Report

MDB approaches to impact measurement and reporting

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October 2024

Abstract

This report takes stock of MDB practices relating to the measurement and reporting of outcomes and impacts, and the use of impact as a driver of corporate strategy and financing decisions. This includes the use of theories of change to demonstrate how MDB operations contribute to impact; the integration of impact measurement into the project cycle, scorecards and strategies – including feedback loops from evaluation into new operations; the use of standard metrics and processes across MDBs; data quality; incorporation of beneficiary perspectives; and building local capacity for impact measurement. It highlights progress being made and emerging good practices which could be adopted across the MDB system, as well as areas where further process innovation is required. It identifies mechanisms for cross-MDB learning and sharing of good practices.

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How to cite: Getzel, B. and Gregory, N. (2024) MDB approaches to impact measurement and reporting. London: ODI

Acknowledgements

About this publication

We are grateful for financial support from the MDB Challenge Fund. We also appreciate guidance from, and interactions with, the Brazilian Ministry of Finance and the co-chairs and members of the G20 International Financial Architecture working group. We thank our many colleagues across MDBs for their inputs and comments on an earlier version of this report. It would be difficult to cite them here individually.

We want to thank Hans Peter Lankes for overall supervision, and Aaron Griffiths and Ben Campbell for the editing and production of this report. All errors and omissions are solely the authors' responsibility.

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Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
AIMM	Anticipated Impact Measurement and Monitoring
DELTA	Development Effectiveness Learning, Tracking and Assessment
EBRD	European Bank for Reconstruction and Development
ECG	Evaluation Cooperation Group
EIB	European Investment Bank
GRI	Global Reporting Initiative
HIPSO	Harmonised Indicators for Private Sector Operations
IFC	International Finance Corporation
IRIS+	Impact Reporting and Investment Standards Plus
ISSB	International Sustainability Standards Board
MDB	Multilateral development bank
MfDR	Managing for Development Results
MIGA	Multilateral Investment Guarantee Agency
MOPAN	Multilateral Organisation Performance Assessment Network
NDB	New Development Bank
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goal
TCFD	Task Force on Climate-Related Financial Disclosures
TIMS	Transition Impact Monitoring System
ToC	Theory of Change

1 Introduction

This report takes stock of multilateral development bank (MDB)[1] practices relating to the measurement and reporting of outcomes and impacts, and the use of impact as a driver of corporate strategy and financing decisions as well as value for money in the use of scarce financing. It highlights progress being made and emerging good practices which could be adopted across the MDB system, as well as areas where further process innovation is required.

Box 1 Definitions and scope

The term 'impact' is used differently in different organisations. Here we use it to mean the end point of the causal chain (activity–output–outcome–impact) from MDB activities to development goals, such as the Sustainable Development Goals (SDGs). We recognise that impact measurement and management systems often focus more on the output and outcome levels of the causal chain. So, for conciseness, the term 'impact', used in relation to management, measurement and reporting, can encompass outputs and outcomes as intermediate measures of impact, so long as there is a clear line of sight from the outputs and outcomes to targeted impacts. We use 'impact' in this broad sense, and 'results' interchangeably.

This report focuses on analysing impact measurement practices relating to the financing activities of MDBs. We recognise that MDBs also provide important non-lending and advisory services and generate knowledge and research. Some of the impact of these activities is embodied in financing activities informed by these services and knowledge. But assessing the broader impact of these activities is inherently more difficult than assessing the impact of financing, and is beyond the scope of this report.

Finally, even though the report focuses on the impact measurement, management and reporting activities of MDBs as financing agencies, this is not meant to suggest that countries are not primarily responsible for the impact of sovereign borrowing, or that country ownership is not of primary importance in strategy and operational

[1] The MDBs covered in this report include: Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), African Development Bank (AfDB), European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), IDB Invest, International Finance Corporation (IFC), New Development Bank (NDB) and World Bank.

decisions, following the Busan Principles. Our view is that better ex ante assessment and monitoring and ex post reporting of impact generates valuable information which can support better decision-making by clients/borrowers and country authorities, as well as by MDBs.

There has been growing interest in MDB practices relating to the measurement and reporting of outcomes and impact, including in relation to impact as a driver of MDB strategy and resource allocation, in the context of scarce financing and administrative budget resources. Shareholders wish to move away from an output-oriented approach that assesses MDB performance by financing volumes and towards an impact-oriented approach which assesses MDB performance based on the development impact that financing creates. Shareholders want to direct lending in accordance with MDB mandates, and borrowers need to increase value for money in the use of scarce borrowing, with all stakeholders wanting to ensure that MDB financing gets the biggest development 'bang for the buck'.

Outside the MDBs, there has been substantial progress among private investors in adopting consistent impact management and measurement processes, including the adoption of standard metrics and common principles. More than 180 institutions have adopted the Operating Principles for Impact Management, including the private sector arms of MDBs and many bilateral development finance institutions. Most MDBs also use common impact indicators for their private sector operations known as Harmonised Indicators for Private Sector Operations (HIPSO). Sovereign lending by MDBs has tended to be influenced more by public sector approaches to monitoring and evaluation. Nevertheless, there are good practices and global standards which are relevant for both private and public sectors.

This report takes stock of the approaches that MDBs are using today – in public and private sector operations – and compares these to emerging good practices. Based on this analysis, opportunities are identified for MDBs to level up and adopt good practices consistently across institutions, as well as areas where further process innovation is needed. This will enable better monitoring and reporting of impact by individual MDBs and allow shareholders, borrowers and other stakeholders to benchmark impact performance across the MDB system. Impact measurement is not just about monitoring and ex post reporting – better impact measurement practices throughout the project cycle can lead to investment and lending decisions which achieve greater impact across the portfolio.

This report relied on discussions with MDB and external experts on impact assessment, a review of academic and grey literature as well as existing analyses by the Multilateral Organisation Performance

Assessment Network (MOPAN),[2] and material produced by the Evaluation Cooperation Group (ECG) and Managing for Development Results (MfDR) networks across MDBs. For MDBs that are signatories to the Operating Principles for Impact Management,[3] we draw on their public disclosure statements. We also draw on G20-commissioned reports on impact management and details from MDB published documents, including the Heads of MDBs Viewpoint Note (Heads of MDBs, 2024). In turn, the conclusions and comparisons drawn in this report reflect the cross-MDB analysis conducted. Impact measurement, management and reporting are evolving at most MDBs, however, so this stocktake is inevitably incomplete and represents a snapshot at a specific point in time. Further exchange of information across MDBs is needed to share their approaches, methods and systems and to identify good practices which can be widely adopted.

A series of consultations were organised to receive inputs and test initial proposals: with MDB shareholders, members of the G20 and invited countries, and international organisations at a meeting of the G20 International Financial Architecture Working Group on MDBs on 8 May, followed by their written feedback to a preliminary version of this report; a more targeted meeting with impact management colleagues in MDBs on 21 May; a meeting with government officials from selected members of the Group of 24 on 17 May; and a meeting with the ECG on 4 June. In addition, feedback was collected during another meeting of the G20 International Financial Architecture Working Group on 12 June, followed by written comments.

This report first takes stock of good practices in impact measurement and management approaches across the MDB system. It then extracts lessons from current initiatives before outlining priority actions for MDB management and shareholder boards.

[2] IFC, IDA-IBRD, AfDB, IDB and IDB Invest.

[3] EBRD, EIB, IDB Invest, IFC, the Islamic Corporation for the Development of the Private Sector and Multilateral Investment Guarantee Agency (MIGA).

2 Good practices for impact measurement and management

Implementing effective impact measurement and management systems involves deciding what to measure, how to measure it, how to use the evidence generated in operations, and what to disclose. It also involves building local capacity to measure and report on impact.

The selection of what to measure should be based on **theories of change** that explain how MDB activities are expected to contribute to outputs, outcomes and development impact. Metrics should be selected to assess progress at each stage of the results chain, so that progress towards impact can be measured during implementation, and divergences from expected impact can be understood. It follows that **impact metrics should be integrated into the project cycle**: identified during the design of MDB operations and strategies, monitored during implementation, and evaluated after implementation (both by operational teams and by independent evaluation functions). The evidence and knowledge gained from monitoring and evaluation should **feed back** into the design of new strategies and operations.

Key issues in deciding how to measure impact include the use of **standard metrics and processes** for comparability and benchmarking purposes; processes to assure **data quality**; and the inclusion of the **perspective of beneficiaries and affected communities**.

Impact metrics and evaluation findings should inform **corporate and operational strategies** and the design of future operations, so it is important to create feedback loops from impact measurement to strategies and operations. Corporate **scorecards** play a key role in articulating corporate priorities, and impact metrics can be used to measure progress towards scorecard targets. Accountability and transparency require appropriate **disclosure** of impact metrics.

Impact measurement happens in countries where operations are implemented, so **building local capacity** is important to a sustainable impact measurement system, as well as transferring knowledge which can foster impact-oriented approaches by public and private sector clients and partners.

Hence, we compare MDB practices against good practices and international standards and frameworks in the following areas:

1 **Use of Theories of Change** (ToCs), Logical Frameworks and similar tools to articulate the causal relationship between MDB activities and development outcomes and impacts. These tools can strengthen understanding of how MDB activities lead to impact, even where quantification is difficult. They also highlight risks to achievement of impact and help identify key intermediate indicators to monitor progress towards it.

2 **Integration of impact metrics into the project cycle**, from appraisal through approval, monitoring and evaluation. This is central to moving MDBs towards a results-driven business model. Quantitative targets should be established at the time of project approval, with a baseline measure and timeline, and an assessment of the risks to achieving impact. At appraisal stage, MDBs should also assess client capacity to report on project outcomes and develop plans to strengthen local capacities where necessary. Monitoring and evaluation can then compare actual to expected performance. Lessons learned from the impact performance of current and past operations should inform the design of new operations. Management by results requires a feedback loop between impact achievement and the design of operational strategies, taking into account country-specific circumstances. Integration should consider resource implications and the distinct operating model of each MDB, including differences between public and private sector operations.

3 **Use of standard impact indicators** to measure and report on expected (ex ante) and actual (ex post) outcomes and impacts, including alignment with the SDGs and widely used frameworks for impact measurement, notably HIPSO, IRIS+, ISSB, GRI, TCFD and SASB.[4] Standard indicators increase interoperability across MDBs, sub-regional and national development banks, bilateral development finance institutions (DFIs), and with private investors. They reduce reporting costs for borrowers and investee firms, and align MDB assets with global reporting standards, which facilitates future asset sales. They also facilitate mobilisation of private capital, as private investors are increasingly seeking impact reporting on their co-investments with MDBs. In addition, the greater use of green/social/sustainable bond instruments (including sustainability-linked bonds) requires more transparent and rigorous setting of targets and monitoring and reporting on impact performance. Adoption of standard approaches to impact measurement and management such as

[4] HIPSO (Harmonised Indicators for Private Sector Operations) and IRIS+ (Impact Reporting and Investment Standards Plus) are comprehensive sets of outcome and impact indicators used widely by MDBs, development finance institutions and private impact investors. ISSB (International Sustainability Standards Board), GRI (Global Reporting Initiative), TCFD (Taskforce for Climate Financial Disclosures) and SASB (Sustainability Accounting Standards Board) provide reporting standards for climate and other social and environmental impacts, for use by public and private firms and investors.

the Operating Principles for Impact Management help ensure consistency and comprehensiveness of impact measurement and reporting across MDBs.

4 **Data quality, assurance and audit of outcome and impact metrics.** Unlike financial information, impact data is not governed by uniform quality control processes. It is therefore important to understand how MDBs ensure the quality of the impact data they gather.

5 **Inclusion of beneficiary and community perspectives** into outcome and impact assessment. In line with good development practice (e.g. the Busan Principles for Effective Development Cooperation), impact assessment should include input from intended beneficiaries and other positively or negatively affected people and communities.

6 **Use of output and outcome metrics in operational strategies, scorecards and staff incentives.** Management by results requires tracking of aggregate output and outcome achievement in corporate scorecards, with clear line of sight to SDG and climate impacts. It also requires aligning staff incentives, including staff appraisal, remuneration and progression processes with a focus on impact to ensure a better balance of incentives between approval/commitment volumes and the achievement of development results, while avoiding creating inappropriate incentives, such as those that discourage taking risks to achieve development results.

7 **Disclosure of expected and actual outcomes and impacts.** Disclosure is important for accountability, for benchmarking performance across institutions, and for maximising the learning value of MDB operations.

8 **Building local capacities to measure and assess impact, both in the context of MDB operations and beyond.** This is essential for domestic ownership of the impact assessment of MDB operations and for mainstreaming good impact measurement and management practices at country level. Improved capacities will allow emerging markets and developing economies to make better use of any such instruments to assess MDB development impact.

Taken together, these areas cover the key stages of the project cycle (see Figure 1), allowing an assessment of MDB internal processes at all stages.

Figure 1 MDB project cycle for impact management and monitoring



Source: Authors' elaboration

We also assess progress in harmonising and aligning MDB practices in these areas, and the alignment of MDBs with process standards such as the Operating Principles for Impact Management, and the arrangements to promote convergence, including the role of the ECG and the MfDR. We take note of initiatives that are under way in all these areas, including those summarised in the MDB Viewpoint note of April 2024.

3 Comparative assessment across MDBs

Theories of change: several MDBs use ToCs to articulate expected project impacts at the time of board approval. This is promoted as good practice by the ECG to make projects more easily evaluable. The EBRD and IFC have the Transition Impact Monitoring System (TIMS) and Anticipated Impact Measurement and Monitoring (AIMM)[5] systems respectively, which identify expected impacts based on sector-level ToCs. All AfDB and IDB projects include a ToC in the project appraisal, with project development objectives set at outcome/output level. At AfDB, ToCs also go through a review process to ensure a quality standard as well as their alignment with broader corporate objectives. The new World Bank scorecard uses ToCs to identify the linkages between inputs and development outcomes, facilitating better monitoring and reporting of corporate performance.

Project cycle: linking impact targets to MDB investment strategies requires a structured framework which assesses the overall development impact against strategic priorities from ex ante appraisal through monitoring to ex post evaluation.

Several MDBs use impact scoring tools for their private sector operations throughout the project cycle: AIMM at IFC, the Development Effectiveness Learning, Tracking and Assessment (DELTA) at IDB Invest, TIMS at EBRD, and the Additionality and Development Outcomes Assessment (ADOA) at AfDB. These tools integrate ex ante impact assessment into investment decision-making to monitor expected impact while projects are in the portfolio, and to assess impact ex post. Overall, these MDB impact management systems are considered robust in predicting development outcomes and additionality, as projects that receive high ratings ex ante tend to be correlated with positive outcomes at maturity (IDB Office of Evaluation and Oversight, 2023; MOPAN, 2024: 49). Evidence also suggests that the introduction of these tools has helped to advance alignment with global commitments on gender and climate since embedding cross-cutting themes into project scores has incentivised MDB staff to prioritise these areas (MOPAN,

[5] TIMS and AIMM are impact management and measurement systems used by EBRD and IFC, respectively. They establish impact scores for all operations as an aid to ex ante project selection and ex post project monitoring and evaluation. TIMS assesses the impact on economic transition; AIMM assesses the impact on project-level and market-level development priorities.

2024; World Bank, 2021: 28).[6] In turn, by supporting decision-making and accountability, these tools provide a strong and credible basis for identifying investments with the potential to yield priority development and market outcomes through a structured, standardised approach, and to track progress towards achieving impact goals. They are also a key tool for boards and management to make pipeline and portfolio decisions because they allow development outcome considerations to be weighed systematically against other strategic considerations in the approval of investments, including volume, financial return, risk and strategic themes. As impact management systems mature, there is scope to enhance their internal and external transparency, especially relating to their methodological assumptions and selected indicators. Moreover, independent evaluations at several MDBs have identified the potential to leverage impact rating tools as the portfolio matures to improve monitoring and evaluation and to help inform lessons learned (IDB Office of Evaluation and Oversight, 2023).

Sovereign lending arms of MDBs have made progress identifying impact metrics to be tracked during project supervision, but most do not yet use scoring tools to aggregate expected impact for integration into project selection and monitoring. To track performance, EBRD applies its TIMS framework to sovereign and sub-sovereign lending operations. IDB is developing a version of DELTA (SD DELTA) for use in sovereign lending. IDB and AfDB are developing frameworks to focus project selection on expected impact on corporate priorities, and ADB is considering such an approach. NDB is still developing an approach that covers the full project cycle. Currently, it mainly considers expected impact during project appraisal. The Council of Europe Development Bank focuses on expected outcomes.

Approaches to project monitoring differ, yet monitoring impact across the project lifecycle should include rigorous target setting at the time of project approval, with a baseline measure and timeline, and an assessment of the risks to achieving impact.[7] Performance against these targets is then assessed periodically during project implementation, and again at project completion. Where appropriate, arrangements should be made to continue monitoring impact beyond project completion.

EBRD provides a good example of target setting and monitoring: it assesses the expected impact of each investment based on a systematic approach (known as transition impact),[8] which reflects the ambition of the project, and sets targets for delivery through output

[6] Impact scores integrate but do not yet provide aggregated results based on cross-cutting themes and specific sectors.

[7] While several MDBs compare project outcomes to a baseline measure, annual aggregated outcomes are compared to baselines only at AfDB and the World Bank Group (Lee and Matthews, 2024). While some MDBs (IFC is one) consider risks that may influence the realisation of desired effects, not all MDB impact management systems include assumptions regarding the likelihood that ex ante expected impacts will be achieved based on project risks and past performance (IDB Office of Evaluation and Oversight, 2023).

[8] Transition impact at the EBRD is based on its underlying ToC, which is structured around the six 'transition qualities of a sustainable market economy'.

and outcome indicators. These targets are monitored throughout the life of the project. AfDB's results management framework includes a 10-year timeline with annual and end-period targets; this extended timeline addresses the shortcomings of many monitoring systems, whose timeframes tend to be too short to assess changes in performance over the long term.

For public sector operations, mid-term reviews are widely used to assess progress towards targeted outputs and outcomes and can lead to course adjustments to improve the prospects of achieving targets. Yet, in many cases, mid-term reviews do not update impact targets to reflect changes in project design during implementation. This can disincentivise project teams to restructure operations and can lead to a mismatch between objectives and the project's ability to achieve them, which in turn can distort project performance results at completion.

Ex post impact assessment of sovereign lending operations is typically conducted when the project is fully disbursed, which may be too soon to fully capture all impacts**.** Continued monitoring of impact after project completion could generate a fuller picture of impact achieved.

Many MDBs monitor impact beyond individual projects at the country level, but often struggle to do so at the sector level or in relation to cross-cutting themes, especially as outcome indicators can be more challenging to set for these areas (MOPAN, 2023b; 2024). The World Bank and IFC both integrate impact results and targets as part of their country strategies. At the World Bank Group, the Systematic Country Diagnostic informs the design of each Country Partnership Framework and guides the prioritisation and selection of programme objectives at the country level. It is now complemented by Country Climate Diagnostic Reports and Country Private Sector Diagnostics to better integrate climate and private sector impacts into country strategies. At IFC, country strategies are reviewed and adjusted every six months to take stock of impact and progress and adjust to changes in context.

MDBs have led the way in creating independent evaluation functions to review the impact of operations ex post. The ECG of 11 international financial institutions (including seven MDBs) and three observer international organisations has developed Good Practice Standards for independent ex post evaluation functions. Development Impact Evaluation (DIME) is a cross-MDB initiative which supports common approaches to empirical studies to evaluate the impact of projects. Some MDBs also undertake sector- or portfolio-level evaluations which draw on impact data from multiple operations, as well as research into sector developments; for example, IFC conducts periodic market studies to assess impact at the sector or market level. These can be useful for setting future operational strategy.

Monitoring and evaluation can be resource-intensive for MDBs and for their clients. It is therefore important to adjust the scope of M&E activities to be proportionate to the value of the information generated. It is also important to streamline and harmonise monitoring and evaluation data requirements to reduce the reporting burden on clients. There is potential to make greater use of technological solutions (e.g. big data) to reduce the cost of data collection and reporting. For example, IDB has invested in data management systems and dashboards in order to improve its monitoring and reporting on performance. Its new Knowledge, Innovation and Communications system provides an organised repository for capturing lessons and disseminating these, in an attempt to streamline feedback loops. Similarly, to strengthen its portfolio management and inform course-correction when needed, the EBRD created a team dedicated to establishing more effective monitoring through better use of data and resources. EBRD has also recently developed an IT tool that captures and consolidates reporting information to help ensure greater consistency of ratings, more systematic capturing of lessons and improved ability to aggregate results and track progress against deliverables throughout the project's lifecycle.

Standard processes and metrics: comparing results from MOPAN assessments reveals that the private sector operations of MDBs display greater standardisation of processes and metrics than their public sector operations (MOPAN, 2023a; 2023b; 2023c; 2023d; 2024; ADB Independent Evaluation Department, 2024: 38). In fact, impact management systems are far more advanced and established within private sector operations (such as AIMM at IFC, DELTA at IDB Invest, and TIMS at EBRD). EBRD and AfDB use the same systems for sovereign operations, but other MDBs have not yet established comparable impact management systems for sovereign operations. All MDBs are signatories to the Operating Principles for Impact Management for their private sector operations (for the World Bank Group, which includes both IFC and MIGA), and all use the HIPSO set of standard impact indicators to monitor and report on project performance.

There is scope for public sector operations to align around common process standards and impact metrics along similar lines to non-sovereign operations. There is also scope for more consistent gender disaggregation of data, where relevant, in line with good practices in the use of HIPSO and IRIS+ indicators. MDBs have adopted a common approach to measuring climate results to complement tracking of climate finance via a Joint MDB Report (Heads of MDBs, 2024). Further activities aiming towards harmonisation of metrics are under way,[9] including developing a common approach to measuring biodiversity and valuing natural capital, and Common Principles for Tracking Nature-Positive

[9] ADB, the World Bank Group and IDB are developing a catalogue of development results indicators.

Finance. These should be aligned with emerging global standards, such as those developed by the International Sustainability Standards Board (ISSB).

Data quality: most MDBs do not provide any public information about the quality of their impact data. IFC provides a model which others could follow – key impact data published in its Annual Report is assured by an external auditor. Poor quality of M&E data limits the extent to which effectiveness can be determined. The World Bank is planning to disclose the methodologies and data it uses to estimate the metrics in its Corporate Scorecard to allow for replicability. This is a welcome step forward for transparency and data quality.

Beneficiary assessment: MDBs vary in how much they incorporate beneficiary and community perspectives into their impact assessment and monitoring. Public sector operations typically rely on borrower processes for this, including beneficiary consultations required under environmental and social review standards. Private sector operations also typically include beneficiary assessments in environmental and social safeguard processes, which focus on managing and monitoring the risks of negative impacts (Getzel and Humphrey, 2024). There is scope to extend these processes to include assessment of positive impacts from the perspective of the beneficiary and other affected groups while promoting participatory approaches that strengthen their agency. Some MDBs, like AfDB, consult with beneficiaries from previous projects with a similar scope at the project identification stage to evaluate impact, identify potential obstacles, and draw lessons. At the design stage, most MDBs solicit views and recommendations from potential beneficiaries on project activities. Some institutions, like the World Bank, have invested in evidence and analytical work to identify and respond to key development and beneficiary needs (MOPAN, 2023b). In the past, beneficiary consultations were seen as expensive and time-consuming, but new technologies and data sources have dramatically lowered the cost and difficulty of consulting beneficiaries. For example, the widespread use of smartphones allows for low-cost online surveys.

Operational strategies, scorecards and incentives: MDB corporate scorecards are at various stages of evolution, from a focus on reporting on activities (financial volumes) to reporting on outputs and outcomes, recognising that the appropriate level of reporting for corporate accountability is at the level of outputs and outcomes rather than impacts. Increasingly, MDBs – including AfDB, ADB, IDB, NDB and the World Bank Group – are linking scorecard targets to SDG and climate change goals (Lee and Matthews, 2024). Yet, reporting practices related to disaggregation, mapping to SDGs, and establishing baselines differ. For example, AfDB, ADB and IDB report aggregate and country-level outcomes and/or impacts in their scorecards. Meanwhile, AfDB and the World Bank Group are the only MDBs that compare annual aggregated results to baselines, which

alerts shareholders and management to areas of underperformance, providing the data necessary for timely course corrections (Lee and Matthews, 2024).

MDBs can ensure adequate attention to key cross-cutting issues such as climate change and gender by including relevant indicators in their corporate scorecards. At the World Bank Group, the 'gender tag' and 'climate co-benefits' labels have helped mainstream global issues into operations (World Bank Group, 2021). The same is true for the mainstreaming of these issues at IDB Group. AfDB has already begun to successfully integrate high-level impact objectives[10] via the High 5s structure, which links operations to specific SDGs and global challenges by setting both output and outcome targets based on the expected results of the aggregate project portfolio (Lee and Matthews, 2024).

The World Bank has recently sought to improve the 'outcome orientation' of its corporate scorecard by introducing a new SDG-aligned scorecard which is more clearly based on impact ToCs. The World Bank Group plans to use this as a management as well as a reporting tool. This change is accompanied by proposals to further strengthen the Group's measurement of sustainable development results across Country Partnership Framework periods. AfDB and ADB set targets[11] based on aggregate outputs and outcomes, while other MDBs simply report on outputs and outcomes in their scorecards. By contrast, EIB reports on its impact via qualitatively assessed KPIs and does not report on quantitative outcome and output indicators.[12] EBRD performs a qualitative assessment for its scorecard. Meanwhile, AIIB's scorecard focuses on financial performance and does not include targets regarding the Bank's impact. NDB has yet to produce a corporate scorecard.

To foster a culture of impact and prioritise delivery of scorecard targets, several MDBs are exploring how to link impact to staff incentives. At IFC, scorecard targets are cascaded to vice-presidential and departmental units and have traditionally been linked to departmental performance awards. Performance-based compensation awards linked to impact are also in place at EBRD, incentivising selecting relevant projects, designing them well and managing them effectively.

The boards of MDBs play a critical role in establishing priorities for strategy and operational programme formulation. Scorecards are subject to board oversight at all MDBs analysed, scorecard targets are also set and changed in consultation with boards, and progress against these is included in regular reports to the board. Greater demands for board decisions to be informed by learning from past

[10] Five priority areas defined by the AfDB's corporate strategy.

[11] Targets refer to ambitions set for aggregate outputs and outcomes at the corporate level (e.g. new power capacity installed; people with new electricity connections, etc.).

[12] Indicators are disaggregated between EIB (operating in European Union (EU) countries) and EIB Global (operating outside the EU).

operations and assessments of expected impact will spur further organisational process reform. Shareholders also play an influential role in setting outcome and impact targets to be tracked through negotiations for capital increases, replenishment of concessional facilities, and provision of trust funds. Greater alignment and standardisation of impact metrics in shareholder agreements can provide a basis for alignment at operational level.

Disclosure: levels of transparency and disclosure for impact performance are inconsistent across the MDB system. Performance is reported publicly via aggregated outputs and outcomes on an annual basis through scorecards for most MDBs, including AfDB, ADB, IDB, World Bank Group and EBRD, but only AfDB and ADB set output/outcome targets *at the corporate level* and report against these. While some MDBs disclose detailed impact reports on a project-by-project basis, others (especially non-sovereign arms of MDBs) do not (Publish What You Fund, 2023). There is also little public information available regarding how impact scorecard targets are set and adjusted (MOPAN, 2024: 15), making it difficult to estimate the level of impact ambition.

AfDB publishes its impact assessment reports for sovereign operations but not private sector operations. ADB has reported outcomes of its operations since 2019. AfDB reports outcomes in its Annual Development Effectiveness Review, linked to the High 5 corporate priorities. IDB publishes project completion reports for every completed project, and its annual Development Effectiveness Overview provides greater details on results achieved and impact evaluation findings. In addition, its public website leads MDBs in transparency, with reporting sliced by sector, country and other types of disaggregation, as well as the ability to view project-level contributions to more than 40 indicators. Independent evaluation reports are widely published.

Capacity-building: public sector operations of MDBs frequently include capacity-building components targeted towards project implementation and monitoring (IDB Office of Evaluation and Oversight, 2023: 20; World Bank Group and World Bank Independent Evaluation Group, 2019: 15; World Bank, 2023: xix; IDEV, 2023: 17; EBRD, 2024; ADB Independent Evaluation Department, 2024; MOPAN, 2023b: 60). These could be expanded with a renewed focus on strengthening impact measurement and reporting, especially for low-income countries and fragile, conflict-affected and vulnerable states. The World Bank leads a Global Evaluation Initiative supported by multi-donor trust funds to support evaluation capacity development, including capacity for monitoring. Private sector operations less frequently include capacity-building elements but instead rely on clients reporting financial and operational data that they collect in the normal course of business, which MDB staff then use to infer progress towards impact goals.

MDB coordination mechanisms: the main mechanisms for sharing knowledge and promoting common practices across the MDB system are the MfDR and ECG networks. While ECG membership is limited to institutions with independent evaluation offices, so excluding MDBs whose evaluation functions are not fully independent of management, it regularly engages with all MDBs to share good practices. Since its creation in 2002, members of the MfDR working group have developed common approaches to project monitoring and converged towards standard metrics in priority areas, but adoption varies across MDBs. ECG and MfDR have collaborated in promoting good impact measurement and management practices. HIPSO has been a valuable network for aligning approaches to impact measurement of private sector operations. Co-financing mechanisms across MDBs, such as the GEF, can be a driver for alignment of impact measurement and reporting.

4 Priority actions for strengthening impact measurement and reporting

Based on the information summarised in the above section, and the detailed reports consulted, we have identified key areas for improvement to ensure consistent adoption of good practices in impact measurement and reporting. This analysis also compares MDB practices to good practices by DFIs and impact investors who share the objective of investing for impact.

We believe there are immediate short-term opportunities to strengthen impact measurement and reporting emerging from the above analysis, to mainstream good practices across the MDB system, while working on further development of practices over the medium term. The G20 could provide high-level guidance, act through MDB boards to encourage implementation, and request periodic joint reporting on progress.

In the short term, MDBs should:

1 **Adopt outcome- and impact-oriented corporate scorecards.** MDB management should work with their boards and shareholders to design corporate scorecards to focus on outcomes as well as outputs, with a clear line of sight from outcomes to impacts on the SDGs and the Paris Agreement's climate change goals using standard metrics. MDB shareholders and management should align key targets set in the context of replenishments, capital increases and Trust Fund agreements with corporate scorecards, and avoid introducing ad hoc targets or non-standard metrics.

2 **Adopt full cycle impact monitoring and reporting.** MDBs that have not yet established full cycle impact assessment and monitoring systems for their operations should continue to build them out, learning from good practices in other MDBs, and seeking a balance between (a) harmonisation of approaches and (b) systems which reflect the different mandates, size and scope of operations of individual MDBs.

3 **Focus board discussions on impact.** MDB boards should require greater use of impact assessments, impact data and evaluation findings in the strategy, operational and project proposals which come to them for approval, using harmonised metrics, approaches and systems where appropriate.

4 **Disclose more impact data.** MDBs should annually publish aggregate portfolio data on their performance in achieving outputs, outcomes and impacts related to the SDGs and climate change goals, compared to baselines. Appropriate slices of the data by sector, cross-cutting theme (including gender, climate), country and instrument should be included. This data should be independently assured.

5 **Align approaches to impact measurement and management across MDBs.** MDB management should strengthen mechanisms to share good practice and promote alignment of impact measurement and management systems across the MDB system. This could include broadening the membership of ECG and MfDR initiatives to include all MDBs, and providing more senior management support to drive greater convergence on methodologies and metrics. MDBs should engage with global standard-setters (ISSB, Operating Principles for Impact Management) and impact indicator catalogues (IRIS+) to promote convergence on common standards and metrics adopted across the financial system, aligned to the SDGs and climate change goals. Shareholders should monitor progress towards collaboration and alignment across the MDB system to provide greater comparability of impact performance.

In the medium term, MDBs should:

6 Develop mechanisms to ensure that the voice of beneficiaries and affected communities is considered in ex ante and ex post impact assessment. These could be based on good practice developed for ESG risk assessment and monitoring, which could be extended to include consideration of impact. They could make use of new technologies and data sources to capture feedback and information from beneficiaries at low cost.

7 Support programmes to build local capacity for impact measurement and reporting, especially in low-income countries and fragile, conflict-affected and vulnerable states. This can be incorporated into country platform programmes of work (Gilmore et al., 2024). Local capacity will improve the quality and local ownership of impact measurement and reporting on MDB operations and will also encourage greater use of impact-oriented management by governments and other institutions, including national and sub-regional development banks.

Implementation of these recommendations will require varying amounts of effort by different MDBs: in some areas, some MDBs already have work in progress which needs to be completed; in other areas, and for other MDBs, work has not yet started or needs to be further extended. We hope that the recommendations will provide a useful starting point for the boards and managements of these institutions to assess the work needed to bring each MDB up to current good practices in these areas, and that they will provide the resources and support to further develop their impact measurement and management systems. As impact measurement, management and reporting continue to evolve, continued cross-MDB knowledge sharing and further improvements tailored to each institution can ensure that MDBs continue to follow good practices in these areas.

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