ECG Practice Note 4

Formulation of Management Responses and Action Plans

June 2019

This practice note was prepared by a Working Group led EIB. The Working Group included representatives from ADB, IFAD, IADB, IsDB, GEF and IEG WBG.

The Evaluation Recommendations, Management Responses and Feedback Loops Working Group was initiated at the ECG Fall 2016 meeting. This practice note was approved for publication by ECG members at the ECG Spring 2019 meeting.

Also see:

- Final Report - Working Group on Evaluation Recommendations, Management Responses and Feedback loops (November 2018).

- Annexes to Final Report: ECG Working Group on Evaluation Recommendations, Management Responses and Feedback Loops

Other practice notes:

- ECG Practice Note 1 - External Review of the Evaluation Function

- ECG Practice Note 2 - Formulation of Evaluation Recommendations

- ECG Practice Note 3 - Self-Evaluation

What are ECG practice notes?

The Evaluation Cooperation Group (ECG) comprises the independent evaluation departments of multiple multilateral finance organisations. . (www.ecgnet.org).

ECG seeks to strengthen evaluation practice and effectiveness across its member institutions through good practice standards, harmonised approaches and sharing of experience.

Practice notes provide members with guidance (rather than formal methodological standards) on topics of shared interest and operational relevance.

Practice Note on the formulation of management responses and action plans

Introduction

A management response is a formal mechanism that details Management's reaction to the evaluation as a whole, or a specific recommendation within the evaluation. In the case of the latter, the aim of a management response is to foster greater ownership by Management for the change process induced by the evaluation recommendation. Management responses are typically accompanied by action plans. Action plans make the management response actionable and, at the same time aim at addressing the issues highlighted by recommendations. Action plans demonstrate Management's commitment to change and help to ensure accountability. Both, management responses and action plans, are closely interrelated but have different purposes and happen at different stages in the process.

This Practice Note[1] focuses on management responses to recommendations and their corresponding action plans.

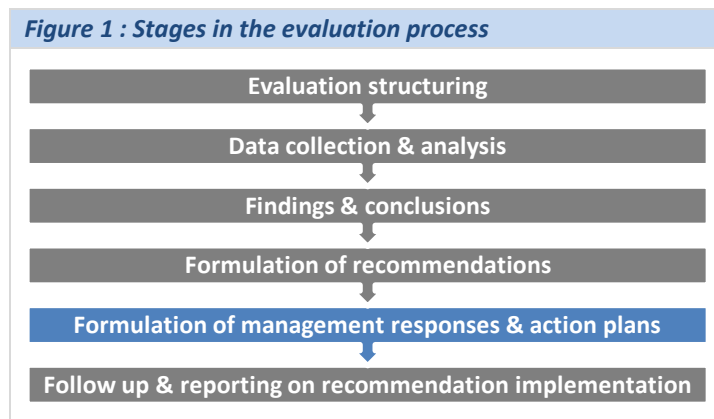> **Box 1: Functions in ECG member institutions to which this Practice Note refers**
>
> - *The evaluation function* refers to the (centralised) independent evaluation service.
> - *Services* refers to the operational staff whose activities are subject to evaluation.
> - *Management* refers to the senior management overseeing the day-to-day activities of the institutions.
> - *The Board* refers to the Board of Directors and/or equivalent, representing (and appointed by) the institution's shareholders.

Purpose

This Practice Note aims to provide guidance on the formulation of management responses and action plans by putting forward "suggested features". In doing so, the Note seeks to answer the following questions: Who should formulate management responses and action plans? When should management responses and action plans be formulated? And how should management responses and action plans be formulated?

This Practice Note does not attempt to comprehensively treat the issues raised by these questions, nor set out agreed standards. The Note is intended rather to provide ECG members with observations and guidance that they may find useful for the entities within their respective organisations responsible for formulating their own management responses and action plans[2]. In addition, an indicative checklist for the formulation management responses and action plans is provided in Annex 1.

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[1] Practice Notes provide ECG members with guidance (rather than formal methodological standards) on topics of shared interest. This Practice Note builds on the Final Report produced by the ECG Working Group on evaluation recommendations, management responses and feedback loops.

[2] The Evaluation Cooperation Group (ECG) comprises the independent evaluation functions of multiple International Financial Institutions. The ECG seeks to strengthen evaluation practice across its member institutions through good practice and knowledge sharing. Some ECG members do not require Management to formulate action plans.

Scope

The extent to which Management takes ownership of the implementation of an evaluation recommendation is not solely dependent on the formulation of a management response, but is also influenced by activities that precede and follow the formulation of management responses and action plans (see Figure 1).

Figure 1 : Stages in the evaluation process

Evaluation structuring
↓
Data collection & analysis
↓
Findings & conclusions
↓
Formulation of recommendations
↓
Formulation of management responses & action plans
↓
Follow up & reporting on recommendation implementation

Similarly, the degree to which action plans help ensure accountability also depends on other stages in the evaluation process. For instance, the implementation of actions cannot be ensured if an appropriate follow up system is not in place.

This Practice Note on the formulation of management responses and action plans follows the Practice Note on the formulation of recommendations and precedes the next Practice Note to be produced by this ECG Working Group on following up and reporting on recommendation implementation. Each step in this process (recommendations, management responses and action plans) is self-contained and is to be developed by the competent body(ies) within the institutions. Nevertheless, this is a step-by-step process and recommendations, management responses and action plans each bear their distinctive features, but are closely intertwined. Hence, it is therefore advisable to follow through the guidance provided for each step in order to build up to the desired outcome of the evaluation process.

Suggested features

The Who   *Management (and Services on its behalf) is responsible for elaborating Management responses and Action plans. The evaluation function should communicate to Services and/or Management their responsibilities concerning the management response and action plans, and provide guidance on drafting management responses and action plans.* This guidance aims to ensure that the Management's positioning in its management responses is unequivocal, that the action plan is developed in a SMART format and that both are provided in a timely manner. Informing Services and/or Management about their responsibilities should occur early in the evaluation process, for example during the evaluation's kick-off meeting or within the context of the consultation undertaken for the evaluation's Approach Paper or Terms of Reference.

Services should be responsible[3] for formulating management responses and action plans. Responsibility is typically shared between:
- The main Service line that has been the focus of the evaluation and will ultimately take the lead in translating the management responses into corresponding action plans, before implementing the action plans accordingly.

- A centralised or coordination function within the Services that liaises between Management and other lines of Service in order to coordinate and consolidate input for the formulation of management responses and action plans. The centralised and coordination function should draw on its experience in formulating management responses and guide the main Service line accordingly, thereby improving the quality and consistency of management responses and action plans.

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[3] Responsible means that Services will formulate the management responses and action plans.

The entity accountable[4] for formulating management responses and action plans on behalf of the institution should be Management. Consequently, it is advisable that there is a process in place (e.g. clearance, meetings with Services) to ensure that Management takes full ownership of the draft management responses and action plans prepared by Services, and provides feedback to Services where applicable, prior to approving the management responses and action plans.

Services and/or Management should keep the evaluation function informed of developments relating to the formulation of the management responses and action plans. On this basis, the Services and/or Management can have a common understanding with the evaluation function as to what parts of the evaluation recommendation are agreed with (or not), and therefore should be acted upon (or not).

The Board of Directors or a relevant sub-committee should discuss the management responses. The discussion of management responses normally takes place within a broader discussion relating to the evaluation and its recommendations. The views expressed by the Board during such discussions should, where applicable, be reflected in revisions to the management responses and the action plans. It must be noted that action plans are typically not sent to the Board of Directors for discussion.

The When   *Management responses and action plans should be formulated after the evaluation recommendations have been issued.* Management responses should logically derive from the evaluation recommendations, and action plans should logically derive from the management responses.

Action plans should be formulated in tandem with management responses[5]. This approach helps ensure that:
- The management response stays true to the recommendation and is also actionable; and
- Action plans are drafted in a timely manner, thereby maintaining the momentum of the evaluation process, and facilitating the timely implementation and follow-up of evaluation recommendations.

Policies and/or guidelines developed by the evaluation function should specify timelines for the formulation of management responses and action plans. These timelines ensure that evaluations maintain their momentum, and neither Management nor Services are able to stall the evaluation process. Timelines are often tied to (or constrained by) deadlines relating to the dispatch of documents for Board or sub-committee meetings.

The How   *A management response should indicate the extent to which Management agrees with an evaluation recommendation[6].* The extent of agreement is normally indicated by a two- or three-tier rating scale. The two-tier rating scale typically comprises: (i) "agreed", i.e. the recommendation is agreed with in full, and Management is ready to implement it in its entirety; and (ii), "not agreed", i.e. the recommendation is disagreed with, and therefore Management does not think it should be implemented. The three-tier rating scale usually includes an intermediate rating of "partially agreed", i.e. parts of the recommendation are agreed with and should be implemented accordingly, while others parts are not agreed with and so do not need to be implemented.

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[4] Accountable means that Management is ultimately answerable for the correct and thorough formulation of the management responses and action plans.

[5] This Note nevertheless acknowledges that common practice is for action plans to be drafted after the management responses have been discussed by the Board of Directors or a sub-committee.

[6] For the sake of this Practice Note, from this point on, reference will only be made to the degree of Management agreement with evaluation recommendations. However, all guidance provided is just as applicable to the degree of Management "acceptance" with evaluation recommendations.

The main benefit of adopting a three-tier rating scale is that it enables Management to act upon parts of recommendations that would otherwise be rejected in full within the context of the two-tier rating scale. However, should Management partially agree with a recommendation, there might be ambiguity as to which parts of the recommendation are agreed upon by Management and therefore need to be acted upon. This, in turn, may lead to the watering down of the recommendation as a whole. Hence, in cases of partial agreement, the Management should state in its management response which part of the recommendation it agrees with, which part it disagrees with, and explicitly indicate why it does not agree with other parts of the recommendation.

A management response should complement the selected rating with explanatory text. This explanatory text should:
- Clearly distinguish between parts of the evaluation recommendation that Management agrees with, and those that Management disagrees with.
- Provide preliminary indications as to how, by whom and by when actions should be undertaken in order to implement parts (or the entirety) of recommendations that Management agrees with.
- Explain, ideally in a detailed manner and with arguments supported by evidence, the rationale for Management not agreeing with parts (or the entirety) of recommendations.

Management responses should be presented alongside the recommendations either within the evaluation report or within a complementary document[7]. This enables the reader to assess, with ease, how the Management has reacted to each evaluation recommendation. Action plans are not typically presented within the evaluation report.

Management responses normally accompany the evaluation recommendation in the evaluation report. Action plans are normally kept for internal use only.

The action plans linked to evaluation recommendations should be integrated into management's strategic planning. Developing action plans that are specific to the evaluation recommendations allows measuring the extent to which those recommendations are acted upon and are therefore a very useful tool for the evaluation functions. However, decision making in an organisation goes far beyond the responses to evaluation recommendations. It is therefore essential to ensure that actions plans developed in response to recommendations are coherent with and as much as possible integrated into the organisation's strategic planning. A coordination function within the organisation should ensure the consistency and identify potential synergy between the action plans linked to evaluation recommendations and other similar actions planned by the organisation.

Action plans, which adopt a "SMART" format, should only be developed for parts (or the entirety) of recommendations that Management agrees with[8]. In order to be "SMART", action plans should be:
- *Specific,* by precisely identifying the actions to be taken and the parties that will undertake each action;
- *Measurable,* by indicating the evidence that will be provided in order to facilitate the assessment of progress towards the implementation of the actions within the action plan;
- *Attainable,* as actions should be challenging but possible to achieve, whether from an operational, strategic and/or political standpoint.

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[7] The complementary document may be *inter alia* a Note or Report submitted to the Board of Directors. Such documents should be published alongside the evaluation report.
[8] In the case of IDB the Board endorses on what recommendations Management needs to implement.

- *Relevant* to the recommendation and the corresponding management response in a way that the action plan explains how they intend to address the recommendation and how they make the management response actionable; and
- *Time-bound*, by specifying when each action and, in turn, the overall action plan ought to be implemented.

Challenges and mitigation measures

An overview of challenges identified during the formulation of management responses and action plans is provided in Table 1, along with suggested mitigation measures.

Table 1: Challenges faced in formulating management responses and action plans, and corresponding mitigation measures

Challenge	Mitigation measure
The Board of Directors not having sufficient resources to adequately review and discuss evaluations, their recommendations and their management responses.	The evaluation function proposes the creation of a sub-committee of the Board of Directors that can take the lead in discussing evaluations, their recommendations and their management responses. The sub-committee could then brief the Board as a whole.
Management responses and action plans not being sufficiently linked to the issues underpinning evaluation recommendations. This may be reflected in recommendations being strategic and striving for impact, while the actions proposed may be operational and may only trigger change at the level of outputs.	Ensuring that: (i) the formulation of the management responses and action plans is undertaken by staff at an appropriate level in the hierarchy; and (ii) Services and/or the Management liaising with the evaluation function in order to ensure that the management responses and action plans address the issues underpinning the recommendation.
Poor quality of the management response and/or action plan.	The purpose of the guidance provided by the evaluation function to the Management and/or Services on how to formulate management responses and action plan aims to ensure that they are delivered in a timely manner and at acceptable quality standards (in terms of clarity, correspondence with issues raised by the recommendation, etc.). The evaluation function should communicate to Services and/or Management that the management response and/or action plan does not encompass a/some feature(s) (i.e. clarity, comprehensiveness, etc.) and therefore should be improved.
Management responses in writing contradicting management responses presentation at the Board.	From a governance standpoint, the management responses and action plans should take into account the views expressed by the Board during its discussion of the evaluation report and the management response. Hence, the management response discussed by the Board should be one inserted into the final evaluation report or complementary document.
The inappropriate use by the Services and/or Management of the rating "agreed", when the explanatory text relating to the management response indicates that Management does not agree with parts of the evaluation recommendation.	The evaluation function should clearly communicate to Services and/or Management that a certain amount of reasoned disagreement is considered natural, and reflects the independence of the evaluation function. If necessary, the evaluation function should also revert to Management to suggest that the rating be changed to "partially agreed" (if a three-tier scale is deployed).
The inappropriate use by the Services and/or Management of the rating "partially agreed", when the explanatory text relating to the management response indicates that Management has "not agreed" with the entirety of the evaluation recommendation.	The evaluation function should clearly communicate to Services and/or Management that a certain amount of reasoned disagreement is considered natural, and reflects the independence of the evaluation function. If necessary, the evaluation function should also revert to Management to suggest that the rating be changed to "not agreed".

Challenge	Mitigation measure
Management disagrees with recommendation prompting Board to not endorse it, only to avoid being subject to follow up later.	At the Board's discussion of the evaluation report and the management responses, the evaluation function should inform the Board about the importance for recommendations to be implemented, in particular about those with which the Management disagrees.
Too much focus of the action plans on actions and products, not on outcomes	The evaluation function provides opinion to Services on the quality of the action plan and its correspondence with the issues raised by the evaluation.

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Annex 1 – Indicative checklist for formulating management responses and action plans

The Who	Has the evaluation function communicated to Services and/or Management their responsibilities concerning the management response and action plans?	☐
	Have the Services taken responsibility for formulating the management responses and action plans?	☐
	Is the Service line taking the lead in formulating the management responses and action plans the main Service line that has been the focus of the evaluation and/or a centralised or coordination function that liaises between Management and the Services?	☐
	Are the persons in the Services that are taking the lead in formulating the management responses and action plans at an appropriate level in the hierarchy?	☐
	Has Management taken ownership of the formulation of the management responses and action plans?	☐
	Have Services and/or Management kept the evaluation function informed of developments relating to the formulation of the management responses and action plans?	☐
	Will the Board of Directors or a relevant sub-committee discuss the management response within the context of the evaluation and its recommendations?	☐
The When	Have the management responses and action plans been formulated after the evaluation recommendations have been issued?	☐
	Do the management responses derive from the evaluation recommendations?	☐
	Do the action plans derive from the management responses?	☐
	Have the management responses and action plans been formulated in tandem ?	☐
	Do policies and/or guidelines developed by the evaluation function indicate specific timelines for the formulation of management responses and action plans ?	☐
The What	Do the management responses ensure that the Management take greater ownership of the change process induced by the evaluation's recommendations?	☐
	Do the action plans ensure that the Management will be held accountable for the implementation of the evaluation's recommendations?	☐
The How	Does each management response indicate if the Management agrees, partially agrees or does not agree with an evaluation recommendation?	☐
	If Management agree with an evaluation recommendation, has a corresponding action plan been formulated? *N.B. that if one part of the recommendation is disagreed with then the evaluation function should suggest that the rating be changed to "partially agreed" (if a three-tier scale is deployed).*	☐
	If Management partially agree with an evaluation recommendation, has an action plan been developed for the parts of the recommendation that it agrees with?	☐
	If Management partially agree with an evaluation recommendation, has an explanation been provided as to the rationale behind disagreement with parts of the recommendation? *N.B. that if all parts of the recommendation are disagreed with then the evaluation function should suggest that the rating be changed to "not agreed".*	☐
	If Management disagrees with an evaluation recommendation, has an explanation been provided as to the rationale behind disagreement with the entire recommendation?	☐
	Are management responses presented alongside their corresponding recommendations either in the evaluation report or within a complementary document?	☐
	Is each action plan specific in terms of the actions to be taken and the parties that will undertake each action?	☐

Is there a coordination body which ensures the consistency of the various action plans implemented by the organisation?	☐
Is each action plan measurable in terms of the evidence that will be provided in order to facilitate the assessment of progress towards implementation of its actions?	☐
Is each action plan attainable in terms of it being challenging but nevertheless possible to achieve from an operational, strategy and/or political standpoint?	☐
Is each action plan relevant to the corresponding recommendation and management response?	☐
Are all actions (and therefore the action plan as a whole) time-bound?	☐

Annex 2 - Useful resources

ECG (2018) Final Report by the Working Group on evaluation recommendations, management responses and feedback loops.

UNESCO (2008) Guidelines for Follow-up to Evaluation Report Recommendations. Available here.

UNICEF (2012) Guidance for Management response to evaluations: Enhancing critical engagement for the strategic use of evaluations. Available here.