

## OPERATIONS MANUAL BANK POLICIES (BP)

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*These policies were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.*

### PROJECT PERFORMANCE MANAGEMENT SYSTEM

#### A. Introduction

1. ADB is committed to the development effectiveness of its operations. Harmonization of the support provided by funding agencies, alignment with country priorities and systems, mutual accountability, and managing for development results (MfDR) are the cornerstones of development effectiveness. At the project level, development effectiveness is supported through the project performance management system (PPMS). ADB emphasizes the need for more result-focused projects by improving project quality at entry and strengthening project management. Through internal management decisions and directives, ADB has streamlined and strengthened project processes, including the mandatory requirement of the design and monitoring framework (DMF) in loan, grant-funded, and technical assistance (TA) projects.

#### B. Definitions

2. The following terms are defined as used in this OM section (BP and OP):

- (i) The DMF (previously referred to in ADB as the logical framework, project framework, and TA framework) is a results-based tool for designing, implementing, monitoring, and evaluating projects. It provides structure to the project-planning process and communicates essential information about the project to stakeholders. It also captures ADB-administered cofinanced components of the project.
- (ii) The project and program performance report (PPR) is a management tool for monitoring implementation progress and assessing the likelihood that public sector projects will deliver their intended outputs and achieve their desired outcome.
- (iii) The TA performance report (TPR), like the PPR, is a management tool to assess the implementation progress of a TA and progress in achieving the desired outcome.
- (iv) Project and program completion reports (PCRs) are assessments of the performance and outcome of all completed public and private sector loan- and grant-funded projects and programs. PCRs are prepared separately by the executing agency and the concerned ADB operations department, normally within 12–24 months of completion. The Independent Evaluation Department (IED) may validate the methodology used and the performance rating in a proportion of PCRs.<sup>1</sup>
- (v) TA completion reports (TCRs) are prepared by the responsible ADB department for completed TAs, TA loans, and project preparatory TAs that do result in a loan

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<sup>1</sup> OM section K1/OP (Operations Evaluation) provides detailed information on the differences between PCRs for public sector projects and programs and private sector operations.

and/or an Asian Development Fund (ADF) grant.<sup>2</sup> The objective of preparing a TCR is to benefit from the experience gained to improve TA planning, formulation, and implementation.

- (vi) Project and program performance evaluation reports (PPERs) are independent evaluations of the performance of a sample of completed projects with PCRs. PPERs are prepared by IED, generally 3–5 years after completion, when development impacts are becoming evident.
- (vii) TA performance evaluation reports (TPERs) are evaluations of individual or cluster TA operations by IED. TPERs assess the relevance, effectiveness, and impacts of TAs, and identify lessons to improve planning, formulation, and implementation of TAs.

### **C. ADB Project Performance Management System**

3. ADB's PPMS<sup>3</sup> is a coherent and results-based approach to project planning, performance monitoring, and evaluation of results. During the design phase, PPMS emphasizes stakeholder participation; builds on a cause-effect relationship in problem analysis; assesses alternative approaches; ensures a consequential relationship between inputs, activities, outputs, outcome, and impact; and determines a set of measurable process and result indicators with performance targets. Country ownership enhanced through the joint development of the DMF provides the basis for improving project performance. As management tools, the PPR and TPR, which include the DMF, provide early warning to project team leaders and others of emerging problems that require corrective actions. The PPMS must be used for all loan- and grant-funded projects/programs and TAs assisted by ADB.<sup>4</sup>

4. PPMS encompasses a participatory approach to the project cycle and comprises five components: (i) DMF; (ii) PPR and TPR; (iii) borrower monitoring and evaluation (at the central, and executing and implementing agency levels); (iv) PCR and TCR; and (v) PPER and TPER, and where appropriate, impact evaluation studies.

### **D. Scope of the PPMS**

5. The DMF provides the basis upon which the PPMS operates. It does this by establishing quantified, time-bound targets and measurable indicators, and by identifying key risks and assumptions that are used to monitor and evaluate performance in the PPR, TPR, PCR, TCR, PPER, and TPER. Given this, preparation of a high-quality DMF is critical. During implementation, the DMF needs to be reviewed and, when needed, adjusted to reflect changing circumstances and project environments so that the intended project outcome can be achieved.

6. During implementation, the PPMS, through the PPR, assesses the likelihood that key milestone dates for activities, outputs, outcome, and impact will be achieved—the impact indirectly by monitoring assumptions and risks. Following project completion, all projects and TAs are subjected to an assessment of their outcome along with recommendations for enhancing and

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<sup>2</sup> ADF grants, introduced by ADF IX Grants Framework, are generally governed by the same policies, procedures and practices that apply to ADF loans and adhere to the same standards as loan projects.

<sup>3</sup> The PPMS applies to loan- and grant-funded, cofinanced, and ADB-administered programs, projects, and TAs.

<sup>4</sup> The PPMS fully applies to public sector operations. Currently, only PCR and PPER components of the PPMS are applicable to private sector operations. See OM section D10/OP (Private Sector Operations) on the current performance monitoring arrangements for private sector investment projects.

sustaining the outcome. The PCR/TCR also includes a preliminary assessment of the impact. Finally, a sample of projects is subject to more detailed performance evaluation and impact assessment about 3 or more years after completion (PPER).

7. The PPR tracks progress from the baseline situation against the targets and the indicators identified in the DMF. Through the use of the project-at-risk concept and identification of potential problem projects, attention is drawn to projects where task managers need to take corrective actions. Summaries and aggregations of PPR results provide performance information on groupings of projects as well as the portfolio as a whole, for accountability and as an input to process enhancement and strategy and policy development.

8. The TPR, introduced in 2004, helps project team leaders record and monitor the progress of TA implementation. The DMF is the basis of the TPR.

9. Monitoring and evaluation of ADB-assisted loan and/or ADF grant projects by central executing and implementing agencies is an essential part of the PPMS. The DMF serves as the basis for monitoring and evaluation by the borrower, and provides specific inputs on performance for the PPR. The project administration manual<sup>5</sup> details the process to be followed by the agencies concerned. The project design should establish whether these agencies have the capacity and resources to monitor and evaluate ADB-financed projects. If needed, loan or ADF grant funds or TA may be used to strengthen the agency's capacity to monitor and evaluate the project. Borrowers are required to prepare their own PCRs and encouraged to selectively continue impact assessment following project completion and to develop the capacity to post-evaluate a sample of projects.

**Basis:** This OM section is based on:

ADB. 2006. *Guidelines for the Preparation of Project Performance Evaluation Reports*. Manila.

ADB. 2005. *PPMS: Guidelines for Preparing the Design and Monitoring Framework*. Manila.

ADB. 2003. *Special Evaluation Study on Project Performance Management in the Asian Development Bank and its Projects in Developing Members Countries*. Manila.

This OM section is to be read with OM Sections J1/OP, K1/BP, and K1/OP.

**Compliance:** This OM section is subject to compliance review.

**For inquiries:** Questions may be directed to the Principal Director, Central Operations Services Office.

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approval of the President.

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<sup>5</sup> See OM Section D11 (Processing Sovereign and Sovereign Guaranteed Loan Proposals). The project administration manual is an active document that is updated and revised as needed.



## OPERATIONS MANUAL OPERATIONAL PROCEDURES (OP)

*These procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject.*

### PROJECT PERFORMANCE MANAGEMENT SYSTEM

#### A. Introduction

1. The project performance management system (PPMS) is a results-based approach to project planning, performance monitoring, and evaluation of results. The PPMS extends and replaces benefit monitoring and evaluation (BME).<sup>1</sup>

2. The PPMS builds on a participatory approach during the project cycle and comprises five interlinked elements: (i) design and monitoring framework (DMF) providing the basis for the system; (ii) project performance report (PPR) and technical assistance (TA) performance report (TPR) for assessing and recording performance during implementation; (iii) monitoring and evaluation by the executing and implementing agencies to provide input to the PPR, supplemented by periodic ADB reviews; (iv) project and program completion report (PCR) and TA completion report (TCR) providing evaluation of project performance at completion; and (v) project, program, and/or TA performance evaluation report, and where appropriate, impact evaluation studies for independent evaluation about 3–5 years after completion.

#### B. Application of Project Performance Management System

3. The implementation of the PPMS throughout the project cycle (identification, design, implementation, and evaluation) is discussed in the following sections.<sup>2</sup>

##### 1. Design and Monitoring Framework

4. The DMF is a results-based tool that provides structure to the project-planning process, contributing to robust project design and selection while providing the basis for project monitoring and evaluation. Prepared with stakeholder participation, the DMF helps develop stakeholder understanding and ownership of projects.

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<sup>1</sup> The PPMS serves the same ends as BME (and more) but achieves them in a different manner. BME and the PPMS measure results at the output, outcome, and impact levels. The PPMS goes beyond BME by seeking to establish a cause and effect relationship between the project and the impact. It does this by using the targets and indicators set in the DMF during design. During implementation, the PPMS requires an assessment of the likelihood that the outcome will be achieved. A preliminary assessment of the impact or their likely magnitude is made at completion via the project completion report. For a sample of projects, a more detailed impact assessment is made via the project performance evaluation report and, in a few cases, by follow-on reevaluation or impact evaluation studies. BME, however, measured changes in a range of socioeconomic indicators at fixed points of project implementation (typically at the start, midpoint, and completion). Relating these changes to project interventions was difficult. Further, because BME focused only on benefits, it provided limited information of value to project managers. However, the PPMS is expected to be part of day-to-day project management by providing regular updates on projects “at risk.” The enhancement of PPMS is supported by an action plan adopted in April 2004.

<sup>2</sup> The PPMS fully applies to public sector operations. Currently, only PCR and PPER components of the PPMS are applicable to private sector operations. See OM section D10/OP (Private Sector Operations) on the current performance monitoring arrangements for private sector investment projects.

5. The DMF is a matrix containing (i) a hierarchy of results (impact, outcome, outputs) and the means to produce them (activities and inputs); (ii) performance targets and indicators at each level that are specific, measurable, attainable, relevant, and time-bound, by which progress toward achieving the respective result level— impact, outcome, outputs—is monitored and measured; (iii) data sources and reporting mechanisms for each indicator; and (iv) assumptions and risks covering external events and actions that influence project success but are outside the project’s direct control. The DMF (i) helps ensure design integrity by establishing a demonstrable means-end relationship (and identifying assumptions and risks) from inputs to impact, and (ii) provides the basis for subsequent performance assessment.

6. The final DMF<sup>3</sup> is the product of an iterative process that includes (i) identification of key stakeholders and their interests, (ii) analysis of problems in terms of causes and effects, (iii) specification of objectives in terms of means and ends, (iv) assessment of alternative approaches to achieving the desired outcome and impact, and (v) selection of a preferred option.<sup>4</sup>

## **2. Project Performance Report**

7. The PPR provides information on project implementation and progress in achieving development outcome and impact. The DMF provides the basic inputs for the PPR. The design summary (impact, outcome, outputs, and key activities); the performance targets and indicators for impact, outcome, and outputs and activity milestones; and the key assumptions and risks are transferred to the PPR. Progress toward the performance targets is tracked and reported in the PPR from the baseline using the indicators and their respective data sources and reporting mechanisms contained in the DMF, and as verified in the project administration manual.

8. PPRs are prepared by the project team leader for all ongoing projects financed or administered by ADB, including cofinanced components financed by other sources and administered by ADB.<sup>5</sup> The initial PPR is prepared from the DMF by the loan and/or Asian Development Fund (ADF) grant processing mission leader at project concept stage and updated after loan/grant approval. Review mission and executing and implementing agency reports provide the input for periodic updating of the PPR during implementation.

9. The concepts of “potential problem” projects and “project at risk” are incorporated to focus attention on projects where remedial action may be required for existing or emerging problems.

10. Regional departments hold PPR meetings at least quarterly to review the performance of projects for which they are responsible, and to discuss specific project implementation issues. Operations review meetings, held quarterly or more frequently, are a mechanism for operations vice presidents to review the status of the ongoing region-wide and countrywide operations program and portfolio. The findings of the operations review meetings are discussed by the Management Committee each quarter. The Management Committee reviews the ADB-wide operations program and portfolio in these quarterly meetings.

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<sup>3</sup> This refers to the final version of the DMF at the end of the project design phase. It is included as Appendix 1 in the RRP and the TA report. Revisions will be made during project implementation when needed.

<sup>4</sup> For more information on the use of the DMF, see ADB. 2007. *Guidelines for Preparing the Design and Monitoring Framework*. Manila.

<sup>5</sup> In exceptional cases, operations coordination divisions may be responsible for the preparation of project and, hence, the preparation of the PPR.

### **3. Technical Assistance Performance Report**

11. ADB introduced the TPR reporting system in 2004. It provides a tool to help manage the TA portfolio and resources, and expands the scope of TA portfolio monitoring to include maintenance of historical records on major issues, problems, and actions taken and information on the TA DMF needed for the TCR and TA evaluation.

#### **C. Monitoring and Evaluation by Executing and Implementing Agencies and ADB**

12. Monitoring and evaluation by executing and implementing agencies and ADB is an essential part of the PPMS. During loan and/or ADF grant processing, the borrower, executing agency, and ADB agree on the content, format, and timing for submitting progress reports. These reports must contain sufficient information and be in a format that facilitates the provision of information required to update the PPR. The DMF design summary, the outcome and output indicators, the activities and milestones, and assumptions and risks, provide for a results-focused monitoring and reporting structure. This agreement and a pro forma progress report is appended to the processing mission's memorandum of understanding and incorporated in the project administration memorandum. These reports are used to update the PPR.

13. Regular ADB review missions, preferably semiannual and joined by the executing and implementing agencies and cofinanciers, when appropriate, discuss the latest progress, address current and emerging problems by developing mitigation measures, and participate in the review and preparation of annual plans of operations/work plans. Review missions, including the in-depth midterm review, assess whether the project's outputs are being delivered or if adjustments are required to ensure that the outcome is likely to be achieved. These adjustments to outputs, output indicators, activities, and assumptions and risks as well as further specification of the outcome and outcome indicators are attached to the back-to-office report of the review mission and reflected in a revised DMF and transferred to the PPR and TPR. In case of ADB-administered cofinanced components, review missions will also record the progress and the current and emerging problems of the cofinanced components in the back-to-office report and reflect them in the PPR and TPR.

#### **D. Evaluation at Completion**

14. At completion, the borrower initially prepares its own PCR. The concerned ADB operations division then conducts an assessment culminating in a separate PCR. The main purpose of the PCR is to learn from experience, and to use the lessons learned to improve the performance of ongoing and future ADB-financed projects. The PCR is also used as a measure of ADB's development effectiveness for accountability and as an input to country strategy formulation. In case of ADB-administered cofinanced components, the PCR provides the cofinancier with a picture of its involvement in the project and the performance of ADB as loan administrator of the cofinanced component.

15. Through PCRs, the departments responsible for administering and supervising projects make an assessment of achievements of outputs and the outcome against targets and using the indicators established in the DMF, reflecting, where applicable, the revisions made during implementation. The chronological PPRs provide the history of project implementation progress and performance.

16. Similarly, the implementing division of ADB prepares a TCR (where applicable) for a completed TA, assessing achievements against its outputs, outcome, and likely impact. The chronological TPR provides the history of implementation progress and performance from which the TCR can draw.

## **E. Operations Evaluation**

17. The final element of the PPMS is the independent evaluation of a sample of projects. Operations evaluation takes place about 3–5 years after completion, when development impacts should become evident. Again, the DMF, reflecting, where applicable, the revisions made during implementation, provides the basis for performance evaluation in the PPER<sup>6</sup> and TPER. The assessments of performance, recommendations, and lessons learned from PPERs and TPERs are fed back into country strategy and program development and the formulation of new projects.

**Basis:** This OM section is based on OM Section J1/BP and the documents cited therein.

**Compliance:** This OM section is not subject to compliance review.

**For inquiries:** Questions may be directed to the Principal Director, Central Operations Services Office.

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<sup>6</sup> For further information, see ADB. 2006. *Guidelines for the Preparation of Project Performance Evaluation Reports*. Manila. PPERs and TPERs are prepared by the Independent Evaluation Department.