

CLIMATE INVESTMENT FUNDS

November 7, 2013

**PROPOSAL FOR MODALITIES AND INCENTIVES TO INCLUDE A BROAD RANGE
OF EVALUATIVE APPROACHES IN THE CIF**

APPROVED DECISION

The joint meeting welcomes the document CTF-SCF/TFC.11/5, *Proposal for Modalities and Incentives to include a Broad Range of Evaluative Approaches in the CIF*, and invites the CIF Administrative Unit, in collaboration with the MDBs:

- a) to prepare a more comprehensive overview of approaches that could be put into place with the goal of increasing the number of initiatives that include evaluative approaches as part of their design, including information on how other funds have handled this issue and what are the experiences and emerging best practices;
- b) to undertake a stock taking of what MDBs are already doing and plan to do to evaluate CIF-funded projects, and
- c) to prepare a portfolio mapping and assessment of which CIF pipeline project/program concepts could be suitable for incorporating real-time evaluative approaches, including impact evaluation, in the further design and development of the projects/programs.

The joint meeting requests the CIF Administrative Unit and the MDBs to present to the next joint meeting of the Committees in June 2014 a proposal, based on the above information, as to the project/program concepts suitable for incorporating evaluative approaches. The proposal should include information on: (a) the value added, (b) challenges and how they would be addressed, (c) CIF financing that would be needed to cover the additional costs of the evaluative activities, and (d) CIF pilot countries' interest in incorporating such approaches.

I. INTRODUCTION

1. At the Joint Meeting of the CTF and SCF Trust Fund Committees in April 2013, after having reviewed document CTF-SCF/TFC.10/4, *Use of Evaluative Approaches in CIF Activities*, it was agreed that:

“the meeting requests the CIF Administrative Unit to work with the MDBs to prepare, building on the MDBs’ existing procedures for evaluative approaches, for review in November 2013 a proposal, including financial implications, for modalities and incentives, that could be put in place with the goal of increasing the number of initiatives that include a broad range of evaluation approaches as part of their design, without creating additional obligations for pilot countries. Such approaches could include, but not be restricted to, impact evaluations, quasi-experimental or real time evaluations aimed at generating evaluative information during the course of project implementation.

2. In preparing the proposal, the CIF Administrative Unit and the MDBs should:

- a) consider, in full consultation with pilot and partner countries, initiatives in each CIF program that would lend themselves to inclusion of evaluations during implementation;
- b) take fully into account existing country systems for monitoring and evaluation and recommend how they can support countries to help strengthen their approaches, capacity and systems to contribute to evaluations of CIF-funded initiatives; and
- c) circulate a draft version of the proposal to Committee members no later than August 16, 2013, with an invitation for written comments within a three week period, so that the proposals may be revised to take into account comments received before their submission to the Trust Fund Committee no later than October 7, 2013.

3. While the CIF Administrative Unit has undertaken initial, preparatory steps to address the request of the joint meeting, it has been unable to fully meet the request due to both competing demands and priorities of the staff and time constraints.

4. This document reports on initial efforts and analysis and proposes a way forward.

What is an Impact Evaluation?

5. *Impact Evaluation* rigorously measures the impact that a project has on the intended beneficiaries. It typically does this by comparing outcomes between beneficiaries and a control group, both before and after a project has been implemented. Each impact evaluation method seeks to find the true causal impact of a program by not only observing the beneficiaries’ outcomes before and after the project, but also answering the question “what would have been the beneficiaries’ outcomes in the absence of the project?”, both before and after the project.

“What would have happened to these beneficiaries in the absence of the project” is called the counterfactual. The counterfactual is never observed for the beneficiaries themselves at the same time as they are in receipt of the project. Instead, the counterfactual is typically approximated by control groups or comparison groups. Impact evaluation must therefore be incorporated into project design.

6. Whilst mid-term or ex-post evaluations “evaluate the impact”, this must not be confused with impact evaluation for the reasons explained above. But often it is. There are a number of misunderstandings. The most important of these is that different people are using different definitions of ‘impact evaluation’. It cannot be said that one interpretation is right and another is wrong. The definitions are just different.¹ For purposes of the CIF, it is proposed that “impact evaluations” be understood as an approach included in the project design that is intended to provide on-going information that will contribute to learning and assist those managing the project to make changes to the project if necessary to improve its overall effectiveness and impacts.

7. *When to do an impact evaluation?* It is not feasible to conduct impact evaluations for all interventions. The need is to build a strong evidence base for all sectors in a variety of contexts to provide guidance for policy-makers. The following are examples of the types of intervention when impact evaluation would be useful:

- a) innovative schemes,
- b) pilot programs which are due to be substantially scaled up,
- c) interventions for which there is scant solid evidence of impact in the given context, and
- d) a selection of other interventions across an agency’s portfolio on an occasional basis

II. IMPACT EVALUATIONS OF CLIMATE CHANGE INTERVENTIONS – KEY CHALLENGES

8. Impact evaluation for climate change projects and programs is a fairly new field of work with challenges summarized as follows²:

- a) potential limitations of experimental and quasi-experimental approaches: merging of control and treatment groups, spillover effects, lack of compliance by implementing agency.

¹ For example, the Global Environmental Facility (GEF) Impact Evaluation Reports summarize the findings of ex-post evaluations that “seek to determine the long-term effects of GEF support, how these were achieved and what could be done to strengthen them.” <http://www.thegef.org/gef/ImpactEvaluations>

² <http://www.3ieimpact.org/evaluation/working-papers/working-paper-7/>

- b) difficulties in applying experimental approaches to development interventions: often heterogeneous and changing contexts of interventions, logistical and practical challenges.
- c) challenges especially pronounced for environmental and climate change programs: lack of baseline data; long time lag between intervention and measurable impact; adaptation means adapting to an unknown situation due to climate change; lack of appropriate counterfactual for attribution, confounding factors and selection bias.
- d) climate policies are often in early stages of implementation: a focus on governance and institutional processes is not appropriate for impact evaluation designs.
- e) environmental and climate change scientists and practitioners often lack experience in impact evaluation designs and methods.
- f) impact evaluation and mitigation interventions: difficulties in establishing baselines and measuring environmental outcomes, especially land use, land-use change and forestry; assessment of impact on welfare to ensure the mitigation efforts do not cause harm and to maximize any adaptation co-benefits from mitigation actions.
- g) impact evaluation and adaptation interventions: establishing a counterfactual for measuring people's capacity to adapt to and cope with the consequences of climate change can be problematic; adaptation often includes a diversity of interventions; lack of agreement on indicators and the definition of adaptation success.

Other issues to consider:

- a) evaluators will have to work with environmental practitioners, scientists, development practitioners and social scientists to form creative solutions, while maintaining the rigor required for constructing a valid counterfactual.
- b) climate change interventions can benefit from adopting a theory-based approach, not least as evaluations of both mitigation and adaptation interventions include measuring intermediate outcomes and in such cases a theory-based approach can improve validity. Moreover, theory based impact evaluation can provide insights into how and why interventions are effective or not, including evidence on causal mechanisms and contextual factors.

Costs

- a) The *cost*³ of a single impact evaluation varies substantially across sectors and regions, with a typical impact evaluation costing approximately \$800 000. In general, human resource and travel costs are somewhat fixed (averaging approximately \$280 000 over five years), whereas data collection costs are the major source of variability, driven by: (i) sample size; (ii) country location; (iii) geographical spread; and (iv) special requirements such as spatial mapping or biometric data collection. Although human resource costs will differ depending on the scope of the impact evaluation, the fixed costs generally entail evaluation design, implementation and data collection oversight, analysis and dissemination, which is less sensitive to sample size, sector and geographical variations. Economies of scale can be generated when projects are in the same country (eg. use of field coordinator, dedicated impact evaluation staff, etc.)

III. THE CIF PIPELINE OF PROJECTS

9. *The CIF pipeline of projects with MDB approval from 2014:* We have reviewed the CIF pipeline of projects to establish the type and number of projects that will be approved by MDBs from January 2014 onwards. This pipeline contains 76 projects, 36 in CTF, 21 in PPCR, 13 in SREP, 6 in FIP; a total volume of USD 2.1 bn; 4 continents/regions; 6 MDBs.

10. A proportion of these (pipeline) projects could be selected for more rigorous impact evaluation. Selection criteria, which yet need to be determined, should take into account: distribution of projects across the portfolio for representivity; value of learning (considering impact evaluation has both, public and private benefits) and feasibility. The distribution of projects undergoing impact evaluation could be based on: (i) number of projects; (ii) budget distribution; (iii) combination of budget/number of projects.

³ Information obtained from colleagues in the Development Impact Evaluation Initiative (<http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTDEVIMPEVAINI/0..menuPK:3998281~pagePK:64168427~piPK:64168435~theSitePK:3998212,00.html>)

11. CIF Pipeline projects: An overview

Portfolio	Total number of projects	Total funding allocation (million USD)	Implementing MDBs	Regions represented
CTF	36	1600	IBRD; IFC; AfDB; IDB; ADB; EBRD	LAC; ASIA; AFR; ECA;
PPCR	21	274	IBRD; IFC; IDB; ADB	LAC; ASIA; AFR
FIP	6	128	IBRD; AFC; IDB	ASIA; AFR
SREP	13	134	IBRD; IFC; AfDB; IDB	AFR; LAC; ASIA
Total	76	2136	IBRD; IFC; AfDB; IDB; ADB; EBRD	LAC; ASIA; AFR; ECA;

Only on numbers: How many projects would be evaluated if decision was 5, 10 or 20%

Portfolio	5%	10%	20%
CTF	2	3	7
PPCR	1	2	4
FIP	0	1	1
SREP	1	1	3
Total	4	8	15

Only on budget: How many projects would be evaluated if decision was 5, 10 or 20%

Portfolio	5%	10%	20%
CTF	3	6	11
PPCR	1	1	2
FIP	0	1	1
SREP	0	1	1
Total	4	8	15

50/50 number, budget: How many projects would be evaluated

if decision was 5, 10 or 20%

Portfo lio	5%	10%	20%
CTF	2	4	9
PPCR	1	2	3
FIP	0	1	1
SREP	1	1	2
Total	4	8	15

12. In recent conversations the MDBs highlighted that applying evaluative approaches to *already ongoing CIF projects* will be challenging, given that these issues were not addressed at the outset and that in projects that have already started, adequate baseline data would be difficult to determine.

IV. POTENTIAL THEMES

13. With a view to the CIF project pipeline the MDBs suggested that it might be more useful to look at sub-sets of projects and to undertake targeted evaluative work in specific and very narrowly focused areas of interest. Such focused evaluative work within broader thematic areas such as *adaptation* and *energy efficiency* may be of general interest, because there are many open questions about effectiveness and about optimal design and implementation of interventions.

V. NEXT STEPS

14. The MDBs suggested that a thorough stock taking should be done to explore more in depth how other funds handle this issue and what the experiences and emerging best practices there are. Based on this wider stock taking or scoping exercise, a range of options for real time evaluative approaches - ranging from rapid assessments to impact evaluation - could be identified.

15. Building on the MDBs suggestion, it is proposed that the CIF Administrative Unit recruit a consultant or consultancy team to work in collaboration with the CIF Administrative Unit and the MDBs. The consultant or consultancy team should undertake the stocktaking referred to above as well as a portfolio mapping exercise and evaluability assessment for the CIF pipeline of project/program concepts to determine which could lend themselves to real-time evaluative approaches, including impact evaluation. This exercise should include, but not be limited to, the following tasks:

- a) suggest focused thematic areas of interest, methods, approaches and modalities for the delivery of real-time evaluative approaches, including impact evaluation;
- b) review likelihood of/or data availability;
- c) suggest draft high quality evaluation questions in respect to data availability.

- d) propose three potential options for delivery of an adequate number of real-time evaluative approaches, including impact evaluation within the CIF pipeline, and indicate estimated costs for each.

16. Once the portfolio mapping and evaluability assessment are available, this piece of work will be shared with pilot and partner countries for review and comment and thereafter be revised taking into account their comments.

17. The CIF Administrative Unit will submit the portfolio mapping and evaluability assessment to the Joint CTF and SCF Trust Fund Committees for their consideration, accompanied by a proposal prepared by the CIF Administrative Unit and the MDB Committee on the proposed way forward.