outcome story. But as a practical matter, isn't people's candor constrained by the knowledge that candid treatment of results might put them in a bad light? What can be done about this?

MR. WEINER: There is only one solution that I can see, but it may not be feasible any more. It is to have a centralized personnel system that, after taking into account staff preferences, ensures that at the end of five years staff are reassigned in the larger interest of the Bank. That is very different from having to knock on doors and then learning that candor is held against you, or at least fearing that people hold your candor against you. But if I recall correctly, the decentralized personnel management was already in place in the 1970s, making things more difficult. The downside of the market approach to career development is that it affects not only people's ability to move out, but also people's willingness to move in.

MR. PICCIOTTO: I think you've put your finger on it. But I think we are, Greg and I and Bill, trying to find a solution to this, namely, to see if we could finally institute an evaluation network to which evaluators could belong, in addition to having a professional network, so that there could be a default mechanism where the DGO would, in fact, make a decision. We
are hoping to institute this, but it has not yet been set up. I hope it will be set up before I leave.

PARTICIPANT: A much easier question. Sometimes I find that my colleagues on the operational and policy side frankly deny actual facts. Did you come across that kind of thing and what might explain this rather unusual behavior?

MR. WEINER: I don't think it's unusual. When people feel threatened, they behave accordingly. I once encountered that in a very unusual way. In the 1970s, the UNDP produced an evaluation of nonlending assistance to national planning offices, for which the Bank was executing agent. So it was a UN evaluation of something being done by the Bank. Since it was relevant to the Bank, I did the unheard of thing of sending the UN report to the Board with a brief covering note explaining that evaluation does not have to be done only by OED. This was a very critical report and elicited the same kind of reactions you encountered. The Board asked predictable questions, the staff gave predictable answers, and there it was. I don't see that the situation you describe is unusual.

PARTICIPANT: So we still are working in the same department then?

MR. WEINER: Yes, some things never change.

PARTICIPANT: Beer-brewing companies have tasters who make sure that Carlsburg this year tastes the same as Carlsburg 10 years ago in Zaire and Denmark and so on. What's your impression about the stability of OED standards over time from what you've seen?

MR. WEINER: Let's talk about investment projects to begin with. In my day we would review the experience, re-estimate the economic return wherever feasible, evaluate the institution-building effects, and put it all together in a one-dimensional judgment about whether the project was worthwhile or not. That's the way we rated them then: worthwhile or not. That judgment may have been fuzzy, but it was fuzzy because its constituent elements were fuzzy. Institution building and economic re-estimate assessments can change with time. In any event, they are estimates of future developments, so we chose not to be too precise.

That has since changed significantly. Performance judgments are now crisper—satisfactory or not satisfactory. Underlying classifications now permit comparisons that wouldn't have been possible earlier. So on balance, I think the changes constitute a marked improvement.

But I'm not sure what they say about the work of the Bank over time, which I think is the thrust of your question. I recall seeing an annual review some years ago in which the author stitched together portfolio performance indicators beginning with the first annual review. The resulting series revealed a dramatic break in the ratings. Years of performance ratings in the 80 to 90 percent range were followed by a sudden decline to a 60 percent average, compelling the author to address your question. What I recall about his conclusion was that the break was more evidence of the increased rigor of OED's evaluation analysis than of a marked deterioration in the performance of the Bank's portfolio.

Well, that was no doubt part of the explanation. But I wondered whether a much larger part of the explanation was that the indicators reflected radical changes in the composition of the portfolio and in the way more recent operations were reviewed and processed.
I've been out of the Bank too long to say much more on this. The Bank is doing very different things today, which may intentionally imply increased risk and call for different performance standards. But I have no basis for saying that more recent portfolios are more or less worthwhile. One should bear in mind that this long-term change in the focus of Bank operations also reflects long-term change in the countries in which the Bank is working.

MR. PICCIOTTO: Mervyn, let me, on behalf of all of us, thank you very much for taking the time and putting together those very, very useful recollections.