

I. BACKGROUND

A. Overview

1. The purpose of the Multilateral Development Bank (MDB) Common Performance Assessment System (COMPAS) is to provide a locus where the five members of the MDB Working Group on Managing for Development Results (MfDR)¹ may jointly report on their own performance. The impetus for this kind of reporting framework stems from the growing public demand for information about the performance of various actors in the international development community, in which the MDBs play a major role.

2. The essence of the COMPAS is found in the attached “2006 COMPAS Matrix of Categories and Indicators” (Chapter II), which provides detailed information on MDB performance with respect to 7 categories, including 18 sub-categories and 30 indicators:

1. Country Capacity to Manage for Development Results
2. Country Strategies
3. Allocation of Concessional Resources
4. Projects
5. Institutional Learning from Operational Experience
6. Results-focused Human Resources Management
7. Harmonization among Development Agencies

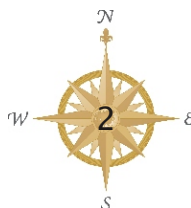
3. The preparation of the first COMPAS was coordinated by the AsDB in 2005. It was well received by the international development community, and useful feedback was obtained from bilateral donors.

4. The members of the Working Group agreed that the IADB would coordinate the preparation of the 2006 COMPAS. The members of the Working Group agreed to a number of changes in the structure of the matrix and the definition of indicators so as to take into account the feedback received on last year's COMPAS. Broadly speaking, the changes were made in order to give greater specificity to the indicators, reduce the room for discretion in the provision of answers, and therefore increase the objectivity and credibility of the COMPAS. As a result of these changes, few comparisons are possible between this and last year's COMPAS, but this year's COMPAS may provide the basis for tracking future progress.



The rest of this section briefly explains some of the most salient features reported in the matrix.

¹ The MDB Working Group on Managing for Development Results was established by the Heads of the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the World Bank.



5. It is important to note that the purpose of the COMPAS is to report on MDB performance, not on country-level results, which are a joint product of several actors, including the MDBs. The COMPAS does not intend to encourage comparisons among MDBs comparisons among them are exceedingly difficult in view of their significant differences (as indicated in the Annex “Profiles of Multilateral Development Banks”) but rather to provide baseline data against which each MDB may ascertain its own progress over time.

6. The 2006 COMPAS is intended to serve as an input to the 2007 Global Monitoring Report and will also be available in time for the Third International Roundtable on Managing for Development Results (Hanoi, February 2007) organized by the MDBs and the OECD/DAC.

B. Main Findings

Category 1: Country Capacity to Manage for Development Results

7. There is a growing demand on the part of Borrowing Member Countries (BMCs) for MDB assistance aimed at strengthening BMC capacity to manage for development results. The expectation is that increasingly strong country capacity would be used in the future for MDB-financed project implementation instead of parallel ad-hoc systems.

8. MDBs are keen to respond to this growing demand and steps are being taken towards developing structured tools or approaches to assess existing country capacity. The purpose of these assessments is to identify shortcomings that may be subsequently addressed through financial and/or non-financial assistance.

9. The specific modalities to conduct country capacity assessments vary among MDBs. In some cases, the assessments are an integral part of the process of country strategy formulation. In other cases, the assessments are carried out during the design of public sector management projects. In other cases, they are standalone exercises carried out under ad-hoc initiatives that have been funded with earmarked resources. And in other cases, these assessments are carried out jointly among MDBs and may have a specific focus on governance or fiduciary aspects such as procurement or financial management.

Category 2: Country Strategies

10. MDBs' guidelines for the preparation of Country Strategies call for a strong results focus, which in turn requires sound results frameworks, i.e., clearly defined monitoring indicators, with baseline data and targets to be reached at the end of the strategy implementation period. Some MDBs monitor compliance with these requirements, either through country strategy quality-at-entry (Q@E)



reviews carried out by Management (AsDB) and/or via country strategy evaluations carried out by the independent evaluation office (AfDB, IADB). Where compliance is monitored, the finding is that there is significant room for improvement in the design of Country Strategies.

11. Some MDBs also take steps to ascertain the actual results arising from the implementation of Country Strategies. These steps may consist of self-evaluation undertakings, such as CAS Completion Reports (CASCRs) prepared by Management and validated by the independent evaluation office (AfDB, WB). Or they may take place as independent evaluations (Country Assistance Evaluations at the AfDB, Country Assistance Program Evaluations at the AsDB, Country Program Evaluations at the IADB, and Country Assistance Evaluations at the WB), which are timed to serve as an input to the preparation of the next Country Strategy, and which in some cases includes a rating that sums up the extent to which the implementation of the Country Strategy was successful.



Category 3: Allocation of Concessional Resources

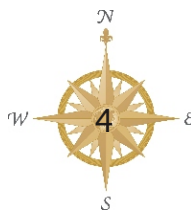
12. All MDBs (except for the EBRD, which does not provide concessional financing) allocate concessional resources on the basis of performance (as reflected in policies, institutions, and portfolio performance, among other things). It is worth noting that allocation criteria also typically include a “needs” factor (e.g., population, per capita income, governance and post-conflict considerations at the AfDB) in addition to the performance factor.

Category 4: Projects

Project Design

13. All MDBs conduct periodic reviews of project Q@E on an arms' length basis, i.e. reviews carried out within Management by a unit that is independent from the loan originating units. Sampling percentages for these reviews vary from 23% to 100%, depending on the definition and size of the universe of projects to be reviewed. Between 50% and 100% of the projects reviewed received overall Q@E ratings of satisfactory or better.

14. The AfDB's and AsDB's independent evaluation offices periodically review the quality of project design and monitoring frameworks, and the IADB's independent evaluation office does the same with regard to project evaluability. Their findings suggest there is significant room for improvement in this regard.



15. MDBs are taking steps to improve the “evaluability” of their operations, i.e., the design features that will make it possible to tell, after completion of implementation, the extent to which the expected results were reached. In order to monitor the evaluability of their operations, MDBs rely on, among other things, the findings of Q@E reviews concerning the soundness of baseline data, monitoring indicators, and the definition of expected outcomes.

16. Broadly speaking, all MDBs require that the operations they finance be economically feasible. AfDB and IADB use their Q@E reviews to verify compliance with the economic analysis requirement.

Project Supervision

17. MDBs are taking various approaches to improve the quality of project supervision. The WB has had quality-of-supervision assessments for about ten years, the AfDB started a similar exercise in 2006, and the IADB has started validating the accuracy of supervision reports.

18. Although all MDBs have taken steps to expedite disbursements, there remain significant differences among them. This is reflected in their disbursement ratios (amount disbursed during a year as a percentage of the undisbursed balance at the beginning of that year) and in their average implementation delays. At 55%, the disbursement ratio of the EBRD is significantly higher than the disbursement ratios of the other MDBs, which vary from about 20% to about 30%. The implementation delays for some of the MDBs vary between 34% and

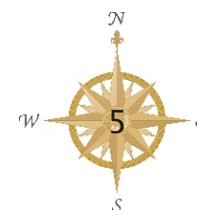
69% of the originally planned implementation period.

19. All MDBs keep track of portfolio performance. One important statistic is the percentage of projects under implementation that have suffered from unsatisfactory progress and/or whose development objectives are unlikely to be achieved – this statistic varies among MDBs from about 3% to about 25% and it is likely that differences in the rating system account for some of the difference. The IADB and the WB have developed procedures aimed at increasing the reliability of their statistics by complementing self-reported supervision ratings with other, more objective estimates – these procedures rely on statistically significant variables associated with the likelihood that projects might not reach their development objectives.

20. Another portfolio management statistic is the “proactivity index”, which is defined as the proportion of projects that, 12 months earlier, were suffering from unsatisfactory progress and/or whose development objectives were unlikely to be achieved, and which have been upgraded, restructured (includes reformulations), suspended, closed, partially or fully canceled during the last 12 months. The relevant percentage varies from 55% to 100%.

Project Completion and thereafter

21. All MDBs have procedures for reporting on the results of their operations as soon as possible after completion, so the experience may be used as a potential source of lessons learned. Existing procedures call for the preparation of completion



reports shortly after projects “close,” which puts a premium on timeliness. The share of completion reports that were actually prepared as a percentage of the number that was due in a given year varies from 57% to 100%, though not all MDBs keep track of actual compliance. The share of completion reports deemed satisfactory with regard to their use of outcome indicators varies from 51% to 94%, though not all MDBs keep track of it.

22. Since the real proof of project success can only be obtained when the project is truly operational, MDBs conduct independent ex-post evaluations several years after project completion. The nature and scope of those evaluations vary among MDBs. The sampling rate is about 25%–43% for the AfDB, AsDB, IADB and the WB; and 73% for the EBRD. Not all MDBs rate the extent of achievement of development objectives, but those that do, report success rates of 61% to 78%.

Category 5: Institutional Learning from Operational Experience

23. All MDBs endeavor to identify good practices and make use of the lessons learned from previous experience at the project and country levels via self- or independent evaluation mechanisms. Various formal devices are in place to identify and/or vet lessons and disseminate them to MDB staff members and BMCs. The actual degree of lesson utilization is difficult to ascertain.

24. All MDBs have independent evaluation offices, whose mission is to help promote lesson learning and accountability within MDBs. The scope of their work

includes, among other things: evaluations (and evaluability assessments) of MDB interventions (individual operations, sectors, themes, and country strategies and programs); validations of Management's monitoring and self-evaluation tools; and assistance to BMCs interested in strengthening their own evaluation capacity.

25. On the whole, the recommendations arising from independent evaluations influence the way MDBs conduct their business, regardless of whether a formal mechanism exists to monitor the extent to which Management adopts them. The WB does have a formal mechanism to keep track of, and measure, Management's actual adoption of independent evaluation recommendations.

Category 6: Results-focused Human Resources Management

26. All MDBs aim to strengthen the results-related skills of their operational staff and, to do so, provide training on MfDR topics such as results-oriented planning, budgeting and monitoring, and evaluation.

27. The performance of MDB staff members is routinely assessed by comparing expected versus actual results. While specific approaches vary among MDBs, all of them have mechanisms in place to link salary increases to actual accomplishment of agreed-upon objectives.



Category 7: Harmonization among Development Agencies

28. In recent years, all MDBs have been taking steps to harmonize their activities with those of other development agencies in order to reduce the aid coordination burdens faced by BMCs. Harmonization is taking place in a number of areas, including: procurement, financial management, evaluation, country performance assessments, environmental issues, gender issues, HIPC and debt sustainability, governance and anti-corruption, trust funds and cofinancing efforts, the role of MDBs in middle-income countries, and investment climate.

29. Perhaps the most tangible indication of heightened harmonization among MDBs (and between these and other development agencies) is the increasing number of activities they carry out together, for instance: project/program cofinancing, including sector-wide approaches (SWAPs); joint country portfolio reviews; joint country strategy formulation; joint macroeconomic and sector analytic work; joint thematic assessments, including Country Procurement Assessment Reports (CPARs), Country Financial Accountability Assessments (CFAAs), and Public Expenditure and Financial Accountability (PEFA) reviews; and joint evaluations.

C. The Way Forward

30. The 2006 COMPAS report illustrates the MDBs' commitment to conducting self-assessments of their own performance. It is also an indication of the MDBs' willingness to disclose information about

the way they conduct business and about the way they organize themselves to meet their strategic development objectives. As indicated above, the expectation is that this COMPAS report will provide a baseline against which each MDB will assess its own progress over time.

31. The 2006 COMPAS provides a juncture to reflect on how to deal with a couple of emerging opportunities, which are mentioned here only as topics requiring further consideration. The first opportunity arises from the significant differences between, on the one hand, the 4 MDBs that deal with the public sector (AfDB, AsDB, IADB and WB), and the EBRD, on the other. These differences make it sometimes difficult to identify performance indicators that are relevant to all 5 MDBs. At the same time, the private sector windows of the 4 MDBs (e.g. the WB Group's IFC, the AfDB's Private Sector and Microfinance Department, and the IADB's Private Sector Department, among others) may have significant commonalities with the EBRD, which might militate in favor of their joining efforts under a more coherent performance assessment reporting format.

32. The second opportunity has to do with the discussions that took place among the members of the MDB Working Group on MfDR in 2006 about the possibility of welcoming the International Fund for Agricultural Development (IFAD) to the Working Group, and the possibility of including the Islamic Development Bank (IsDB) in the COMPAS.

