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**EVALUATION OF BANK ASSISTANCE
TO DEVELOPING MEMBER COUNTRIES FOR
BENEFIT MONITORING AND EVALUATION**

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I. INTRODUCTION

A. Background

1. As development challenges become more complex and resources increasingly scarce, the need for improving project quality and portfolio management becomes urgent for all the Bank's developing member countries (DMCs). This has been extensively covered by the Report of the Task Force on Improving Project Quality (TFIPQ). The greater demand for transparency and accountability on the part of the Bank and the borrower alike calls for more "success on the ground" with examples of development impact and with evidence that they have systems in place to monitor and evaluate the project performance and to support learning from experience. The need is becoming even more urgent as Bank projects incorporate cross-cutting issues such as poverty reduction, environmental protection, status of women in development, and human resource development.

2. The Bank has used the benefit monitoring and evaluation (BME) system in agriculture and rural development projects since the early 1980s, as a critical instrument in effective implementation, and evaluation of the impact of development projects. The importance of BME at various stages of project cycle was also underscored by the TFIPQ. BME, as defined in the Bank's guidelines, focusses on three sets of activities: (i) preparing and analyzing benchmark information during the project preparatory stage (to provide "before project" data on the socioeconomic situation to project beneficiaries); (ii) monitoring of project targets and progress in terms of delivery of services and beneficial impact during the project implementation stage; and (iii) conducting follow-up surveys (or benefit evaluation studies) to evaluate the project's impact after project completion when all the facilities and services are fully operational. These principles are laid out in the *Bank's Benefit Monitoring and Evaluation, A Handbook for Bank Staff, Staff of Executing Agencies, and Consultants* (the Handbook), which was issued in 1992.¹ This is the principal document that enunciates the Bank's BME guidelines and encompasses all program loans, sector loans, and project loans covering agriculture, irrigation, rural development, water supply, roads, education and health, and microcredit projects. The BME activities are normally undertaken by executing agencies (EAs) at different stages of project cycle with assistance of consultants funded by Government's own resources or technical assistance (TA) grants provided by the Bank or other donor agencies.

3. Several annual reviews of postevaluation reports prepared by the Post-Evaluation Office (PEO) over the years indicate that BME has not been effectively used as a management tool in improving project performance as intended. Other multilateral lending agencies have a similar experience. The World Bank's Operations Evaluation Department Review of 1988 indicated that of the 104 World Bank projects with built-in monitoring and evaluation (M&E) components, "only 15 percent showed good M&E results, 39 percent had seriously deficient M&E systems, and in 46 percent, the M&E system was either not implemented or the performance was unsatisfactory." A World Bank study undertaken to assess over two decades of its M&E

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As early as 1980, the Bank had issued the *Bank's Guidelines on Logical Framework Planning and Project Benefit Monitoring and Evaluation* (PBME) establishing PBME requirements for agriculture and rural development projects. These guidelines were revised in 1984 and became the *Guidelines on Project Benefit Monitoring and Evaluation for Agriculture, Irrigation and Rural Development Projects*.

experience in agricultural and rural development projects showed discouraging results. This has been attributed to, among other things, EAs' lack of appreciation of the objectives, scope, and outputs, as well as of the various advantages of BME. A sense of ownership was lacking because EAs generally regarded BME as a requirement more for the Bank's own purposes rather than in relation to their needs. There was often a lack of congruence between the BME design of Bank-assisted projects and local capability available for BME implementation. The Bank's current BME guidelines do not seem to consistently take into account the information needs of potential users, cost effectiveness, and resource constraints of the EAs. Extensive data collection has been emphasized, leading to unnecessarily complex and high-cost BME systems with less attention paid to providing basic information needs.

4. Given above, a regional technical assistance (RETA No. 5636) for Evaluation of Bank Assistance to Developing Member Countries for Benefit Monitoring and Evaluation was approved in June 1995¹ to undertake a comprehensive review and assessment of BME in Bank projects to identify the underlying reasons for its ineffectiveness, distill lessons from past experience, and recommend remedial measures to strengthen the Bank's support for BME activities in DMCs. The review of BME activities covers five DMCs, namely, Bangladesh, Indonesia, Pakistan, Philippines, and Sri Lanka (RETA countries). These countries were selected because of a large number of ongoing and completed projects and sizeable future programs in the agriculture and social sectors in these countries. Appendix 1 provides profiles of the projects covered in the RETA. As part of the RETA exercise, country reports were prepared for the five RETA countries and two regional workshops were carried out in 1996 by the Bank for selected DMC representatives and Bank staff. The first workshop reviewed the findings and recommendations resulting from five country reports and reconfirmed the importance of establishing a system to monitor the development impact of projects and programs as a management tool to ensure efficiency in project implementation and support feedback into the design of new initiatives. The second workshop focused on development management system which is of particular importance in the context of increased demand on multilateral institutions to demonstrate visible improvements in development results.²

5. This Study was carried out under the above RETA. It seeks to identify factors affecting achievements and failures in conducting BME. Based on the experience gained with BME and the evolution of its concept over the past 15 years, the Study identifies areas for conceptual and practical improvements and recommends measures to improve the efficiency and effectiveness of monitoring and evaluation of project performance.

B. Approach

6. The initial approach in carrying out the Study entailed a desk review and analysis of 128 Bank loan and 80 TA³ projects approved during 1982-1994 in the agriculture, education,

¹ RETA 5636: *Evaluation of Bank Assistance to Developing Member Countries for Benefit Monitoring and Evaluation*, for \$450,000.00, approved on 22 June 1995.

² The first workshop was attended by officials from nine DMCs and the second by officials from seven DMCs. Both workshops were attended by Bank staff from PEO, Projects and Programs Departments, and other relevant offices.

³ The number of stand-alone TAs with BME component totalled 43, while there were 37 TAs for BME provided in conjunction with loans.

and health sectors of the five countries covered by the RETA. The period covered a time span during which the Bank had gradually required BME to be a mandatory part of project processing. Using relevant Bank documents, the review focused on the BME components and/or activities of the respective loans and its related TA projects. Subsequently, preparation of country reports were initiated for the five RETA countries to generate country- and project-specific data based on an in-depth study of selected projects.¹ The country reports examined the nature of the Bank's assistance in terms of the primary categories of BME activities, namely, (i) preparation of the BME benchmark study; (ii) benefit monitoring implementation; (iii) conduct of post-project benefit evaluation; and (iv) carrying out BME capacity-building activities.

7. This Study broadly assesses the conditions and BME systems prevailing in the five DMCs prior to Bank assistance. The type, quality, and quantity of assistance provided by the Bank are also examined. Furthermore, the extent of improvements in BME systems and related activities attributable to Bank support are analyzed. The Study covers (i) the analyses of the findings of the country reports, and (ii) recommendations of the two Workshops conducted in July and October 1996.

II. FINDINGS OF COUNTRY REPORTS

A. Monitoring and Evaluation Systems in DMCs

8. There is growing awareness in all the RETA countries of the importance and usefulness of the monitoring and evaluation as an indispensable tool which when prudently used in all stages of the project cycle can help strengthen project design, improve implementation, and stimulate partnership with project stakeholders. These countries, in their institutional structure, had M&E as part of their regular project administration. M&E, however, was confined to the monitoring of physical and financial progress of projects by the agencies concerned. BME incorporating evaluation of project benefits, as understood in the Bank, did not exist in these DMCs. Recently, there is evidence indicating that DMCs have paid increasing attention to the overall impact of development interventions. Sri Lanka has recently underscored the importance of M&E in both externally and locally funded projects. In the Philippines, the Government has issued statements showing its shifting priority from implementation efficiency of development assistance to its effectiveness. Notwithstanding such shift, the RETA countries with the exception of Pakistan had yet to have a formal policy on M&E. Indonesia is in the process of approving a decree that will make performance evaluation mandatory while in Pakistan, the highest planning authority, the Executive Committee of the National Economic Council requires that all public sector projects are subject to M&E. Appendix 2 provides a comparison of the institutional arrangements, policies, and procedures of M&E and BME activities among the five RETA countries.

1. Institutional Arrangements

9. In most of the RETA countries, the organizational arrangements for M&E activities depend on culture and management practices prevailing in the country and particular institutions. In Indonesia, M&E responsibilities are largely located within directorates of ministries that result in

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The country reports are available with PEO.

several such functions in one ministry. In the Philippines, one line agency has a considerable number of M&E units operating in parallel. In Bangladesh, departmental evaluation committees were established in lieu of permanent M&E units while Pakistan's M&E functions were usually lodged with the provincial ministries. All the countries reviewed indicated their reliance on external assistance to conduct BME activities. Institutionally, whenever BME activities exist, they are frequently assigned to EAs which often assign such activities to Project Implementation Units (PIUs), but do not take over the activities when the PIUs close down at the end of project implementation. In Pakistan and Bangladesh, for example, monitoring activities for irrigation projects were discontinued when the operation and maintenance of the facilities was transferred from the implementing agency to another agency. In other instances when BME activities are done by consultants independently of the PIUs, the BME-related reports submitted are either unused or not used as intended.

10. In most countries, M&E reports are directed at top management of ministries. Reporting systems foresee the production of monthly, quarterly, and annual reports, supplemented by field visits and on-site reviews. Data contained in the regular reports focus on financial and physical performance indicators. In Indonesia and the Philippines, socioeconomic and special surveys such as tracer studies that include impact indicators, are undertaken. Whenever surveys are conducted, the integration of BME data into the institutions' computerized management information system (MIS) depends on whether BME indicators are perceived and understood as part of management processes, and whether MIS is used for more than the administrative matters. In Indonesia and the Philippines, there were instances when BME was integrated into MIS by some agencies.

2. Resources, External Assistance, and Training

11. Resources designated for BME are difficult to identify because many additional responsibilities are absorbed by M&E units. The Department of Agriculture in the Philippines, for example, allocates considerable funds to a comprehensive M&E/BME program which includes rapid rural appraisals, frequent annual reviews over a five-year period, one midterm evaluation, and one terminal evaluation. This somewhat exceptional case is contrasted by other instances where resource requirements fall short. The inadequate resources are reflected in insufficient staff, inadequate training in M&E/BME methodologies, and lack of other resources, such as vehicles and survey forms (for data collection), and computers (for data processing).

12. Over the years, external assistance for institution development was provided to almost all ministries and agencies by one or several multilateral or bilateral organizations. There were instances where the Bank was the sole provider of external support for BME. Often, assistance from external sources for BME systems are developed in parallel and rarely coordinated at the EA level. Consequently, EAs are burdened with duplication of BME activities demanded by external agencies without due consideration to their institutional limitations.

13. In regard to training, specific courses on M&E/BME are not offered in most of the universities and training institutions. Some institutions, such as the Development Academy of the Philippines, however, used to offer courses in M&E including BME. Such training institutions can be the appropriate setting for providing relevant courses on the subject.

3. Coordination

14. Coordination is an important factor for the functioning of development management capacities. Frequently, coordination functions are undertaken by committees. For instance, Bangladesh established evaluation committees at national and departmental levels, supported by special committees. Indonesia plans to establish a standing committee that will be responsible for coordinating performance evaluation activities of various ministries and directorates. In other countries, mechanisms are set up to utilize M&E information through formal reporting systems or high-level meetings.

15. Other forms of coordination entail regular exchanges of information and discussion of methodologies and findings. In the Philippines, the central planning agency, the National Economic and Development Authority, plays such a coordinating role. It advocates the establishment of independent M&E units at each line agency to ensure corresponding counterparts in departments and EAs. Pakistan has an arrangement that allows for the coordination and cooperation among various ministries in that multidisciplinary teams are constituted to carry out field visits and review missions. These approaches illustrate how expertise and experience of different subsectors can be combined, especially when monitoring impact indicators go beyond the responsibility of one line agency.

B. Effectiveness of Bank Assistance for Benefit Monitoring and Evaluation

16. This Study involved a review of 128 Bank loans (amounting to \$5.6 billion) and related TA projects provided to the agriculture and social sectors in five DMCs. The estimated total amount of BME assistance provided under the project loans was \$37.28 million. In terms of TAs, the number of stand-alone TAs with BME components totalled 43 while there were 37 TAs for BME provided in conjunction with loans. The total BME budget proportion of the TAs cannot be determined because no detailed cost breakdown was provided in the respective TA designs. Across countries, the education and health sectors received higher BME allocations. The BME allocations were mostly utilized for the conduct of benchmark studies, the first of the three major activities covered by BME (see Appendix 1).

17. Staff of EAs for Bank-assisted projects asserted that project-related BME was carried out at the insistence of the Bank. Otherwise, no resources could have been allocated to those activities. Despite this, the Study indicates that the Bank's overall experience in terms of the three sets of BME activities has been mixed (see Appendix 3). Although Bank guidelines were adhered to in a large number of cases, results have not been as positive as expected. The most established BME activity was the conduct of benchmark studies. However, its purpose of providing indicators for benefit monitoring and evaluation was not achieved mainly because of lack of clear definitions of indicators and parameters required for such activity. The following sections analyze the Bank's experience in implementing the various types of BME activities; it also assesses the effectiveness of Bank assistance for BME within the context of capacity building and development of institutional framework.

1. BME Activities

18. During project preparation, data on intended beneficiaries are obtained, normally through a baseline or benchmark survey. Of the 128 projects covered in the review, about 44 percent were provided with funds for the conduct of benchmark surveys. For other projects, the conduct of the surveys was made part of the covenant especially for those loans without specific allocations for any BME activity. Across countries, this activity was mostly undertaken by external consultants. Although benchmark surveys are meant to be undertaken during the project design stage, such surveys were carried out only after loan effectiveness for most of the projects reviewed. Consequently, benchmark surveys did not reflect the needs of target beneficiaries in project design. In a number of cases in Indonesia, the beneficiaries were identified but the performance indicators were not defined. In most of the project documents, the indicators were too numerous. In the Philippines, benchmark surveys were a regular requirement in project designs. However, the indicators, types, and timing of survey activities were seldom determined early. Generally, the indicators that were identified were too broad for monitoring and evaluation purposes. Consequently, most of the surveys conducted remained mere compilations of raw data rather than providing insightful interpretations and analyses. Furthermore, some benchmark surveys were conducted as an afterthought, more to comply with Bank covenants than for any meaningful purpose. In summary, the types of benchmark surveys, their timing, and their purposes were not compatible, thus limiting their usefulness. The large number of indicators made the surveys unnecessarily elaborate, time consuming, and costly. Quite often, these benchmark surveys were conducted with delays — some of them up to five years — a reflection of limited attention and priority accorded to this activity.

19. Benefit monitoring is carried out during project implementation to ensure that the right inputs are made available at the right time, and that these inputs produce the right outputs. Conceptually, it is during this stage that much emphasis is placed on the relevance of BME information to the needs of decisionmakers. While some 46 percent of the project loans included benefit monitoring as part of the projects' scope, the Bank's existing guidelines on designing monitoring systems were not translated into practice. Project designs hardly specified which indicators should be monitored, when, and how often. Indicators that could measure project outputs, their utilization, and effects were not identified. More importantly, a link to decision-making processes was not made. Whenever undertaken, monitoring activities merely produced updates of earlier benchmark surveys. Since information on project outputs and their utilization were not singled out, the immediate effects of projects could not be established. Alternatively, some monitoring surveys emphasized data collection on physical implementation. As such, the usefulness of the information generated for policymakers' decision-making responsibilities was limited. Since the PIUs were charged mostly with monitoring and managing the construction of project facilities, the review of the effects of physical deliverables produced by the project was limited.

20. Impact evaluation surveys are conducted three to five years after project completion to provide data for assessing benefits. A review of the project loans covered in this Study showed that less than 20 percent of planned benefit evaluation was conducted. In Bangladesh, for example, postevaluations of completed projects that include some benefit indicators were done but not systematically. For most of RETA countries, separate Bank TAs were utilized for impact evaluation. In Sri Lanka, benefit evaluation was carried out for two projects, in both cases by Bank consultants. In fact, benefit evaluations tended to be undertaken mostly in conjunction with evaluations conducted by the Bank's PEO. A major constraint in

conducting impact evaluation was that loan proceeds were no longer available and government resources have not been allocated for such an exercise. Also, the Bank's customary focus was on the project implementation and construction period and impact evaluation surveys of completed projects were given less attention. In occasional cases, benefit evaluations were undertaken at the end of a project when there were follow-on projects for Bank financing.

2. Capacity Building

21. Capacity building is broadly defined as the strengthening of the institutional environment of a sector and/or country for more efficient, effective, and sustainable management of the development process. In adopting capacity building for development management as an operating objective over the medium term, the Bank has supported a number of BME-related training and capacity-building projects in DMCs through TA grants and loans. These efforts have, however, not been much effective.

22. Mostly, BME capacity building was equated with implementations of BME activities. In fact, there was no clear differentiation between BME capacity building and project monitoring capacities. Instead of imparting to counterpart project staff a better knowledge of BME and proficiency in its use, capacity building efforts have been largely confined to the development of BME manuals and instruments. The building of data processing capability, especially the skills for data analysis and data base systems management, has been limited. In many cases, external consultants hired for surveys used the counterpart staff only for data gathering and compilation and not for data analysis. Furthermore, BME responsibilities were handed over to the project management units at project levels and were not integrated to the regular monitoring and evaluation activities at the agency levels.

23. Bank efforts aimed at BME capacity building have not been systematically planned. In 25 projects closely examined under the RETA, there was no indication that existing capacities were assessed beforehand or that the EAs' needs were taken into account in project design and resource allocation, beyond the conditions stipulated in the loan agreements. Within the EAs, there has been little integration of capacity building in institutional programs and operations. Furthermore, overreliance for BME on consultants, as well as on PIUs, which exist only while the implementation of projects is in progress, also undermined the sustainability of capacity-building efforts. Generally, the time spent by external consultants on BME systems design did not allow for much technology transfer to the staff who were expected to operate the systems later on.

3. Development of Institutional Framework

24. Institutional development is aimed at strengthening a specific organization. It includes the development of structures, norms, systems, and procedures that may be used for delivery of specific services and/or goods. While the sample projects covered by the review included institution-development components, the objectives were broadly set. Among the objectives mentioned were (i) improving the performance and effectiveness of BME, (ii) integration of BME into existing MIS, and (iii) increasing users' awareness of the usefulness and purpose of BME. However, these objectives were rarely achieved. Institution development activities focused on the preparation of surveys, computer applications, and related procedures. Less time was spent on staff training, institutionalizing systems, managing requisite institutional changes, and

adjusting systems specifications as experience is gained. Generally, BME systems were designed as project-based rather than as integral parts of the agencies' structure.

25. The detailed design of BME systems was mostly assigned to external consultants. System design was carried out in isolation of its institutional context and concentrated on preparation of data collection forms, computerized data management systems, and relevant manuals. There was minimal attention paid to identifying information flows and decision-making processes. The fundamental problems are related to (i) who exactly needed data, (ii) for which purpose the data are required, (iii) what type and level of aggregation of data are needed, and (iv) when and how often the data should be fed back to the users. Responsibility for BME was foreseen to be lodged with project management units. Only for a few projects were BME responsibilities accommodated in existing MIS systems of EAs. As such, institution-development activities were not pursued beyond project level nor after project completion.

26. Furthermore, there was limited involvement of counterparts with external consultants engaged for BME activities and institutional development. Consequently, knowledge about the BME system, approaches, and relevant methodologies were not acquired. Interaction between staff of project units and EAs, or the later absorption of project staff by the EA, had some favorable institutional impact only in a few cases. Institution-development activities generally focused on PIUs and not on EAs.

4. Sustainability

27. The extent to which capacity building and institutional development can be strengthened depends largely on the involvement of both the Bank and EA and line agencies' staff in all aspects of BME activities. For as long as responsibilities for BME were left to the consultants assigned at the PIUs, sustained in-house capacities could not be built. Even in a few cases when systems were developed and handed over to EAs, difficulties in operating and maintaining them were observed. This was largely due to inadequate budgetary allocations for BME capacity building, lack of integration of BME into the regular information systems of EAs, insufficient time spent on institutionalizing systems, and a lack of commitment and assignment of staff on the part of EAs.

28. Within the Bank, staff resources devoted to BME were also severely inadequate reflecting a weak BME culture and discipline and/or priority attached to it. Until very recently, responsibility for BME at the Bank was entrusted to limited staff (originally in the Irrigation and Rural Development and later to the Agriculture Department). Based on TFIPQ's recommendation, BME activities were transferred to the Central Operations Services Office (COSO), a project administration office whose attention for BME could at best be limited given the nature of its current functions and responsibilities. However, such factors as availability of technical advice to the Project staff when needed and continuity of attention to BME activities emphasize a need for a specialized berth for BME. In recognition of this, PEO has recently been given the task of coordinating and playing supportive role in BME-related activities in the Bank.

III. ISSUES AND EMERGING CONCERNS

29. The country reports identified a number of issues and emerging concerns with regard to BME. These are discussed below.

A. Conceptual Problem

30. The significance of BME derives from its potential to provide information on the developmental effects and impacts of projects, thereby contributing to enhanced efficiency in resource use. This is of increasing importance in a context where development agencies and governments alike are required to account for the impact of their interventions and investments on target groups. Multilateral aid institutions such as the Bank need to demonstrate the development impact of projects financed by them. Governments in DMCs have constituencies who wish to be informed how governments serve them and respond to their needs. The basic intention of BME is to provide information that helps answering these questions and enable decisionmakers to take corrective action in case a project does not generate its expected benefits or adversely affects people or their environment. This potential has not been fully realized and the linkages between BME, adoption of logical framework during project design and their applications in the overall development management remain inadequately understood.

31. BME as a distinct concept faced problems; it is perceived and practiced as a Bank requirement, a covenant that needs to be fulfilled. Therefore, it was undertaken more in a mechanistic fashion rather than to generate requisite information. For example, while conducting a benchmark survey constitutes a major BME activity, such surveys are carried out in many cases only after the start of project implementation, making it difficult to incorporate beneficiary needs in the project design. This renders the survey results less relevant. Furthermore, in the absence of baseline data to serve as reference point, assessment of the socioeconomic impact of projects becomes a difficult task. Benefit evaluation, which is another important BME activity to be undertaken several years after project completion, is rarely carried out by EAs for lack of resources. To become functional and useful, BME needs to be designed on the basis of proper appreciation of which information is needed by whom, at which time, and for what purpose. BME systems as currently practiced are of limited usefulness and feedback mechanisms are generally weak. There is a need for integrating BME to the overall MIS structure of agencies.

B. Sustainability and Capacity Building

32. The lack of BME integration to the agencies' MIS structure has prevented the sustainability of BME capacities in the RETA countries. The Bank's past approach of assigning BME responsibilities to PIUs was flawed with design deficiency as such approach assumed BME system as project-tied activity (rather than an integral part of EAs' MIS structure) resulting in a discontinuation of these activities after the project implementation is completed. This did not contribute to institutional development. Overreliance for BME on external consultants and PIUs, which are coterminous with the projects, undermines the sustainability of capacity building efforts. Resorting to consultants to reinforce the BME component of projects is not a substitute for strengthening institutional capacity and competence. Generally, consultants' efforts are directed to developing BME manuals and methodologies without adequate inputs and support from EAs to ensure their internalization. Furthermore, sufficient time and attention are not devoted to allow technology transfer to the counterpart staff who are to run the systems later on. Lack of expertise transfer, insufficient emphasis on skill building for EAs, inadequate budgetary provision, and flawed approach to BME assistance all contribute to the limited sustainability and capacity building.

C. Low Level of Ownership

33. Being developed for a particular project placed in a coterminous project office, there was inadequate sense of ownership of BME on the part of the DMCs. Similarly, there was a lack of sustained attention to it within the Bank after the project is approved. Invariably, the BME component in a project involves the provision of consultant services for exclusive project needs and without proper consideration to the EA's institutional strength and weaknesses. Consequently, the prevailing pattern is for DMCs to look upon BME as an external imposition and for the Bank to treat it as a mere project-specific technical requirement. Thus, there is a need to promote both the demand and supply side of ownership. This may call for setting up an incentive system for those who demonstrate more commitment to BME disciplines. Developing an agency-wide BME system rather than a system for individual projects could be another way to enhance a sense of ownership.

D. Overambitious BME System and Data Trap

34. Against the backdrop of DMC's fragile BME commitment and capability, donor information needs have been overwhelming. Quite often, too much data are collected and compiled without apparent purpose nor with appreciation of the EA's logistic limitations. The accuracy of data and the depth of interpretation invariably diminish with increasing number of indicators. The notion of "bigger sample is better" placed less emphasis on cost effective procedures. Consequently, with limited physical and financial resources, BME often failed to produce information for use by policymakers. There is a need to simplify the BME system in line with DMCs' institutional strength, resist the lure of data trap, and design data requirements in a way that renders them simple yet responsive to the needs of different user groups.

E. Lack of Coordination Among Donor Agencies

35. The multiplicity of donor demands for performance data, each to satisfy its own reporting requirements, has further accentuated the institutional strain on DMCs in terms of staffing, resources, and sheer capability to cope with them. The lack of coordination among these agencies has resulted in inefficient resource use in the development of varying BME systems at project levels. A proper coordination would enable EAs to develop less resource-intensive BME that avoids duplicating data demand from various donor agencies. Such coordination would minimize pressure on governments having to maintain separate individual BME systems for each donor-financed projects. Institution development efforts would have a greater chance to attain sustainability.

IV. THE REGIONAL WORKSHOPS

A. The Regional Workshop (July 1996)

36. A regional workshop was conducted in Manila in July 1996 to discuss the issues and findings of the country reports. The workshop was attended by nine DMCs¹ with proper representation from their respective central agencies and line ministries (covering agriculture, education, and health sectors) and cross-section of Bank staff from Programs and Projects Departments and other offices concerned (e.g., Economics and Development Resource Center [EDRC] and COSO). The workshop deliberations reconfirmed the concerns identified in the country reports and emphasized the importance of establishing a system to monitor the development impact of projects/programs as a management tool for improving project design, implementation and evaluation. There was a clear recognition of a need to improve the BME activities both in the DMCs and in the Bank including establishing a conceptual clarity and if necessary changing the terminology itself to suitably reflect the concept. It was emphasized that the required BME system which would help carry out effective monitoring and evaluation had to be seen as one that would prove to be important to national planners, to line agencies, to executing agencies, to beneficiary communities, and to evaluators in the DMCs. It had to be equally useful to the development financing institutions.

37. The workshop underscored that BME should not be taken as a control mechanism but an information system which allows governments to exercise good management practices, namely, to take well-informed decisions and corrective actions whenever needed. This understanding has to be increased through discussions among government agencies on how to operationalize development management concepts in their national context, including the development of coordination mechanisms, regular exchange and pooling of information, and delineation of responsibilities.

38. The delineation of responsibilities has to take into account the roles of different agencies in the development management process. Economic and sector performance would be reviewed by an apex institution dealing with economic development. Sector performance and operational performance of EAs are the concern of line ministries, and operational performance and contribution to the performance of the sector as a whole falls under EAs' responsibilities. The national statistics office can play a role in pooling and exchanging information, although an analysis of information flow between different agencies would be required.

39. The government should continue to make policymakers appreciate the value of BME through an awareness campaign and encourage implementing agencies to publicize the BME success stories. In this, the government, EAs, and the Bank need to jointly select some demonstration projects to underscore the benefits when BME is carried out effectively. It should also demonstrate its willingness to commit staff and resources required for an effective BME system.

¹ The participating DMCs included Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Sri Lanka, and Thailand.

40. Executing agencies should increase their understanding of their role in the context of development management. While their primary concern will continue to rest with the effective and efficient management of their operations, their contributions to socioeconomic development are the main reason for their existence. This requires an increasing awareness of the effects and impacts of goods and services they deliver to target groups, and a sharing of information on these aspects. In this context, BME indicators for specific sectors may be standardized in the interest of simplicity and efficiency and to allow proper assessment of project impact on the respective sectors.

41. Specific recommendations made for the Bank and DMCs during the workshop to improve the BME system include the following:

- (i) take steps to ensure the effectiveness of BME;
- (ii) harmonize BME with the project cycle to maximize its usefulness in decision making;
- (iii) work with the EAs to adopt participatory approaches and use BME as an integral part in the EAs' institutional structure;
- (iv) standardize indicators for specific sectors to allow the assessment of project impact on the sector and the economy;
- (v) initiate the harmonization of BME requirements among the multilateral and bilateral institutions;
- (vi) make policymakers and all stakeholders in the development process understand and appreciate the value of BME. Establish incentive systems in support of the awareness campaign at all levels;
- (vii) locate BME unit in DMCs wherever it can exert the greatest impact by relating back to project appraisal and other phases of the project cycle;
- (viii) set up a firm institutional grounding of BME within the Bank with clearly defined procedures and processes and its integration with the Bank's project cycle.¹ Provide support for research to clarify BME concept, improve methodologies, and allocation of resources for building BME capacities in the Bank and DMCs;
- (ix) identify for pilot testing, a few projects where BME could be effectively monitored and instances of best practices (success stories) could be developed;
- (x) undertake BME at three levels – project level, sector level, and national level. The currently practiced BME at project level would feed data to sectoral level, which would in turn feed data to the national level;

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In this context, the Bank's decision to make PEO responsible for coordinating BME efforts was a positive step.

- (xi) build technical expertise in BME within the Bank and provide BME support to DMCs in terms of skill training and other technical support; and
- (xii) help develop capacity for benefit evaluation through workshops, establish central data bases for evaluation purposes, provide training and technical assistance, and encourage joint evaluations with DMCs.

B. The Follow-up Regional Workshop (October 1996)

42. A second follow-up regional workshop was conducted in October 1996 to implement some of the recommendations made during the first workshop and to further build on the momentum created by it. This workshop reflected a balanced representation of stakeholders including officials from seven DMCs,¹ as well as Bank staff from Programs and Projects Departments and EDRC and Strategy and Policy Office (SPO). The objectives of the second workshop were to (i) review merits/demerits of the current BME system in supervising project implementation, monitoring and evaluating project performance; (ii) develop an "ideal" BME system acceptable to both DMCs and the Bank; and (iii) develop an action plan for gradually introducing such a new system.

43. The current practice of undertaking BME at individual project level was felt inadequate and the need for linking it with the sector and eventually with the national level was emphasized in the workshop. The Project Performance Management Systems (PMS) was considered a better system. The PMS would focus on all levels of project performance: (i) project inputs (such as engagement of consultants, procurement of equipment); (ii) project outputs (i.e., the deliverables of a project such as a water supply system); (iii) immediate project impacts (i.e., initial benefits which are a result of the project's outputs such as access to drinking water); and (iv) longer term impacts (at a sectoral or macro level such as improved health conditions).

44. For effective functioning of PMS, the following elements are important:

- (i) a clear set of measurable and monitorable performance indicators must be established for each level of results, and a process institutionalized for collecting data and reporting on these performance indicators as part of the project management and evaluation system;
- (ii) the identification of such performance indicators must start at project design stage;
- (iii) the monitoring of these performance indicators must be integrated into the Bank's project implementation supervision processes, and into the executing agency's institutional performance monitoring and reporting; and
- (iv) the information from such monitoring must be used to actively manage the implementation process so as to ensure the more effective achievement of benefits.

¹ The countries were India, Indonesia, Malaysia, Pakistan, People's Republic of China, Philippines, and Thailand.

45. The workshop agreed that systematic and disciplined performance management was an important development issue in the DMCs and it applied to the entire perspective of development efforts, from a project intervention to sector and institutional management, as well as to macroeconomic management. The DMC participants showed their willingness to participate in a more comprehensive approach to performance management system. There was also broad support for enhancing the focus from project level to sectoral performance. In this context, an important role for the Bank as a regional development institution, is to provide concrete assistance to DMCs to build their capacity for performance management. This requires the Bank to strengthen its own capacity in this field. The DMC representatives were very positive about such a role for the Bank.

46. The workshop produced a list of points of consensus on the need for project and sectoral performance management systems:

- (i) Performance management is more than BME. It should be a comprehensive system, linking all development interventions in a sector, which is relevant to both the Bank and DMCs.
- (ii) There is a need for investment in capacity building in PMS in both the Bank and DMCs.
- (iii) PMS should be integrated to the entire project cycle, including sectoral and national impacts of project interventions.
- (iv) There should be less emphasis on individual project performance and an increased focus on sectoral performance (but with clear linkage between project and sector performance).
- (v) There is a need to achieve agreement between the Bank and DMCs on sectorwide performance indicators.
- (vi) Indicators should be simple, relevant and include a mix of both qualitative and quantitative measures.
- (vii) Successful performance management requires a participatory approach; the Bank and DMC counterparts should team up throughout the project cycle to agree to performance objectives, indicators, and accountabilities.
- (viii) Within the Bank, there should be broader ownership of PMS, particularly by Program and Project Managers; and a team effort to institutionalize it.
- (ix) There is a need for an incentive framework which will encourage behavioral change and encourage the adoption of a performance management culture.
- (x) There is a need for an action plan to foster shared values between the DMCs and the Bank regarding performance management systems.

C. Action Plan

47. With a view to operationalize the above, the workshop produced an action plan which calls for the following:

- (i) establish an interdepartmental committee in the Bank to prepare a detailed working paper on PMS;
- (ii) upon accomplishment of the above, brief Projects and Programs Managers, Directors, and other Heads of Departments/Offices to: (a) ensure a clear and consistent understanding of PMS; (b) obtain their sponsorship/support to operationalize the PMS; and (c) submit a final plan for the approval of Management;
- (iii) initiate PMS implementation gradually to new projects in those countries which, during the workshop, have indicated their willingness for PMS implementation. These include the People's Republic of China, Indonesia, India, Malaysia, Philippines, and Thailand; and
- (iv) initiate a review of the Bank's practices and procedures pertaining to project design and implementation (e.g., use of the logical framework, contents and formats of PAC notes, terms of reference of project administration missions) with a view to adjusting these to accommodate incorporation of PMS.

V. FURTHER DEVELOPMENTS AND FUTURE ACTION

48. Subsequent to the workshop and at PEO's initiative, an interdepartmental working committee comprising staff from Programs and Projects Departments; SPO; COSO; EDRC; and Budget, Personnel and Management Systems Department has been formed. A draft paper on PMS has been prepared and the committee has met number of times to discuss various aspects of PMS including its modality and implications during its implementation. Briefing of PMS at the level of Heads of Departments/Offices has commenced and the reception to PMS has been favorable and encouraging. Accordingly, pilot testing of the PMS will be carried out in certain Projects Departments for new projects as well as ongoing projects and cooperation from DMCs concerned will be sought in this regard.

49. The successful implementation of PMS will require the broader ownership from all operational and relevant departments/offices and DMC counterparts throughout the entire process. As the Bank and DMCs shift from BME to PMS, they need to be co-developers of this new system to ensure that it would not be a donor-driven but home-grown monitoring and evaluation system. If a timely relevant and user-friendly monitoring and evaluation system is available, DMCs will view this as a useful tool to optimize resource allocations.

50. In designing PMS, parties involved in formulating sector strategy and development projects will need to agree to performance objectives, indicators of results and accountabilities for monitoring and delivering on the performance targets. This will call for a closer link between the

strategic objectives, sector and project objectives within the Bank and national, sector, and project objectives in the DMCs.

51. Effective PMS will require investment in capacity building. The Bank needs to provide technical and resource support to DMCs given their demonstrated interest in performance management. In helping introduce PMS, the needs and technical capabilities of individual DMCs should be taken into consideration. The shift to performance-based culture will require developing requisite skills to Bank staff as well.

52. The PMS is currently in a formative stage going through the process of interdepartmental consultation/briefings and is being experimented in few selected projects on a trial basis. For broader acceptance and reception, PMS must be kept simple, flexible, informative, and cost effective. Upon broader reception of PMS in the Bank and DMCs, the current BME guidelines need to be revised/replaced by PMS guidelines to ensure enhanced project quality.