

# **DISCLOSURE OF IFC'S EVALUATION PRODUCTS OCTOBER 1998**

Adopted by IFC's Board of Directors - October 28, 1998

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## Purpose

The purpose of this paper is to review the application of IFC's disclosure policy to the products of IFC's operations evaluation system, including new evaluation products not addressed by the existing policy. The objective is to ensure consistency with the World Bank's approach to disclosure of evaluation products, taking proper account of IFC's distinct operations, private sector clientele, and general disclosure policy.

## Operations Evaluation in IFC

The Operations Evaluation Group (OEG) is an organizationally independent department within IFC. OEG's [mandate](#) requires it to evaluate IFC's programs, investment projects, advisory and technical services, and the strategies, policies, and procedures that relate to them. OEG identifies and disseminates the lessons of IFC's experience identified in post-evaluation studies, to help improve operational performance. OEG advises the Board, Management, and staff on IFC's fulfillment of its business, financial and developmental objectives and contributes to accountability and corporate transparency. OEG transmits its reports to the Board through the Director General, Operations Evaluation (DGO) following IFC Management review and comment. The DGO provides oversight to the function, approves OEG's work program, and reports to the Board about quality, usefulness and objectivity of IFC's evaluation processes and products. OEG maintains close relations with the World Bank's Operations Evaluation Department (OED). For administrative purposes, the Director, OEG, reports to the EVP of IFC.

The basic instrument of evaluation in IFC has been the Expanded Project Supervision Report (XPSR). These self-evaluative reports (numbering about 70 per year) are prepared by IFC's Investment Departments on a randomly selected, representative sample of investment operations that have reached early operating maturity (generally five years after Board approval). OEG reviews each XPSR and prepares an *Evaluative Note* to help focus the issues for discussion by the Corporate Investment Committee, which considers each XPSR under the Acting Chairmanship of the Vice President, Portfolio Management and Advisory Operations. OEG makes available for review by Board members and their staff all XPSRs (with commercially sensitive information removed). OEG synthesizes the XPSR findings in its *Annual Review of IFC's Evaluation Findings*, and also draws from these findings in its dissemination products and training activities, in formulating its work program, and in executing its independent special studies. Pursuant to the 1995 expansion of OEG's mandate and the heightened emphasis on effective dissemination, OEG has introduced [new evaluative instruments](#) and products, as discussed below.

## Principles of IFC's Disclosure Policy

IFC's Board of Directors approved IFC's first disclosure policy in July 1994. A revised policy became effective in January 1996, and the Board approved further clarifications and revisions in a revised disclosure policy (reflected in this document) in early July 1998 (IFC/R97-208[Rev.], Attachment 3). [IFC's disclosure policy](#) is based on the recognition that IFC is an institution owned by governments, which is accountable for its stewardship of public resources. IFC's disclosure policy closely parallels the World Bank's and is founded on "a presumption in favor of disclosure where disclosure would not materially harm the business and competitive interests of clients." Disclosure contributes to IFC's mission as a publicly-funded development agency: it is an instrument of transparency and accountability, and it fosters better investment outcomes and enhanced economic development through sharing the lessons, both positive and negative, of IFC's experience.

IFC's private sector clients expect that non-public information supplied to IFC with an expectation of confidentiality will not be disclosed without their prior consent. Disclosure of confidential information could materially affect their business interests and expose IFC to legal liability. In some instances, IFC executes confidentiality agreements to protect particularly sensitive information.

Certain exceptions to the presumption in favor of disclosure -- which Management has set forth explicitly in the July 1998 update of the IFC disclosure policy -- are germane to the products of the operations evaluation process. Most importantly, IFC will not disclose non-public documents and information provided to IFC pursuant to confidentiality agreements or on the expectation that they will not be disclosed except with the consent of the source. IFC also will not disclose non-public documents owned by third parties that cannot be disclosed without the consent of the owner. In addition, in order to preserve the integrity of the deliberative process and to facilitate and safeguard the free and candid exchange of ideas among IFC staff and management and consultants, internal documents and drafts are not made public. As an organization involved in dealings on the world's financial markets, IFC is required to maintain sound financial management practices, including the maintenance of utmost prudence in the disclosure of financial information related to its activities. IFC thus maintains the confidentiality of certain of its own financial information, including loan provisioning and write-offs, and does not disclose material that could subject the Corporation to undue litigation risk.

Evaluation products pose special considerations for the disclosure policy because they are, by virtue of their primary focus on quality enhancement, critical examinations of both the successes and failures of IFC's operations. They are geared to providing empirically based, objective inputs into internal deliberative processes with the aim of improving IFC's development effectiveness. Some products rely on confidential information provided by clients and third parties, almost all evaluate internal decision processes, and most include an assessment of the investment performance of selected operations as a standard dimension of their evaluation. However, extrapolation of the principles underlying IFC's disclosure policy provides a sound basis both for designing the evaluation products and for determining their appropriate disclosure status.

## **Disclosure of World Bank Evaluation Products**

The World Bank's disclosure policy, endorsed by the Executive Directors in August 1993, initially provided for disclosure of *OED Précis*, *OED's Annual Review of Evaluation Results*, and selected OED evaluation studies. The Board requested options for wider dissemination of evaluation results, and the policy and legal issues were elaborated in two papers prepared under the aegis of the Office of Director General, Operations Evaluation, in consultation with the Bank's Legal Department.

After review, the Joint Audit Committee (CODE's predecessor) endorsed several changes in the Bank's disclosure policy, effective November 7, 1994. Disclosure was permitted for country and sector evaluation studies, impact evaluation reports, and *Lessons and Practices*. Evaluation documents were to be disclosed exactly as presented to the Board. Publications based on evaluation studies were to incorporate management's responses to the studies and summaries of the JAC and/or Board discussions. The JAC also considered, and recommended against, any changes in the disclosure policy for (1) original evaluation documents on particular lending operations, or (2) process evaluations. Consequently, the World Bank's policy restricts to internal use: OED's process studies, implementation completion reports, performance audit reports, and the DGO's *Annual Report on Operations Evaluation*.

## Disclosure of IFC's Evaluation Products Under Existing Policies

IFC currently produces, or plans to produce, seventeen distinct evaluation products, some of which are produced jointly with the World Bank's Operations Evaluation Department (OED) (The [Annex](#) briefly describes each product). Six of these products (or joint products) are covered under the recently updated IFC or World Bank disclosure policies, and eleven are not. The evaluation products are addressed below.

### Products Covered by Existing IFC Disclosure Policy

Consistent with the confidential status accorded to appraisal and supervision reports and related internal review memoranda, Expanded Project Supervision Reports (XPSRs) and Evaluative Notes **are not** disclosed in order to protect client-confidential information, IFC investment information and the integrity of IFC's deliberative process.

[OEG Findings](#) (summaries written for disclosure of selected OEG special evaluation studies) **are** routinely disclosed.

### Products Addressed in Existing World Bank Disclosure Policies

The *Annual Report on Operations Evaluation* (by the Director-General, Operations Evaluation (DGO)), containing a chapter reviewing the evaluation function in IFC, is **not** disclosed.

Country Assistance Reviews (CARs), prepared by OED with inputs from all members of the Bank Group (including an "IFC box", prepared by IFC's responsible regional investment department, summarizing IFC's experience as a reflection of the country's enabling environment for private sector development), **are** disclosed.

### Not Addressed in Existing Disclosure Policies

- OEG special evaluation studies
- Process guidelines, instructions and best-practice examples for preparing IARs and XASRs
- *Annual Summary of IAR Lessons*
- *Annual Review of IFC's Evaluation Findings*
- *Annual Overview of IAR/XASR Programs and Results*
- *OEG Summaries*
- *IAR Abstracts*
- *Thematic Evaluation Lessons*
- Lessons Retrieval Network (LRN, an on-line, searchable evaluation document storage and retrieval system)
- Country Impact Reviews and Country Impact Notes
- OEG PowerPoint presentations of Special Study and *Annual Review* findings

## Disclosure Policy for IFC's Evaluation Products

The Board endorsed changes in IFC's disclosure policy on October 28, 1998, in line with changes approved for World Bank disclosure of evaluation findings and to reflect better the basic presumption in favor of disclosure of evaluation products, subject to the exceptions discussed below. The new policy applies from the date of approval (Oct. 1998) by the Board and will not change the disclosure status of any documents retroactively.

- Evaluation documents considered by the Board are disclosed to the fullest extent permitted by [IFC's disclosure policy](#) and subject to its constraints.
- To protect the integrity of the evaluation function, the text of disclosed documents **is not** edited for disclosure except as noted in this and subsequent sections.

- Evaluation documents on individual operations, and process-oriented special studies, **are not** disclosed.
- Consistent with the restrictions set forth in the IFC disclosure policy with regard to disclosure of IFC financial information,<sup>1</sup> evaluation documents containing information on the financial performance of portions of IFC's investment portfolio **are not** disclosed. Instead, the key findings and lessons of these studies are summarized in a *Findings* prepared for disclosure that comply with this policy constraint.
- In studies that otherwise meet the test for disclosure, (i) individual recommendations still being deliberated by IFC Management, CODE and/or the Board after completion of the CODE/Board review, **are not** disclosed; and (ii) process-related recommendations are addressed in a separate memorandum that **is not** disclosed.
- Disclosed editions of evaluation studies incorporate IFC Management's responses and the salient conclusions of CODE's and/or the Board's discussion of these documents, but recommendations described in the preceding bullet point **are** removed.

The above general recommendations are consistent with the World Bank's evaluation disclosure policy and follow from the "presumption in favor of disclosure" subject to not compromising client confidentiality, sensitive IFC financial information, or IFC's deliberative process.

<sup>1</sup> From IFC/R97-208[rev.] dated June 8, 1998 (approved by the Board on July 2, 1998), Attachment 3, Annex 1: "As an organization involved in dealings on the world's financial markets, IFC is required to maintain sound financial management practices, including the maintenance of utmost prudence in the disclosure of financial information related to its activities. For this reason, the Corporation's financial forecasts, certain data on individual investment decisions and credit assessments are not publicly available." In practice, applying the "utmost prudence" principle, IFC does not disclose information concerning the relative financial performance of different groups of investments (countries, regions, sectors) within its portfolio.

### **Specific Recommendations - Existing and New Products**

This section presents the existing and proposed disclosure treatment of each of the seventeen current or planned IFC evaluation products. The rationale for each recommended disclosure proposal is summarized for each product.

#### **Existing Evaluation Products**

- OEG's special evaluation studies (other than those that address IFC investment results) that focus on *sectors* or *special programs* **are** disclosed, as are their Approach Papers. Process-related studies, sector and program studies that address IFC investment results, and major project impact studies, **are not** disclosed in order to avoid compromising IFC's client confidentiality undertakings, policy on disclosure of IFC financial information and/or deliberative processes; their Approach Papers also **are not** disclosed.
  - OEG's sector and investment program studies routinely address the relevant IFC investments' relative performance and contribution to IFC's profitability objective. As is the case in the IARs, these factors are integral components of performance evaluation both for lessons, for judging IFC's overall effectiveness in the operations evaluated, and for determining overall outcome ratings. Hence, editing this information out of such studies for disclosure, is not a feasible alternative. At the same time, disclosure of this information would not be consistent with IFC's general disclosure policy as it relates to IFC financial information (see footnote 1 above).
  - In disclosed studies, to protect client confidentiality, findings and judgments would not be traceable to individual operations.
  - The scope, analysis, key findings and lessons of these studies would be summarized for disclosure in OEG *Findings* prepared to comply with this policy constraint.
- Expanded Project Supervision Reports (XPSRs). **Are not** disclosed.
  - These contain company-specific commercial information as well as sensitive IFC financial information (e.g., loss provisioning, equity sales assumptions).

- Performance ratings and thematic lessons from these instruments are synthesized in OEG's special studies and annual reviews, which in turn would be addressed in OEG *Findings* prepared for disclosure. In addition, lessons learned from the IARs are synthesized in periodic thematic summaries suitable for disclosure.
- OEG Findings, which are abstracts of OEG special studies and Annual Reviews prepared specifically for public release, **are** disclosed.
  - Responds to "presumption in favor of disclosure" principle for those OEG studies and reports not otherwise releasable according to the criteria applied to the disclosure of each such product.
- The DGO's Annual Report on Operations Evaluation, which covers evaluation process activities and issues and contains a chapter on IFC, is covered by World Bank evaluation disclosure policy and **is not** disclosed.
  - As a process-related study, this would continue to be withheld from public disclosure to avoid compromising the Bank's and IFC's deliberative processes.
- IFC summaries in OED's Country Assistance Reviews **will** continue to be disclosed by OED.
  - Since the CARs are disclosed under Bank evaluation disclosure policy, the IFC sections would continue to be framed in accordance with the Bank's and IFC's disclosure policy.
- Guidelines and instructions for preparing XPSRs. **Are** disclosed with some editing.
  - These documents are prepared by OEG to guide internal report preparation, and do not contain any client confidential information. Their disclosure would not compromise the integrity of IFC's deliberative process.
  - Consistent with the constraint on disclosure of IFC financial information, specific benchmarks for rating IFC's investment profitability and economic rate of return indicators would be removed from disclosed editions.
  - As the development finance institution with the largest private sector investment portfolio, IFC has an interest in learning from other evaluation practitioners and encouraging evaluation by other organizations to the same high standard of evaluative scope, rigor and accountability.
  - The World Bank discloses its comparable self-evaluation guideline documents as well as its other operational procedures.
- OEG Evaluative Notes. **Are not** disclosed.
  - These documents respond to, and are filed with, individual draft IARs. They are an integral part of management's review and consideration of the draft IARs, and their disclosure would compromise IFC's deliberative process.
  - They also contain confidential company and IFC financial information.
- Annual Summary of IAR Lessons. **Are not** disclosed.
  - This document attributes IAR lessons to specific operations to facilitate their use by IFC staff. It cannot be disclosed without revealing confidential company and IFC investment performance information.
- OEG's Annual Review of IFC's Evaluation Findings. Consistent with the third General Recommendation above, **is not** disclosed.
  - Contains no confidential information identified to specific companies, but does provide detailed IFC profitability information on the portion of IFC's investment portfolio covered by the Review. Disclosure of this information would conflict with the constraint on disclosure of IFC financial information.

In the same manner as for non-disclosed special studies, the Review's findings would be summarized in OEG *Findings* prepared to comply with the constraints addressed in the General Recommendations above.

### **New Evaluation Products**

- Annual Overview of the IAR/XASR Programs and Results. **Not** disclosed.
  - As a process-oriented synthesis report that also contains operation-specific performance ratings, this would be withheld from public disclosure to avoid compromising IFC's deliberative processes and commercial confidentiality undertakings.
- OEG Summaries. **Not** disclosed.
  - These abstracts of older OEU Special Studies were prepared recently, specifically to facilitate internal dissemination of relevant lessons, and would not be disclosed retroactively.
- IAR Abstracts. **Not** disclosed.
  - Prepared annually, this new series of summaries of the important results and lessons of each IAR is operation-specific and as such contains confidential summary performance information.
  - Thematic performance findings and lessons across IARs are presented in the next instrument and in relevant OEG special evaluation studies.
- Thematic Evaluation Lessons. This new instrument, summarizing the thematic lessons from XPSRs by major topic addressed, **is** disclosed.
  - This publication would fulfill IFC's obligation to disclose the lessons of its development experience and would thereby aim to contribute to more productive investments in developing countries.
- Lessons Retrieval Network (LRN) and OEG Homepage. Subject to cost and technical considerations, **could be made accessible** through the Internet following early refinement from internal use and editing of database to remove company references.
  - These dissemination instruments are currently designed to be accessible (initially) only to IFC Intranet users. They contain company-confidential information.
  - Disclosure would be subject to the constraints in IFC's disclosure policy and would be governed by the policies relevant to the documents that would be included in the accessible database.
- Country Impact Reviews (CIRs) and Country Impact Notes (CINs). **Not** disclosed.
  - They will contain no company confidential information, but will provide summary IFC profitability information on the portion of IFC's investment portfolio covered by the review. Disclosure of this information would conflict with the constraint on disclosure of IFC financial information.
  - The review's findings would be summarized in an OEG *Findings* prepared to comply with the above constraints.
- OEG PowerPoint presentations of Special Study and Annual Review Findings. **Not** disclosed.
  - These presentation hardcopies and associated videotapes are geared to the needs of internal training and dissemination, and typically cite specific examples of company performances included in the study database. They also routinely include information on IFC's investment profitability in the operations covered by the study.
- Future evaluation products. These will be handled under the general principles set out in IFC's disclosure policy and the specific criteria for evaluation products established here.

## Conclusions

Recent changes in Bank and IFC disclosure policies - establishing a presumption in favor of disclosure, subject to certain exceptions including protection of confidential information and preservation of the integrity of internal deliberative processes - warrant a review of IFC's evaluation products. Simultaneously, IFC has strengthened and broadened the [mandate](#) of its Operations Evaluation Group, which has resulted in its introducing several new products.

In the course of previous policy deliberations, the Board has established the principles and standards that apply to disclosure of IFC products, generally, and has taken a position on the World Bank's evaluation products, specifically.

## Annex: IFC's Evaluation Products

### Existing Products

- OEG Special Evaluation Studies. Analysis of broad themes and trends related to IFC's performance and the lessons of its experience. Studies are in two versions: (1) with names of companies (for IFC's Management) and (2) without names of companies for the full Board and all IFC staff. They may be of three types:
  - Process-related topics related primarily to quality management of IFC's basic operational processes, e.g., market assessments and revenue/margin forecasts; problem projects.
  - Project-specific OEG plans to execute at least one major mature project impact study, which will be company-specific and, as such, may contain commercially sensitive information;
  - Others sector, regional or program topics, e.g., textiles; *Successful Investments in Sub-Saharan Africa*; the Africa Enterprise Fund. These will routinely apply the same performance evaluation framework used in the IARs and thus include information on IFC's investment profitability.
- Expanded Project Supervision Reports (XPSRs). Basic evaluative instruments for IFC's individual investment operations. They are prepared by IFC's Investment Departments as self-evaluation reports, in accordance with instructions prepared by OEG, on a random sample of investments, generally five years after Board approval at early project operating maturity, mid-life in IFC's investment holding period. They contain company and IFC confidential data and information. There are three editions: the Corporate Investment Committee (CIC) Edition (basis for review, comment and discussion); the Final Edition (update prepared following Corporate Investment Committee review and reflecting OEG and CIC inputs); and the Abridged Edition (edited version of Final Edition with the most sensitive company commercial and IFC investment information removed, made available by OEG for Board review but not distributed for reasons of commercial confidentiality).
- OEG Findings. Abstracts of selected OEG special studies and annual reviews prepared specifically for public release to comply with IFC disclosure policy.
- DGO's Annual Report on Operations Evaluation. Report to the Board covering evaluation process activities (e.g., work program outputs) and process issues. Identifies process weaknesses and gaps. One chapter (with related DGO recommendations) is devoted to evaluation in IFC.
- IFC Boxes in OED Country Assistance Reviews (CARs). Reports to the Board by the World Bank's OED, with IFC inputs, covering evaluation of World Bank programs, investments, and policy advice in a specific country, usually over an extended period. Responsible IFC regional investment department prepares an "IFC Box" which summarizes IFC's priorities and programs during the review period, and provides a perspective on the efficacy of the country enabling environment for private sector development, and on the Bank's policy advice in relation to it.
- Instructions to staff for preparing Expanded Project Supervision Reports (XPSRs). Prepared and updated continuously by OEG, these provide process guidelines, report preparation instructions (including performance rating criteria), best-practice examples (with company-specific references removed) and standard templates for preparing XPSRs to a consistently high standard, as part of IFC's Operational Procedures Manual.
- IAR Evaluative Notes. OEG's independent reviews of Corporate Investment Committee (CIC) Edition (draft) XPSRs; provide structured XPSR quality review and ratings, and focus issues for CIC discussion; distributed in advance of CIC meetings and provide inputs for Final Edition XPSRs. As such, these comprise an integral part of IFC's deliberative process.

- Annual Summary of IAR Lessons. Synthesis of lessons from the XPSRs reviewed by the Corporate Investment Committee during the previous calendar year, identified by company and sorted by operation cycle stage and subject matter. Includes a cumulative list of all XPSRs, by country and sector, and of all OEG special studies. Distributed to IFC's Management and staff annually since 1989, and intended to facilitate identification of XPSRs and lessons relevant to specific types of operations or issues. Many of these lessons relate to IFC's operational policies and processes.
- OEG's Annual Review of IFC's Evaluation Findings. Annual report to IFC's Management and Board. This is the flagship IFC evaluation report, addressing IFC's business results and achievement of its development mandate as reflected in the synthesis of findings of operations reviewed during the previous year, in the case of XPSRs, on randomly selected operations of uniform early operating maturity.

### **New Products**

- Annual Overview of the XPSR Programs and Results. Introduced in 1997 and distributed to all IFC staff, comprises an annual report that provides a process execution and outcome summary of the previous calendar year's XPSR programs. Contains company confidential information, and is an integral part of IFC's deliberative process.
- OEG Summaries. Abstracts (prepared in 1997) of older OEU special studies for internal dissemination. These aim to summarize the study findings for IFC staff in a user-friendly format. Because the OEU studies date back to the early 1980s, the performance patterns and lessons in them may not be representative of more recent experience, and hence they are not deemed suitable for external dissemination.
- IAR Abstracts. One- or two-page summaries for internal distribution to disseminate findings and lessons of each XPSR; contains operation specifics.
- Thematic Evaluation Lessons. Since 1981, IFC has prepared evaluation reports for 451 projects, and since 1989, OEG has circulated internally a summary of lessons from each year's IARs. This new booklet would summarize the cumulative thematic lessons of IFC's experience. It would be updated periodically and designed for public disclosure and for training investment staff.
- Lessons Retrieval Network (LRN). Following pilot development and testing in CY97, full rollout to all IFC operational departments has taken place during 1998. An on-line database, accessible to IFC staff through the internal common network (the Intranet), containing lessons from IFC's evaluation reports and special evaluation studies, together with source documents, and providing information by user-specifiable category and keyword search. Currently designed for supporting IFC operational work, with full access to source documents and their confidential information. Once full rollout within IFC and refinement are accomplished, OEG will develop a cost estimate for providing a more restricted level of access to external users through the Internet.
- Country Impact Reviews (CIRs) and Country Impact Notes (CINs). New OEG evaluative instruments being introduced in FY99, and covering a small number of selected countries annually. Their aim is to provide IFC management and the Board with independent feedback on the impact of IFC operations in the selected country, with a view to helping inform the country assistance strategy (CAS) formulation and review. The CIRs will include a summary of the performance of IFC's country portfolio evaluated according to the framework applied in the IARs, and thus include summary information on the investment profitability of IFC's country portfolio. The CIN is a shorter, desk-study-based version of the CIR.

- OEG PowerPoint presentations of Special Study and Annual Review Findings. These are PowerPoint-based, videotaped presentations to IFC staff which aim to make staff aware of study findings, and encourage them to read the full studies. They typically cite specific examples of company performances included in the study database, and routinely also include information on IFC's investment profitability in the operations covered by the study.