

MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY ON PROJECT PERFORMANCE AND THE PROJECT CYCLE

On 2 October 2008, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. GENERAL COMMENTS

1. We welcome the Special Evaluation Study (SES) on Project Cycle and Project Performance, given Asian Development Bank's (ADB) commitment to ensuring and improving project performance, embodied in the target of achieving an 80% project success rate by 2012.¹ The SES presents an interesting analysis of the project cycle and some of the key issues related to project success rates. The study is also helpful in providing an overall review of common factors affecting project success and project quality, and gives a number of suggestions on how to improve project performance. Management will draw on the useful taxonomy developed by the SES to further analyze the issues in the coming months, as part of the efforts to improve business processes and project success rates.

2. We note, however, that in some cases the study draws conclusions that seem premature or based on incomplete analysis, and that further work and more in-depth study is needed to ensure that the potential causes of project underperformance are correctly identified. A few of the inconsistencies are pointed out below, by way of example, before addressing the SES recommendations.

3. The following examples illustrate how in some cases SES conclusions are not fully supported by the analysis. While we agree on the need to invest time and resources in the early stages of project identification and preparation, the study seems to focus too narrowly on the formal steps of project preparatory technical assistance (PPTA) concept clearance and fact-finding mission, without recognizing that a number of preliminary activities and information gathering often take place through previous desk analysis and part-time work during other unrelated missions. The SES is also critical of the replacement of the project brief with a new requirement for concept clearance at the early stages of project preparation, without fully considering how, in fact, the new concept clearance process aims at increasing the thoroughness of internal scrutiny through interdepartmental review, a meeting chaired by the head of department, and management approval of the concept paper. The SES only marginally takes into account the role that resident missions (RMs) play in assisting project design and implementation, and downplays the importance of project readiness filters in reducing implementation delays.² Finally, the SES indicates that making the fact-

¹ ADB. 2008. *ADB Results Framework*. Manila.

² For example, use of projects readiness filters has reduced average time from loan approval to 10% disbursement from 40 months in 2002–2003 to 12 months in 2007 in the case of India.

finding mission optional weakens project preparation, but fails to mention that this option is rarely exercised: fact-finding missions were held for 203 of the 210 projects presented for approval during 2005–2007, showing that waiver of fact-finding is a very limited exception and not the standard practice. In addition, the SES observation that Management Review Meetings do not raise or address substantive matters is not substantiated.

II. SPECIFIC COMMENTS ON RECOMMENDATIONS

4. Notwithstanding the above, we support the SES recommendations, with some qualifications, as discussed below:

5. ***Continue to explore modalities for strengthening team work to have better burden sharing in teams and support the project team leader.*** We support the SES assessment concerning increasing workloads of the project team leader, and agree with the need to enhance teamwork. Part of the resolution to this issue will rest on closer interaction between headquarters and RM-based staff, with RMs (and their national officers) playing a greater role in providing inputs and following-up on project preparation arrangements. Consideration will be given to supplementing the existing training programs on team leadership and membership, teamwork, and team dynamics. Incentives for enhancing teamwork will be examined during the review of the human resources policy.

6. ***Review PPTA funding requirements and ensure the necessary PPTA funds.*** We agree that PPTAs need appropriate funding, proportionate to their importance for project design. It has been ADB practice to prioritize PPTAs when allocating funds for technical assistance (TA), and PPTAs are not subject to restrictions on the number of approvals. This concept is reaffirmed in the recent paper on improving TA operations.³ Recent ADB planning documents⁴ have assigned increasing amounts of resources to PPTA (\$64 million for 2007 and \$72 million for 2008). Some of the reasons for reduced utilization are the growing number of periodic financing requests (subprojects) under multitranche financing facilities, whose preparation is often funded from loan proceeds under the previous tranche; and the growing utilization of individual consultants. Management will continue to monitor use of PPTA funds and ensure that PPTAs receive priority in the allocation of TA resources.

7. ***Current resource allocation for project implementation supervision should be reexamined for adequacy, and start-up delays should receive special attention.*** We don't believe that substantial reexamination of resource allocation for project supervision is necessary. The SES finding that the number of professional staff days devoted to implementation review missions has declined by 36%, from 7,686 in 1998 to 4,918 in 2005, must be placed in context. By 2005, 36% of the portfolio (equivalent to 159 projects) had been delegated to RMs, and 3,835 additional days were spent on project review missions by

³ ADB. 2008. *Increasing the Impact of the Asian Development Bank's Technical Assistance Program*. Manila

⁴ ADB. 2008. *Work Program and Budget Framework 2008–2010*. Manila

national officers and administrative staff (compared to 1,621 days spent by headquarters-based support staff in 1998). When all inputs are considered, staff-days spent on project review missions increased slightly, from 21.4 per project under administration in 1998 to 22.0 in 2005. Appendix 10 of the SES also shows that a somewhat higher number of missions, staff, and mission-days did not prevent projects from being less successful, pointing out that the quality of design and supervision play a more important role than simple quantity of staff inputs. Conversely, as mentioned in footnote 2, project readiness filters have, in some cases, been quite useful in reducing start-up delays. We propose, therefore, to continue improving project implementation supervision through a variety of approaches, which may include where warranted selectively adjusting staff inputs within the framework of available resources. Once again, the role of RMs in directly supervising or providing support to project administration will be an important element of this approach.