



Memorandum

Operations Evaluation Department
Operations Evaluation Division 1

Work-in-Progress: Not for Quotation

Title **Special Evaluation Study on Linking Quality at Entry and the Project Cycle —Proposed Evaluation Approach Paper**

Author **Toshio Kondo, Senior Evaluation Specialist, OED1**

Date **3 May 2007**

I. BACKGROUND AND RATIONALE

1. The very first recommendation of the 2006 Annual Evaluation Review (AER) is that “OED should undertake further work to identify factors that influence project success and ultimately country outcomes.” Among the topics to be covered, quality at entry (QAE) was identified as one of the primary areas of focus for future studies.

2. Within this context, two recent internal studies have raised questions about the effectiveness of the ADB’s system of identifying and preparing project proposals for submission to the Board of Directors for approval and for subsequent implementation by partner countries. A recent Special Evaluation Study (SES) on the Performance of Technical Assistance¹ concluded that the formulation of project preparatory technical assistance (PPTA) during the PPTA fact-finding mission is often rushed, under-funded and under-resourced in terms of expertise. Moreover, once PPTAs are approved, the selection of consultants to implement them is undertaken by less than optimal methods and the selected consultants do not receive the level of supervision that is merited, given the importance of this particular step in project formulation.

3. In addition, the recently produced Report to Management on the Quality-at-Entry of Asian Development Bank Projects and Country Strategies Approved 2004–2005² also identified some areas where QAE could be improved. Although 81% of projects assessed were considered to have satisfactory QAE, only 19% were considered highly satisfactory and a further 19%, a rather significant figure, were considered less than satisfactory.

4. Of particular concern is the fact that the quality of implementation arrangements, a key factor in determining project success, only 55% were rated as satisfactory or better.³ The report also identifies the need for improvements in the areas of (i) cost estimates and/or financial analysis; (ii) assessment of sustainability; and (iii) financial management arrangements which also rated lower than the average rating in the QAE assessment. Despite the fact that operational staff are preparing a portfolio of projects for which the documentation (primarily the report and recommendation to the President [RRP]) is generally acceptably presented, there are significant areas where improvement is needed.

¹ This study was approved in March 2007.

² ADB. 2006. *Report to Management on the Quality-at-Entry of Asian Development Bank Projects and Country Strategies Approved 2004–2005*. Manila. The report provides the results of ADB’s first biennial assessment of quality-at-entry (QAE) of public sector loan projects and its country strategy and programs (CSPs).

³ This figure is close to the historical percentage 64% of projects classified as successful or better by PPERs.

5. Since investment projects and program loans are the main products of the ADB, it is important to identify ways to address these shortcomings and improve project QAE, not just in terms of presentation in the RRP, but in terms of the implementability of the projects themselves. In so doing, there is a need to focus on the reasons for the level of less than satisfactory ratings of key project and program success factors.

6. This is not a straightforward task. Many past studies and reviews have pointed out the shortcomings of a significant number of project proposals and the need for improved project preparation. Papers on participation have indicated that there needs to be greater consultation with project beneficiaries. Papers on capacity development have pointed out that better diagnostics need to be done and that there should be full stakeholder participation in these diagnostics. Project performance evaluation reports (PPERs) and technical assistance evaluation reports have pointed out the need for better preparation, more relevant project designs, more carefully thought out implementation arrangements or better implementation supervision but, in the end, little has changed over many years and the evaluation results of studies repeatedly show that important lessons have not been learned and incorporated into business practices in the past 40 years of the ADB's history. However, project success ratings (using PPER and PCR ratings) have been trending up from a low point of mid-1980s approvals indicating some lesson learning.

7. Despite the many studies, so far, few have focused on identifying the key points of the project cycle where interventions can be most effectively made to ensure project quality. Also, it is not clear who in ADB and client countries should be primarily responsible for quality at entry. For example, the SES on Capacity Development Assistance to the Lao People's Democratic Republic⁴ concludes that "unless structured and systematic diagnostics are undertaken, capacity development assistance is not likely to improve." However this conclusion/recommendation gives no indication as to who should be responsible for either improving the diagnostics or implementing the improved diagnostics; nor at what point of project preparation, this improvement should be made. Similarly, while the Report to Management on the Quality-at-Entry concluded that "improvements to project QAE will occur when weaknesses are addressed in implementation arrangements, fiduciary aspects, risk assessment, and (to a somewhat lesser extent) development objectives (including evaluability and sustainability) and policy and institutional aspects", there was no indication of who would address these issues or when during the project preparation process it should be done. In reality, to make these recommendations happen the parties responsible for implementing them must be identified; their roles must be clarified; the stages of the project cycle at which they must implement the recommendations need to be specifically identified, and the support they need documented. Otherwise, recommendations will continue to be made in a vacuum with no link to operational realities and thus with little hope of the recommendations being implemented.

8. To ensure recommendations on QAE are actually implemented, linkages must be found between such recommendations and points of intervention within the project cycle where they can be implemented along with an identification of the responsible parties to implement them. The study is designed to help this process by (i) identifying such points of intervention; (ii) clarifying the roles, functions and responsibilities of headquarters staff, resident mission staff, consultants and DMC personnel involved in project preparation at these key intervention points; and (iii) examining simple measures which could be taken at these points of intervention and within the current institutional and financial context to improve QAE.

⁴ ADB. 2004. *Special Evaluation Study on Capacity Development Assistance to the Lao People's Democratic Republic*. Manila.

9. The study also links to another, related, aspect of ensuring QAE. New business processes for project preparation and implementation were put in place in January 2002. It is now five years since these processes were instituted. A review of these processes was undertaken by the Strategy and Policy Department in 2004⁵ and some changes were recommended. The degree to which these recommendations have been taken into account needs to be verified. Moreover, the time is approaching when a full review and evaluation of the business processes will be warranted. While not, itself, constituting a full review, the proposed SES will set the stage for such a review by investigating the current stages of the project cycle for project preparation and the efficiency and effectiveness with which they are functioning.

II. SPECIAL EVALUATION STUDY⁶

A. Approach

10. The study will take a different tack from past studies of QAE. Rather than focusing on modalities (e.g., TA) or themes (e.g., capacity development or participation), it will focus on the mechanics of ensuring QAE under current business practices. This will entail a documentation of (i) critical points where QAE is determined; (ii) the roles and responsibilities of the ADB staff members, consultants and DMC counterpart staff most directly responsible for QAE; (iii) the extent and nature of these responsibilities and the incentives each party faces that support or constrain a focus on QAE. It will then look at what can be done to facilitate the task of ensuring and improving QAE. In this way it should be possible to point out where, and at what stages of the process, interventions can be made to make improvements and provide support to efforts to ensure and improve QAE.

11. By focusing on documenting the role of operational staff in ensuring QAE, the study proposed by this concept paper will provide some insight into several key efficiency and effectiveness issues. It will examine (i) specific factors that impinge on the effectiveness of ADB's current PPTA supervision and loan processing system; (ii) help assess the effectiveness of the processing system in screening project proposals and in incorporating past lessons into newly formulated projects; (iii) provide some ideas for improving the loan processing system's effectiveness and (iv) identify simple measures which can be taken to improve the effectiveness and efficiency of staff responsible for QAE. The approach is intended to complement ADB's ongoing work on improving TA. Interim findings will be shared at successive stages with the SPD and regional departments. This evaluation approach paper seeks approval to conduct the proposed SES.

B. Study Objective and Key Research Questions

12. The study is aimed at making the recommendations of past studies and evaluations more effective in improving QAE and has two key objectives. The first is to identify the key points in the project cycle where improvements can be made to QAE, in order to ensure that the findings and recommendations of various studies and evaluations reach a target audience which can act upon them. The second is, in the process, to evaluate the status to date of the new business practices and identify simple measures which can be taken to ensure and improve QAE.

⁵ ADB. 2004. *Review of the Implementation of the New Business Processes*. Manila.

⁶ This evaluation approach paper has incorporated the comments generated from initial circulation of 13 February 2007.

13. Key questions to be asked during the study will be:
- (i) Under current business practices, at what points in the project cycle can contributions to QAE most effectively and efficiently be made?
 - (ii) Who among (i) headquarters, regional or resident mission staff; (ii) consultants; or (iii) DMC personnel are involved in project preparation and quality control at these key points?
 - (iii) What are their roles, responsibilities and levels of authority?
 - (iv) What are the mediums and procedures used at these key points to ensure QAE?
 - (v) How effective are they and are there any improvements which can be made?
 - (vi) Are there differences in the key points of intervention among sectors and among countries?
 - (v) What incentives exist to support or work against QAE
 - (vii) What are the key checks and balances on the process?
 - (viii) How and when are they applied and by whom?
 - (ix) What can be done to improve the dissemination of the findings of evaluation reports and studies as well as current policy documents to key individuals involved in ensuring QAE and
 - (x) What changes or improvements can be made, within the current institutional and financial constraints, to QAE?

C. Scope of the Study

14. The study will build on the findings and methodologies of the Report to Management on the Quality-at-Entry of Asian Development Bank Projects and Country Strategies Approved 2004–2005 and the Special Evaluation Study on the Performance of Technical Assistance.

15. The study will look at the current project processing system and business practices, with a view to identifying (i) the methods used to disseminate key findings and recommendations of reports and studies on QAE and their effectiveness; (ii) key intervention points for ensuring and improving QAE, (iii) the current mechanisms for providing feedback from completed studies and evaluations to the staff operating at these key points of intervention, (iv), the current procedures used at these key points to ensure QAE and how effective they are and (v) the mechanisms for acting upon the feedback provided.

16. The overall design for the study is shown in the draft evaluation matrix as Appendix 1, which will be subject to refinement during the study. A trial for conducting some comparative cases through quantitative assessment of loans that had gone well and others that had some problems would be further considered during the study.

D. Approach and Methodology

17. The SES will be carried out through a combination of research studies at the ADB headquarters and field studies in selected ADB Resident Missions and DMCs. It will be undertaken in three phases.

18. Phase 1 will be undertaken at ADB Headquarters and will entail:
- (a) a review of significant recommendations made to improve project quality over the past decade
 - (b) the degree of success achieved in following these recommendations.

- (c) following Appendices 2 and 6 of the publication Business Process for the Reorganized ADB,⁷ the preparation of a logical model of the project preparation, processing and screening processes followed during the project cycle;
- (d) an identification within this model of key points of intervention to ensure QAE and an identification of the key staff and counterpart personnel involved; and
- (e) formulation of questionnaires for use with headquarters and resident mission staff, PPTA consultants and executing agency counterpart staff to determine their exact role in ensuring QAE, how it is carried out in a real time situation, how they receive information and feedback on evaluations of previous projects and key policy studies and the constraints, if any, they face in ensuring QAE.

19. Phase 2 will consist of interviews to be carried out with headquarters staff, resident mission staff, PPTA consultants and executing agency counterpart staff as they are engaged in the phase of the project cycle being covered. Thus, interviews on the preparation of country partnership strategies will be undertaken with staff actually engaged in that activity. Interviews with staff engaged in TA fact-finding missions will take place with staff on fact-finding missions or who have just returned from them and interviews with internal staff responsible for quality reviews, for example, staff of the Regional and Sustainable Development Department, will cover the activities they are currently engaged in. This will take place in a range of regions and sectors depending on what activities are taking place in which countries at the time the interview schedule is planned. These interviews will be designed so that they are not unduly time consuming and do not interfere with the duties of the staff being interviewed. They will be scheduled to try to cover a range of concurrent activities in one country at a time and to cover two representative countries. It is critical that these activities should be carried out in selected DMCs so that input from resident mission staff, counterpart executing agency staff and PPTA consultants can be obtained directly as and when they are engaged in the activities to be monitored. Countries will be selected on the basis of the number and variety of relevant activities being undertaken at the time that the field surveys are scheduled.

20. Phase 3 will entail the consolidation of the findings of the study. It will involve:

- (i) an analysis of the data of the historical and project cycle studies to determine, the extent of the problem of dissemination of QAE recommendations and findings;
- (ii) an analysis of the results of the interviews to (a) confirm the importance and relevance of the key points of intervention identified in Phase 1; (b) factors which contribute to or detract from the ability of staff to ensure and improve QAE from an operational and structural point of view; (c) ascertain why recommendations for improvements do not seem to have been followed despite being raised repeatedly in a number of evaluation reports; (d) determine how feedback to key staff at key points in the project cycle can be improved; and (e) determine if and how past changes in business practices have affected the efficiency and effectiveness of the project processing system;
- (iii) the formulation of recommendations for immediate, near-term measures which can be put into place within the current institutional and financial context of the ADB to streamline project processing and remove some of the identified by the study ;

⁷ ADB. 2001. *Business Process for the Reorganized ADB*. Manila.

- (iv) the formulation of suggestions for follow on studies and measures needed to tackle broader and more systemic issues causing QAE problems as identified by the study;
- (v) the formulation of suggestions on an approach and methodology for a possible future review of the Business Practices for the Reorganized ADB; and
- (vi) consolidation of the findings and recommendations of the SES and their presentation in a manner suitable for dissemination.

III. DISSEMINATION PLAN

21. The target audience for the study will be on two levels. First is OED itself which needs to know how and to whom to disseminate the findings and recommendations of its studies and evaluations in order to have an impact on QAE. The second is the Board of Directors, and senior Management as well as senior staff of the Budget, Personnel, and Management Systems Department (BPMSD) who are in a position to provide incentives, disincentives and the resources and support required to efficiently and effectively put these recommendations into practice. The key message for this latter audience will be the state of current processing and information feedback procedures as seen through the experience of staff who are directly involved in the project identification and preparation process. This information will be able to assist the Board, senior management and key BPMSD decision makers to determine steps that need to be taken to enhance conditions and procedures which impinge upon ultimately attaining high levels of QAE. The best method of dissemination will be the SES paper itself which will be discussed at the Development Effectiveness Committee and commented on by Management. Results of the SES will be posted in the ADB website. Levels and trends in QAE need to be emphasized (to the extent that they can be determined by the historical study) while feasible changes in procedures and policies affecting the working environment and responsibilities of staff at key intervention points of the project cycle for ensuring QAE need to be pointed out.

IV. STAFFING AND SCHEDULING

22. The study would be conducted under the responsibility of the Senior Evaluation Specialist/Team Leader, with complementary skilled international and domestic consultants on an intermittent basis. Two international consultants will be needed for a combined period of 7.0 person months to assist with the study. The consultants will need knowledge of recent studies on QAE, various stages of the ADB project cycle (CPS preparation, TA fact-finding, PPTA implementation and loan processing procedures) and current business practices.

23. In addition, translation and logistic support for each of the countries selected for field visits will also be required to assist in the conduct of the study and with the survey or executing agency counterpart staff.

24. To assist the consultant team in the search for and organization of relevant documents as well as in the recoding, editing, and tabulating of survey data and results, a research assistant will be hired and will be stationed at the ADB headquarters for a period of five months on an intermittent basis. The terms of reference for the consultants are provided in Appendix 2.

25. The study will be undertaken in three phases over the period May to December 2007. Phase 1 will be over the period May to August 2007 while Phase 2 will be conducted from September to October 2007 and Phase 3, from November to December 2007.

26. As noted above, the selection of countries for field work will depend on the programming and processing activities being undertaken in major borrowing countries at the time that the field work is scheduled. Countries will be selected where a number of steps in the project cycle are concurrently being undertaken (CPS, TA fact-finding, PPTA implementation, loan fact-finding or appraisal) in a number of sectors. This will require consultation with various regional departments prior to the field trips to determine those countries where the widest range of representative activities are being carried out over a one month period.

27. The study will adhere to the following schedule and output milestones

Approach Paper Finalization	I May 2007
Literature Review and Survey Preparation	August 2007
Survey and Field Assessment	August – October 2007
OEM Completion	IV October 2007
Presentation of 5-Page Line and likely Conclusion and Recommendation	IV November 2007
Draft Peer Review	II December 2007
Interdepartmental Circulation	II January 2008
Meeting at DG level to discuss recommendations	II February 2008
Draft to Editor	IV February 2008
Submission to DG, OED	IV March 2008

attachments: Appendix 1: Evaluation Design Matrix
Appendix 2: Terms of Reference for Consultants

cc: Directors General, CWRD; EARD; MKRD; PARD; SARD; SERD; RSDD; Deputy Directors General, CWRD; EARD; MKRD; PARD; SARD; SERD; RSDD; Director, OED2; J. Tubadeza, OEOD; Chrono file; Project file; OED-CF

TK/cfi