

Project Performance and the Project Cycle

- Despite a general trend to higher numbers of projects being rated *successful* or better over the past few years, issues of project performance and project quality continue to occur in projects funded by ADB.
- An evaluation of this situation identified 17 common factors which affected project success.

Background

Over the past years, there has been an improvement in Asian Development Bank's (ADB) projects being rated successful in both project completion reports and project evaluation reports. Nonetheless, around 30% of projects continue to receive lower ratings. There is a danger that the improved performance may not be sustained, particularly given the significant increase in the volume of approvals in recent years. To better understand why problems of project performance occur and how these can be avoided, the **2006 annual evaluation review** recommended that the "Operations Evaluation Department should undertake further work to identify factors that influence project success and ultimately country outcomes."

The **Special Evaluation Study on Project Performance and the Project Cycle**¹ is one of many initiatives ADB is taking to improve project performance. Its analysis is based on "internal" feedback from operational staff, and is in line with ADB's new emphasis on improved corporate knowledge management for enhanced development effectiveness.

Summary of Findings

The retrospective analysis determined 17 common factors which affected project success. These were (in the order in which they occur in the **project cycle**): (i) questionable relevance and selection of the original project proposal; (ii) use of the wrong modality; (iii) overambitious scope; (iv) inadequate technical analysis or inappropriate project design; (v) inappropriate or inadequate social design; (vi) deficient capacity-building and ownership measures;

(vii) inappropriate or unclear implementation arrangements; (viii) less than rigorous ADB internal review; (ix) initial project start-up issues and delays; (x) insufficient knowledge of ADB procedures by executing agencies and implementing agencies; (xi) insufficient or deficient supervision by ADB during project implementation; (xii) poor consultant performance during implementation; (xiii) poor contractor performance during implementation; (xiv) problems with suppliers of equipment; (xv) problems with client ownership or competence during implementation; (xvi) unforeseeable institutional, socioeconomic, political, or environmental factors; and (xvii) unforeseeable technical factors. The factors that most frequently occurred were deficient capacity-building and ownership measures during project design, insufficient or deficient supervision by ADB during project implementation, less than rigorous ADB internal review, and inadequate technical analysis or inappropriate project design.

Evaluation findings relevant to each stage of the project cycle included:

Identification stage: A greater degree of sector work is needed to ensure the relevance and priority of projects placed in country programs. The new processing procedures entailing a technical assistance (TA) concept clearance phase are well intentioned but are not likely to have the desired impact of a full and early review unless it is possible for project team leaders to familiarize themselves with the project proposal and the executing agency which will implement it prior to preparing the concept paper. Project preparatory TA fact finding needs more

attention because it is when the project scope is initially formulated and the terms of reference and budget for the consultants are prepared. It is also when lessons would be considered and incorporated.

Preparation stage: Despite a continuously increasing list of issues and responsibilities to be addressed during project preparation, there has not been a concomitant increase in the funding provided for project preparatory TA consultants to address them. On the contrary, the share of resources provided for project preparation has declined over the past decade, despite the fact that this is arguably the most important step in the whole project cycle with regard to project quality at entry and subsequent project performance. The real issue is not an overall shortage of funding but the allocation of resources among project preparatory, advisory, and regional TA projects. Project preparatory TA projects have consistently received only 20% to 25% of the overall TA budget. Further, while the **New Business Processes** of 2002 envisaged greater input on the part of the project team leader and the project team during the project preparation phase, team leaders say this has not happened. Current business practices and restrictions on the travel budget limit the amount of time the project team leader can spend working with, and supervising, the project preparatory TA consulting team. Moreover, firsthand reports from project team leaders indicate that due to a number of structural factors, the concept of project teams is not working as had been envisaged under the New Business Processes.

Approval stage: The internal review process is not working as effectively as it should. Flaws in project design are often not detected by the process, which is seen as too procedural and not sufficiently analytical. Readiness filters are well-intentioned but are not likely to make a material difference to project quality since they are likely to only shift delays in implementation to an earlier stage (prior to Board approval) rather than resolve the fundamental issues.

Implementation stage: Significant delays occur during the inception phase between loan approval and project implementation start up. The causes of these delays are diverse and have yet to be fully investigated and analyzed. Nonetheless, simple but concrete suggestions for alleviating them were received during the Study. These include the routine use of project start-up consultants and allowing a small percentage of the loan amount to be disbursed after loan signing, but prior to loan effectiveness, to

provide start-up funding to the executing agency. Repeated recommendations (starting as early as the **Task Force on Improving Project Quality** in 1994) that project implementation supervision should be given the same importance and status as project preparation remains unfulfilled. Future project quality, thus, faces the possibility of decline.

Evaluation stage: Key informants raised the issue that it was not always evident that the results of evaluations themselves and the reviews of evaluations were acted on adequately by ADB. This is reflected in the fact that many of the issues raised in this study were already raised 14 years ago in the report of the Task Force on Improving Project Quality. While some steps were taken, the increasing demands without a concomitant increase in resources have resulted in problems not being resolved.

Recommendations

- Project teams have been less than effective in adequately supporting the project team leaders. Management should continue to explore modalities for strengthening team work (including through appropriate incentives) to have better burden sharing in teams.
- Management should review funding requirements for project preparatory TAs in light of their current and future scope and ensure the necessary funds.
- Current resource allocation for project implementation supervision should be reexamined for adequacy. Start-up delay, which is a common feature for most projects, should receive special attention, and adequate resources should be made available including thorough flexible use of TA and loan funds and/or greater internal human resource allocation.

Feedback

When these *Learning Curves* were prepared, **ADB Management's Response** and the **Chair's Summary of the Development Effectiveness Committee Discussions** were not available for disclosure to the public. The study was completed in September 2008.

¹ ADB. 2008. *Special Evaluation Study on Project Performance and the Project Cycle*. Manila. Available: <http://www.adb.org/Documents/SES/REG/SST-REG-2008-38/SST-REG-2008-38.asp>