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MEMORANDUM

TO: THE BOARDS OF DIRECTORS

**FROM: Cecilia AKINTOMIDE
Secretary General**

**SUBJECT: QUALITY OF PROJECT RESULTS' REPORTING AT THE
AFRICAN DEVELOPMENT BANK, 2008-09***

Please find attached the above-mentioned document.

Attach.

Cc.: The President

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AFRICAN DEVELOPMENT BANK GROUP



OPERATIONS EVALUATION DEPARTMENT (OPEV)

**QUALITY OF PROJECT RESULTS' REPORTING AT THE AFRICAN
DEVELOPMENT BANK, 2008-09**

PROJECT AND PROGRAM EVALUATION DIVISION (OPEV.1)

August 2011

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ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| ADB | African Development Bank |
| DAC | Development Assistance Committee |
| DO | Development Outcome |
| ECG | Evaluation Cooperation Group |
| GDP | Gross Domestic Product |
| GPS | Good Practice Standard |
| IFAD | International Fund for Agricultural Development |
| IFI | International Financial Institution |
| IMF | International Monetary Fund |
| M&E | Monitoring and Evaluation |
| MDB | Multilateral Development Bank |
| OECD | Organization for Economic Cooperation and Development |
| ONEC | Energy, Environment and Climate Change |
| OINF | Infrastructure Department |
| OM | Operations Manual |
| OPEV | Operations Evaluation Department |
| ORQR | Quality Assurance and Results Department |
| OSAN | Agriculture and Agro-Industries Department |
| OSGE | Governance, Economic and Financial Management Department |
| OSHD | Human Development Department |
| OWAS | Water and Sanitation Department |
| PCR | Project Completion Report |
| PCREN | Project Completion Report Evaluation Note |
| PPER | Project Performance Evaluation Report |
| UA | Unit of Account |
| USD | United States Dollars |
| XSR | Extended Supervision Report |

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We owe thanks to the OPEV and Operations Complex staff and consultants who have contributed to the preparation of the synthesis report.

The synthesis report was prepared by Patrick G. Grasso (independent evaluator) under the supervision of Foday Turay (Task-Manager). Judith Ofori, Abdirazak Awale (late), Labidi Mourad, Habib Kamoun and Oladeji O. Ojo, all independent consultants, prepared the background documents consisting of reviewed individual project completion reports (CPRs) and sectors' synthesis reports.

OPEV staff comprising Detlev Puetz, James Edwin, Ignacio Tourino-Soto, Harimandimby Rafindramanana, Guy B. Nkamleu, Joseph Mouanda and Foday Turay provided comments on draft reviewed PCRs. Colin Kirk, Mohamed H. Manai, Judith Ofori and Foday Turay commented on the revised synthesis report. Written comments on the draft synthesis report were provided by ORQR, ONEC3, OWAS1, OSHD1 and OSDH2 of the Bank. Clement Banse, Mabarakissa Diomande and Girma Kumbi provided the necessary the research support including database preparation and data analysis.

PREFACE

The aim of the report is to provide the findings of the desk review of the Bank's project completion reports (PCRs) prepared in 2008 and 2009. Such reporting is essential in accounting for project investments and in providing lessons learned to the Bank and African Regional Governments.

The report's main data sources comprise the reviewed PCRs, sector synthesis reports on the reviewed PCRs, relevant Bank documents and literature, discussions with the reviewers of the PCRs, some of the project task managers in the Operations Complex, and other Bank staff. The report's quality was assured during its preparation and the review of the PCRs. The reviewed PCR was peer-reviewed by a panel of OPEV staff and project task managers also provided feedback on drafts. The synthesis report was not only subjected to peer-review by OPEV staff, but was also shared with Departments including ORQR in the Bank's Operations Complex. These Departments provided comments which were useful in revising, and finalizing the report.

EXECUTIVE SUMMARY

1. This report is based on a review of 126 projects evaluated in 2008-09. The system of self- and independent evaluation is the African Development Bank's key source of feedback on the performance of its projects, programs and policies. Periodically, the Operations Evaluation Department (OPEV) conducts a review of a cohort of recently-evaluated projects in support of improving evaluation quality at the AfDB.

2. The review was undertaken to: (1) provide a synthesis of project evaluations prepared during 2008-09, including project performance ratings, Project Completion Report (PCR) quality, and lessons learned; and (2) highlight the key issues around the Bank's overall approach to project completion reporting, taking account of changes introduced in 2009.

Main Findings and Recommendations

Project completion reporting compliance and quality

3. ***Greater progress in compliance with project completion reporting is evident but timeliness remains a substantial issue:*** Changes introduced into the PCR preparation process had a number of desirable results. Compliance with requirement to produce PCRs and with their timely submission both improved markedly. To some extent, this gain may reflect the fact that Management was especially attentive to PCR production during this period and provided some resources — on a one-time basis — to facilitate that production. Whether the improvement holds up when attention and resources are less focused on implementing the changes would need to be tracked.

4. ***Good quality project completion reports but further improvement needed:*** The quality of PCRs reviewed was high and better compared to that for 2003-05. Whilst the PCR quality was strong on project design and implementation analyses, the review also identified the quality of the data and analyses used to support PCR assessments and the drawing of lessons learned as areas of particular weakness.

Project performance

5. ***Modest project development outcome performance:*** There are many successes in AfDB projects and programs. However, only 58 percent of the projects in the cohort achieved satisfactory development outcomes, and there are suggestions that on this measure, performance may have declined since the last report in 2007 covering the 2003-05 cohort. Further, only about half of the project achievements are expected to last. The development outcome performance largely mirrors that of Bank and Borrower performance. These results vary widely by such factors as sector department, region, financing instrument, and loan amount. The share of satisfactory development outcomes was the same for projects in Fragile and non-Fragile states. The project performance results are indicative of the limited effectiveness of the recent AfDB reforms on the performance of the projects reviewed. More than two-thirds of these projects exited the AfDB's portfolio before the reforms became effective. For the remainder of the projects reviewed, it was too early for reforms to have fed through into better development results.

6. ***Modest Bank and Borrower performance:*** Bank and Borrower performance also need to be strengthened, as Bank performance was satisfactory in only about half of the projects, and Borrower performance in not much more than in one-third. However, there is some evidence that more recent projects have done better on Bank performance than older ones. Bank performance was particularly weak on risk assessment and analysis, and on monitoring and evaluation. On Borrower performance, areas of special weakness were responsiveness to Bank supervision, compliance with project covenants, and having necessary project documents at the time of appraisal.

Timeliness of PCR review

7. ***Enhanced PCR review timeliness but needs further improvement:*** The review found several areas where OPEV itself can improve, particularly in meeting deadlines for reviews of PCRs. While timeliness in this area has increased with the new process, there is room for further improvement. Also, there were inconsistencies between the overall ratings of PCR quality and the ratings on individual quality criteria.

Recommendations

8. Based on this review, OPEV recommends that Bank Management:
- Enhance support for monitoring and evaluation (M&E) capacity development for Borrowers and in the Bank, especially with regard to improving human capacity and strengthening project M&E systems and results management;
 - Publicize examples of good practice, with attention to lessons learned on all aspects of project performance, including M&E;
 - Complete work on improving systems for up-front risk analysis for projects and programs and ensure consistent implementation of the changes required;
 - Review the new PCR format with a view to adopting accepted MDB-ECG operational definitions of key evaluation criteria, including development outcomes, efficiency, Borrower performance, and risk to development effectiveness;
 - Continue monitoring of PCR timeliness and requirements, while ensuring that adequate resources are allocated to Operations Complexes for PCR; and
 - Improve the effectiveness of Management review process of PCR quality.
9. In addition, OPEV needs to undertake its own improvements. In particular, it should further improve the timeliness of PCR reviews by holding evaluators accountable for meeting the target of 90 percent on-time performance. In addition, it should review the possible inconsistency between overall ratings on PCRs and the ratings on individual quality criteria.

1. INTRODUCTION

Completion reporting is a key element in development institutions' learning and accountability processes. Following good practice among Multilateral Development Banks¹, the African Development Bank (ADB) has adopted a system that combines self-evaluation in the form of Project Completion Reports (PCRs) with independent evaluation by the Operations Evaluation Department (OPEV). This combination provides for learning from experience —both by the staff who assess their own efforts and by the organization as a whole through OPEV's aggregation of, and reporting on results — and the accumulation of lessons learned from operations.

1.1 Purposes and information sources

1.1.1 The current report is one in series periodically providing information based on these self- and independent reviews. Its aim is to provide an analysis of the 2008-09 cohort of PCR Evaluation Notes (PCRENs) completed by OPEV. The previous report was provided to the Board in 2007.²

1.1.2 The purposes of this review are to: (1) provide a synthesis of the PCRENs prepared in 2009, including project performance ratings and PCR quality; and (2) highlight the key issues around the Bank's overall approach to project completion reporting, taking into account of changes introduced in 2009.

1.2 Scope and methods

1.2.1 The review is based on an analysis of all 126 PCRs delivered during 2008-09 and their associated PCRENs carried out in 2009.³ Findings from these PCRENs have been aggregated to provide a more comprehensive picture of the results of the Bank's work. It also relies on sectoral syntheses of 85 of the 126 PCRs and PCRENs. These syntheses were prepared in 2009. In addition, interviews were conducted in 2010 with both operations and OPEV staff to get a better understanding of the PCR process, including early views on the effects of PCR process changes. Previous OPEV reports and other Bank and external documents also informed the analysis.

1.2.2 Forty-five of these PCRENs were based on PCRs using a new template adopted in April 2009, and the remaining 81 on the older template in use before that date. Because of backlogs and PCR compliance issues, they cover projects with widely varying completion dates, ranging from 2000 to 2009, although most were completed in 2006-09. One problem is that many PCRs have not been timely, and in many cases not submitted at all. Ideally, if all PCRs were available on time, this review would be universal, but that is not the case. This review is not however, based on a sample of completed PCRs but the complete set for 2008-09.

1.2.3 In view of this fact in 1.2.2 above, the projects reviewed are not necessarily representative of all Bank projects completed over the period, nor are they all contemporary. This limits the extent to which findings can be generalized to the overall portfolio of recently-completed Bank projects.

¹ Evaluation Cooperation Group, *Good Practice Standards for Evaluation of MDB Supported Public Sector Operations*, 1999.

² OPEV, *Synthesis Report on the Review of 2003-2005 Project Completion Reports*, 2007.

³ In some analyses the number of projects is slightly fewer than 126 because of missing data.

1.2.4 In addition, because the PCRENs reviewed span changes to the PCR process, they do provide an opportunity to make an initial assessment of the effects that those changes may be having on compliance with completion reporting and the quality of completion reports.

1.3 Characteristics of the project cohort

1.3.1 The 126 projects in the 2008-09 PCR cohort represent USD 2.993 billion (or UA 1.982 billion) in investments, all but USD 450 million from the African Development Fund. They were approved over a broad span of time from 1991 through 2009. Table 1.1 shows the breakdown. Most of the projects (72) were approved before 2000.

1.3.2 The projects also represent a range of sector departments. Human Development and Agriculture and Agro-Industry projects represent the highest number, accounting for a total of 84 of the 126 projects in the cohort. Annex 1 provides additional descriptive information on these projects.

1.3.3 The projects were carried out in 37 ADF and ADB countries across the continent. Malawi had the largest number of projects with 11 reviewed, followed by Ghana and Tanzania with 7 each, and Niger, Uganda, and Zambia with 6 each; there were also 6 multi-country projects.

1.4 Structure of the report

1.4.1 The following chapter examines the completion reporting system, including PCR quality and compliance, and initial implementation of the new PCR process. Chapter 3 provides an analysis of the performance of the projects vis-à-vis the ratings criteria. Chapter 4 summarizes the findings and conclusions of the review, and makes recommendations. Annexes include the key lessons and success stories drawn from the PCRENs.

Table 1.1: Project approval years

| Approval years | Number |
|----------------|--------|
| Pre-1995 | 18 |
| 1995-1999 | 54 |
| 2000-2004 | 40 |
| 2005-2009 | 14 |

2. PROJECT COMPLETION REPORTING SYSTEM: FINDINGS AND ISSUES

This chapter presents an analysis of the project completion reporting system, including an examination of recent changes. It looks at compliance and timeliness issues, as well as PCR quality. The chapter also considers issues arising from the new PCR process and template that may need to be addressed.

2.1 Project Completion Reporting System

2.1.1 The Bank has long had a project completion reporting system. The Bank's Operations Manual (OM) identifies seven main objectives for such reports:

- certifying that implementation has been completed;
- providing a comprehensive account of all project aspects, including any remedial actions or follow-up needed;
- assessing project results, as well as the effectiveness and efficiency of the means used to achieve them;
- estimating the project's expected contribution to development and its sustainability;
- providing a mechanism for self-evaluation by Country Departments;
- identifying operational lessons for ongoing or future operations; and
- laying the groundwork for subsequent Project Performance Evaluation Reports (PPERs) or impact evaluations.⁴

The purpose of project completion reporting is therefore intended to provide both accountability for results of past actions and learning to inform future ones. In general, a PCR is required for each project involving UA 1 million or more.

2.1.2 In 2001 OPEV adopted revised guidelines for project evaluation. These guidelines were designed to reflect the Good Practice Standards (GPS) promulgated by the Evaluation Cooperation Group, comprising the heads of evaluation departments of the major International Financial Institutions (IFIs).⁵ OPEV issued a draft new guidance in 2009 to take account of (1) new Bank PCR guidelines for investment projects and policy-based lending operations issued by the Quality Assurance and Results Department (ORQR); (2) the need for guidance in reviewing a new product, Extended Supervision Reports (XSRs); (3) a new PCREN disclosure policy; and (4) lessons learned from PCR validation processes in OPEV and other MDBs.

2.1.3 OPEV applies these standards in completing PCRENS. To ensure that ratings are as accurate and reliable as possible, OPEV employs a system of multiple quality reviews. Each PCREN completed by an evaluator is subject to peer review by an OPEV staff member who has complete access to all project files. Once that review is completed and any necessary revisions made to the PCREN, it is distributed to the relevant operational department(s) for review and comment. At that point, if there is a disagreement between the evaluator and the operational staff, the latter may present additional evidence in support of their conclusions. Thus, each PCREN is subject to considerable review, both within OPEV and between OPEV and operations, to ensure maximum reliability of ratings.

⁴ African Development Bank, *Operations Manual*, Chapter 9, 1999.

⁵ Operations Evaluation Department, "Revised Guidelines on Project Completion Report (PCR) Evaluation Note and Project Performance Evaluation Report (PPER)," 2001.

2.1.4 While the Bank's project completion reporting system is long-standing, it has been plagued by poor compliance over the years. Required reports often were not completed on time and in many cases they were not delivered at all. A major reason for the delays and noncompliance was a requirement that the Borrower complete their own assessment before the Bank's PCR was undertaken. In addition, the reports tended to be descriptive, with a greater focus on implementation issues than on results. The reports were also long. These factors tended to make the PCRs less useful than they might have been.

2.1.5 In response to these issues, ORQR revised the PCR guidelines in 2008. The three major changes include the following:

- Identifying investment projects as ready for PCR when 98 percent of funds have been disbursed. This was based on a survey finding that 80 percent of such projects close with that level of disbursement. Moreover, the new guidelines allow for a PCR to start with as much as 85 percent disbursement when they are essentially complete at that point.⁶
- Giving more responsibility for generating PCRs to decentralized staff. ORQR estimates that about 50 percent of PCRs now involve field staff.
- Conducting PCRs jointly with the Borrower, rather than sequentially, to avoid delays resulting from Borrower non-compliance.

2.1.6 These changes were designed to promote several objectives. One was to improve compliance and timeliness. By moving the start date forward and changing from sequential to joint evaluation with the Borrower, ORQR hoped that more PCRs would be undertaken, and that they would be completed more quickly. Another objective was to increase staff ownership of the process. Bringing field staff more actively into completion reporting was intended in part to get those with the best on-the-ground knowledge involved, while saving on travel costs incurred by headquarters staff visiting project sites. Third, the changes were intended to improve the quality of PCRs by (1) making them more standard and more focused on results and how they were achieved rather than process issues, and (2) relying more on staff with close knowledge of the results being obtained.

2.1.7 One issue with the new process was whether the use of a Microsoft Excel template for the new PCRs would be accepted by the staff. ORQR noted that many Bank staff is not proficient with this software, which could present a barrier to compliance. In response, ORQR developed a Word version of the template. In 2011 an online template will be launched. In addition, the new format could not directly solve the problem of weak project log-frames and monitoring data that limit information on actual results. Nor could it address the difficulties of drawing meaningful, usable lessons from project experience. These issues are discussed further in some of the following sections.

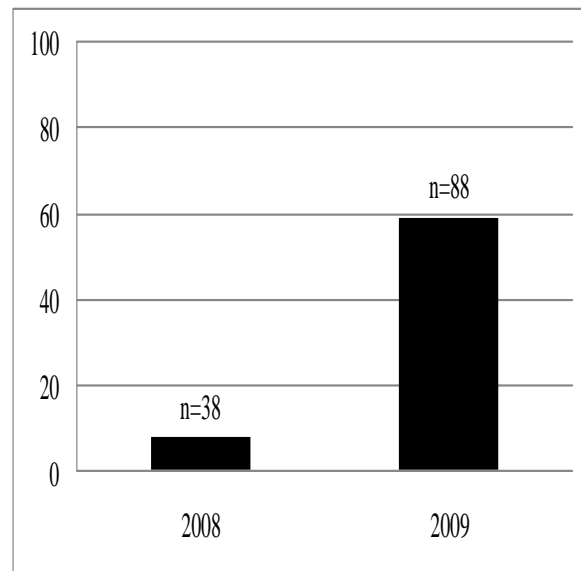
⁶ PCRs on investment operations generally are due six months after they are eligible for PCR. For policy operations, a PCR is due six months after the last disbursement of a multi-tranche operation, and six months after the closing date for a single-tranche operation.

2.2 PCR compliance and timeliness

2.2.1 Figure 2.1 reports on the percentage of PCRs delivered on time, based on the year the PCR was completed.⁷ Overall, 44 percent of PCRs were delivered on time. But the figure was much higher for PCRs completed in 2009 (59 percent) than for those in 2008 (8 percent). This is a dramatic improvement, no doubt reflecting the efforts of Management in general and ORQR in particular. It shows great potential for overcoming the backlog problems which have plagued the PCR process in the past, although clearly there is still room for improvement. As this is a new process that benefitted from concerted attention, it is incumbent on Management and OPEV to monitor and ensure that the gains are not reversed in the future.

2.2.2 More positively, overall compliance increased sharply. In OPEV's previous review of the 2003-05 cohort, approximately 63 percent of completed projects had no PCR.⁸ In 2009 that figure was down to 3 percent.⁹ This is a remarkable achievement. Part of the success is no doubt due to the special emphasis Bank Management placed on meeting the requirements to submit PCRs and to do so in a timely way. This commitment was backed up by special funding amounting to UA180,000 provided by ORQR. But this funding was temporary; the intention is that PCRs will be budgeted by the sectors, with the Budget and regional departments providing oversight to ensure compliance. This reversion to regular budget could reduce PCR completion rates in the future, so this will require close monitoring by ORQR and OPEV.

Figure 2.1: Timeliness of PCRs, by year completed (percent on time)



2.3 PCR Quality

2.3.1 As part of its review of PCRs, OPEV rates their quality along a number of dimensions, as well as overall performance. These ratings are based on a review of the PCR and the supporting

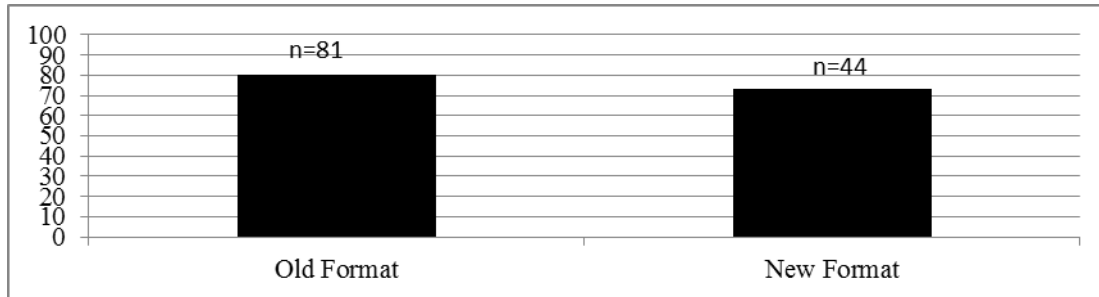
⁷ See Annex 2 for data supporting the analyses in Chapter 2.

⁸ OPEV, *Synthesis Report on the Review of 2003-2005 Project Completion Reports*, 2007.

⁹ For 2008, ORQR focused on a purposive sample of 52 projects; among those, 96 percent had on-time PCRs, while 4 percent still were outstanding as of June 2010. However, among all projects in the OPEV database with final disbursement dates in 2008, 89 percent of PCRs were late, 11 percent on time.

information in project files. Operational staff also has an opportunity to comment on PCR ratings, and to produce additional information that might affect ratings. A comparison of the most recent cohort on overall quality is shown in Figure 2.2. The ratings for PCRs rated on the old format is somewhat higher than for those rated on the new one, but the difference is small, only seven percentage points.

Figure 2.2: Quality of PCRs (percent rated satisfactory or highly satisfactory)

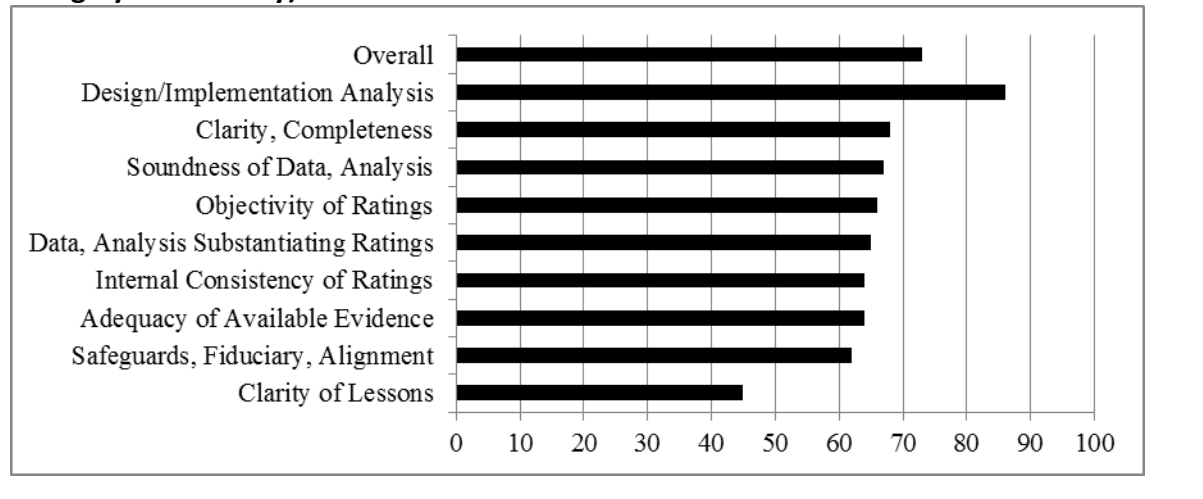


2.3.2 This difference may reflect the fact that the criteria on which OPEV assesses PCR quality also changed with the new PCR format. The assessment of the quality of the old-format PCRs reveals that 75 percent or more of the cohort had satisfactory or highly satisfactory ratings on three criteria: analysis of project execution, analysis of project goals and objectives, and judgments on project performance. But on three dimensions — analysis of conclusions and lessons, judgments on Bank and Borrower performance, and consistency of the overall project rating with the ratings on individual project criteria — fewer than 60 percent of PCRs were rated satisfactory or highly satisfactory.

2.3.3 Ratings on the criteria for new-format PCRs are shown in Figure 2.3. In general, more than 60 percent of these PCRs were found to be satisfactory or highly satisfactory on all dimensions, except one: clarity of lessons. This was also a weakness for old-format PCRs, suggesting an area that needed improvement. By far the strongest ratings were for the analysis of project design and implementation, with 86 percent of these PCRs rated satisfactory or highly satisfactory. This criterion most closely resembles the project execution analysis of the old-format PCRs, which was also their greatest strength. This is not surprising, since design and execution tend to be well-documented areas of project performance.

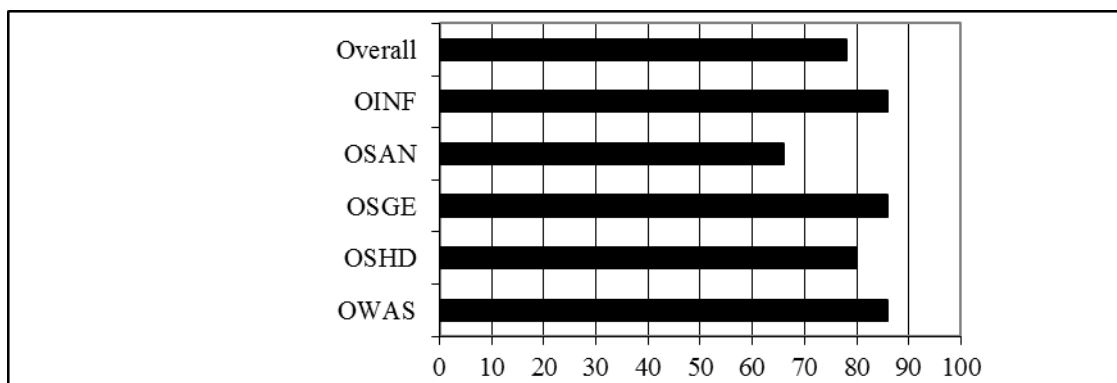
2.3.4 Of particular concern is that more than a third of new-format PCRs were found to be unsatisfactory in providing adequate evidence to substantiate project ratings, and nearly as many were found wanting in the data and analyses used to substantiate ratings (comparable data are not available for old-format PCRs). This raises serious questions about the validity and reliability of PCR self-assessments, including project ratings, compromising the Bank's overall system of reporting development effectiveness. It also suggests that the overall ratings of PCRs may be higher than is justified by a consideration of the individual ratings. These data issues should be addressed as part of the ongoing strengthening of the evaluation system (see paragraphs 2.5.1-2.5.2 for further discussion of this issue).

Figure 2.3: New-format PCR ratings, overall and by ratings criteria (percent satisfactory or highly satisfactory)



2.3.5 Finally, there were some differences in PCR quality by sector department. Figure 2.4 shows that four departments—Infrastructure (OINF), Governance, Economic and Financial Management (OSGE), Human Development (OSHD), and Water and Sanitation (OWAS)—attained a satisfactory rating of 80 percent or more on their PCRs. Only Agriculture and Agro-Industries (OSAN) department fell below that mark, with 66 percent rated as satisfactory. This reflects much lower ratings for that department than for others on ratings for the new format PCRs on virtually all dimensions, except the dimension dealing with design and implementation issues; only 29 percent were rated satisfactory or better overall.

Figure 2.4: Quality of PCRs, by sector department (percent satisfactory or highly satisfactory)



2.3.6 Overall, the quality of PCRs was rated relatively high. However, while the risk-taking necessary for development work implies that achieving 100 satisfactory outcomes is neither realistic nor desirable, the same is not true for completion reporting. In the latter case the goal should be that all PCRs are satisfactory. By that standard, all the departments clearly have room to improve in this area. More troubling is that the evidence base on which ratings are being

made appears to be weak in many cases, with implications for Bank reporting on development effectiveness.

2.4 PCR process changes

2.4.1 The improvement in PCR compliance apparently stems, at least in major part, from changes in the PCR process. The 2003-05 cohort review recommended a number of process changes, including:

- developing a “lighter” format to alleviate human resource and budgetary constraints;
- encouraging partners to expedite their completion reporting;
- staff/partner capacity building;
- alignment between self- and independent evaluation rating criteria; and
- speeding up PCR review processes.

In general, these process recommendations have been addressed, although not necessarily as proposed in the 2003 -05 cohort report. The Bank has been particularly successful in aligning rating criteria between PCR and OPEV, and speeding up the PCR process, as noted above.

2.4.2 There are other areas which require further work. For example, the new PCR template is designed to be much more concise, though the previous review recommended this as an alternative to the traditional PCR especially for sectors where past performance was strong, the new format has been adopted for all public investment projects.¹⁰ This has implications for another recommendation from that review: that “the analytical quality of PCRs is enhanced through more thorough analysis of performance, factors of sustainability, and in-depth assessments of development results.” Both Operations and OPEV staff on the contrary, emphasize that there is a trade-off between the conciseness of the new PCR format and the depth of analysis that can be achieved using it. Space limits built into the new template tend to result in partial explanations of what happened and why, rather than providing for more in-depth analysis. This may help explain the finding that more than one-third of new-format PCRs were rated unsatisfactory on the strength of the information used to support project ratings.

2.4.3 In fact, the new template explicitly permits an optional annex for additional narrative that could be used to provide a more in-depth insight. But the instructions for this space refer to “key factors not covered in the main template.” This language may discourage staff from expanding on issues that are covered in the main template. It might help to resolve the tension between conciseness and depth of analysis if this optional section were made available to expand on significant points in the body of the PCR, as well as to cover issues not reported there.

2.4.4 While the new template may have had a positive effect on the completion rate and timeliness of PCRs by Bank staff, there is little evidence that it has encouraged more input from Borrowers. Nor is it clear that the incentives available to the Bank to encourage or compel compliance by Borrowers are particularly attractive. Experience suggests that factors such as lack of capacity in countries, donor evaluation requirements that are not harmonized and

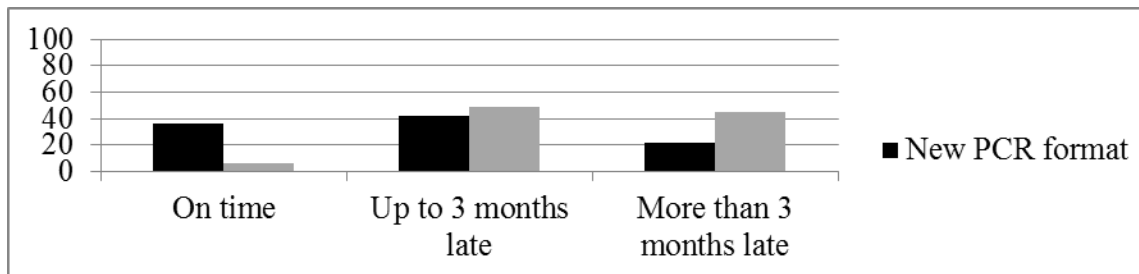
¹⁰ There are separate new PCR templates for investment projects, policy-based lending, and technical assistance operations.

coordinated, and weak internal demand for evaluative information combine to inhibit Borrowers from providing timely, high-quality self-evaluations, not only for the Bank but more generally.¹¹

2.4.5 The Bank could address capacity constraints, both among Borrowers and its own staff as one way of obtaining a greater number of, and better-quality PCRs. For the launch of the new PCR format the Bank did make available additional funds to help pay for staff travel costs, as discussed earlier. But there is no program of regular support for evaluation capacity building among staff and Borrowers, including specific training on PCR preparation. OPEV has made modest resources available to help its own staff and some personnel on the Borrower side to attend evaluation conferences and training workshops, but that effort alone cannot build the necessary capacity.

2.4.6 The PCR and PCREN processes are clearly laid out. As noted above, PCR due dates are established by policy. OPEV's PCR review due dates are set approximately three calendar months after completion of the PCR. An analysis of experience to date shows that the shift from the old to the new template is associated with a large increase in OPEV's on-time performance in conducting PCR reviews. This is shown in Figure 2.5. On-time performance was only 6 percent for the old format PCRs, but 36 percent for the new, while delays of more than three months were 45 percent with the old template, but down to 22 percent on the new. While this suggests some progress on timeliness, it falls far short of OPEV's Key Performance Indicator, which requires a 90 percent of PCRENs to be completed on time.

Figure 2.5: OPEV PCR review times against due dates



2.4.7 Such improvement is however, contingent on OPEV having sufficient resources to carry out a program of 100 percent PCR validation within budget constraints. At present, approximately 8 percent of OPEV's overall workload budget is devoted to PCRENs, compared with less than 5 percent for the World Bank's Independent Evaluation Group. This limits OPEV's ability to carry out broader evaluations at the sector, country, and corporate levels. Moreover, the budget pressures will grow if Management succeeds in achieving and maintaining high compliance with PCR requirements since that will increase the number of reviews that OPEV will need to carry out each year. In stark terms, this issue will require either (a) additional resources to meet the need for PCR reviews, (b) fewer sector, country, and corporate evaluations, or (c) abandonment of 100 percent PCR review coverage and its replacement with a sampling system. The implications of the first two are self-evident, but the third is a quite complicated. To reduce coverage while at the same time maintaining representativeness, any sample would have to be large enough to permit valid statistical inferences to be drawn for all projects, not only

¹¹ Keith Mackay, *How to Build M&E Systems to Support Better Government*, Washington: World Bank Independent Evaluation Group, 2007.

in general but for meaningful sub-groups, such as sector department, region, and so on. Some of the sub-groups are likely to be small, making it difficult to take a meaningful sample. One solution would be to use a stratified sampling approach, varying the sampling fraction by the size of the group. However, in such an approach some of the projected budget savings from adopting sampling could be lost.

2.5 Substantive issues with the new PCR template

2.5.1 While the new PCR template has had some positive effects on the completion reporting process, it has also raised substantial issues that should be addressed. The most significant one is the move away from the definition of project outcomes generally agreed on among development agencies, as expressed in the Development Assistance Committee (DAC) Evaluation Network's glossary: "The likely or achieved short-term and medium-term effects of an intervention's outputs."¹² Note that this statement defines outcomes as the *effects* of project outputs. However, the new PCR format's operational definition of project/development outcome is a *combination* of outputs, outcomes, and timeliness. This co-mingling of outputs and outcomes is problematic for several reasons. For one thing, it moves the Bank away from the measures used by other development institutions, such as the World Bank. This makes it more difficult to aggregate findings from multiple agencies to better understand what works, what does not, and under what circumstances, thereby limiting the potential for learning from evaluation. More directly, it risks double-counting outputs because at the time of a PCR most outcomes are anticipated rather than actually achieved, and outputs most often are the basis for estimating probable outcomes. The consequence could be to overstate project outcomes, although as discussed in Chapter 3 this is not apparent empirically.

2.5.2 Another issue with the new format is that it uses timeliness in meeting the project closing date as a measure of project efficiency. As with outputs, this creates a double-counting issue. In addition, the other major component of this dimension is the economic rate of return. Timeliness and rate of return are very different conceptions of efficiency, and their conflation into the same indicator is problematic. This is all the more so because of the relatively small number of projects for which there is a calculated rate of return, meaning that often timeliness is the only measure of this dimension. Timeliness may have implications for the rate of return, but it is conceptually a very different indicator. The use of this indicator needs further re-thinking.

2.5.3 In addition, the sub-criteria for Borrower performance are rather thin compared with the rich set for Bank performance. Moreover, they do not touch on some of the key issues in Borrower performance, such as project ownership, adequate staffing, and provision of counterpart funds. Instead, they focus primarily on bureaucratic issues, such as documentation, compliance with requirements and covenants, and responsiveness to Bank supervision findings. While not unimportant, these hardly capture all the key parameters of Borrower performance.

2.5.4 Finally, the rating scale for risk to development effectiveness is not well-defined. The standards for each of the rating categories—high, substantial/significant, moderate, negligible—are not articulated, making it difficult to ensure anything close to uniform application of the criteria. As a result, the data from this measure cannot be regarded as fully reliable.

¹² DAC Network on Development Evaluation, *Glossary of Key Terms in Evaluation and Results Based Management*, 2002, p. 28

3. PROJECT RESULTS

3.0.1 This chapter summarizes OPEV's ratings on the major evaluative dimensions for the 2008-09 cohort of evaluated projects. OPEV rates projects on various dimensions as part of its institutional accountability function. There are a number of ways to evaluate project performance besides ratings, but having a rating system has the advantage of providing a single, consistent metric across projects with widely different objectives and units of measurement.

3.0.2 With the introduction of the new PCR template and the harmonization between PCRs and PCRENs, project ratings criteria have changed. The new criterion broadly reflects the Good Practice Standards adopted by the ECG.¹³ As a result of this change, the analysis looks across the whole cohort where feasible, but also treats projects rated on new- and old-template PCRENs separately where the templates differ. In both cases, however, the rating on each criterion represents an average score based on several sub-criteria ratings. These summary ratings are scored on a scale from 1 to 4. For purposes of this analysis, projects with an average score of 2.5 or better on a criterion are considered satisfactory on that criterion, while those with an average score below 2.5 are considered as unsatisfactory.

3.1 Project outcomes

3.1.1 The project ratings that typically garner the most interest are on development outcomes (DOs). This is a sensible approach, since these ratings deal most directly with the actual results of development activities on the ground. The development community, through the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), defines outcome conceptually as "The likely or achieved short-term and medium-term effects of an intervention's outputs."¹⁴ Operationally, the definition of development outcome has changed between the old and new PCREN formats. In the old, DO was assessed using a combination of overall project outcomes and estimated rates of economic return. The new format broadens the definition by taking into account the relevance of project objectives, achievement of project outcomes, and project efficiency (including, but not limited to, economic rate of return). A thorough analysis for this review found no consistent differences in ratings based on this change in definitions; therefore, this section combines all projects for analytical purposes.

3.1.2 Figure 3.1 compares the development outcomes of 124 projects across the Bank's sector departments.¹⁵ Overall, 58 percent of projects were rated as satisfactory or highly satisfactory, but there were major differences across sector departments. At the high end, OWAS and OINF scored well, above average, with OSGE and OSHD somewhat lower. On the other hand, OSAN was well below the overall satisfactory rate. The lower ratings for agriculture-related projects are inconsistent with the most recent data from the World Bank, where on the whole, Agriculture and Rural Development projects in Africa were rated moderately satisfactory or better in 86

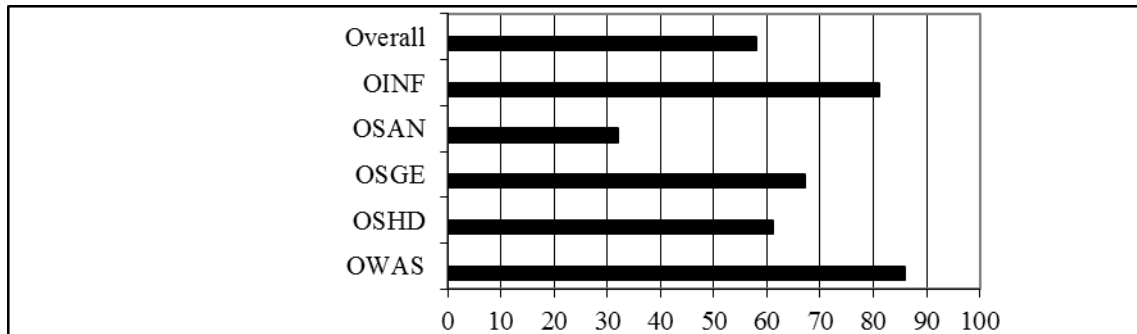
¹³ ECG, *Good Practice Standards for Evaluation of Public Sector Operations*, 1999.

¹⁴ DAC Network on Development Evaluation, *Glossary of Key Terms in Evaluation and Results Based Management*, 2002, p. 28.

¹⁵ See Annex 4 for data supporting the analyses in Chapter 3.

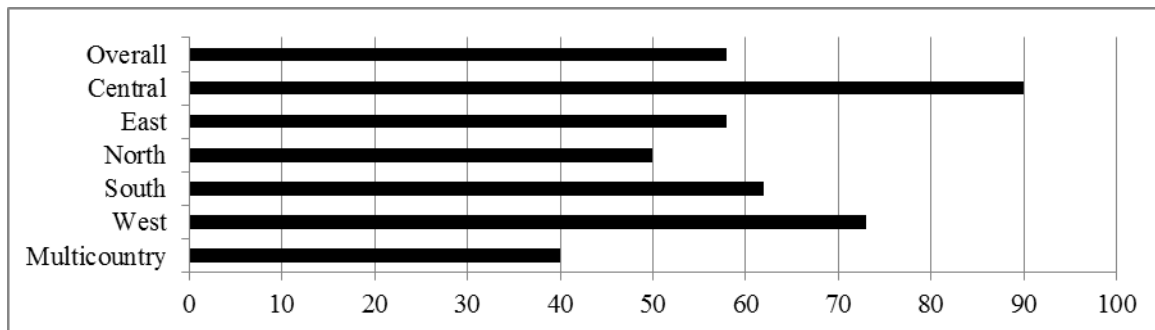
percent of cases closed in 2007-09.¹⁶ It would require additional evaluative effort to fully understand why this discrepancy exists, an analysis that is beyond the scope of this review. The overall figure is somewhat lower than in OPEV's last review, covering projects evaluated in 2003-05.¹⁷ In that report, 63 percent of projects were rated at least satisfactory on project outcomes. This suggests the possibility that performance has been declining, but because project reporting is far from complete it is impossible to reach a definitive conclusion.

Figure 3.1: Development outcomes, by sector department (percent satisfactory or highly satisfactory)



3.1.3 Another way of looking at project outcomes is by region. Figure 3.2 shows that the Central region had 90 percent of projects achieve satisfactory development outcomes, far higher than for other regions. However, there were only 10 projects (8 percent) from this region in the cohort reviewed, so caution in interpretation is advisable. At the other extreme, just 40 percent of multi-country projects had satisfactory DO ratings, but there were only five such projects with DO ratings (one other was unrated), so again interpretive caution is needed. Among the other regions, with between 26 and 41 projects each, the West stands out, with 73 percent of projects rated satisfactory. This is noteworthy because only 6 of 71 projects in the region were in the well-performing OINF and OWAS sector departments. The other departments were fairly close to the overall average.

Figure 3.2: Development outcomes by region (percent satisfactory)



3.1.4 Comparing Fragile states to Non-Fragile states, the results on development outcome were the same for both groups: 57 percent satisfactory. This is different from a previous World

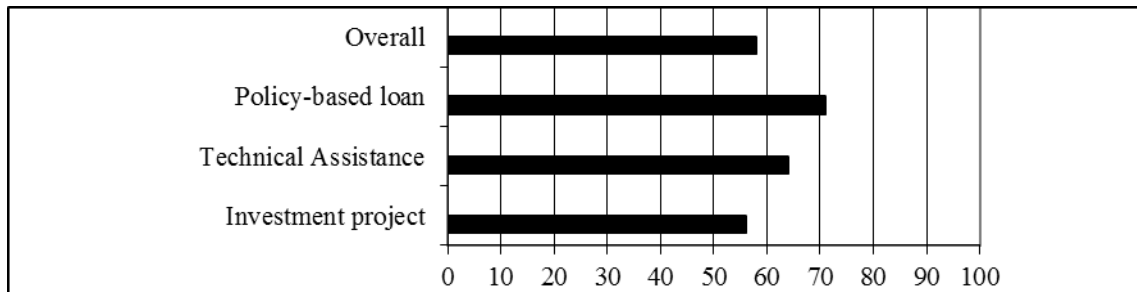
¹⁶ Computed from World Bank data.

¹⁷ OPEV, *Synthesis Report on the Review of 2003-2005 Project Completion Reports*, 2007.

Bank study, which found that project outcomes were generally less likely to be satisfactory in Fragile States. However, that study covered an earlier time period (2000-05), and by the end of that period Fragile state projects were slightly outperforming Non-Fragile state projects.¹⁸

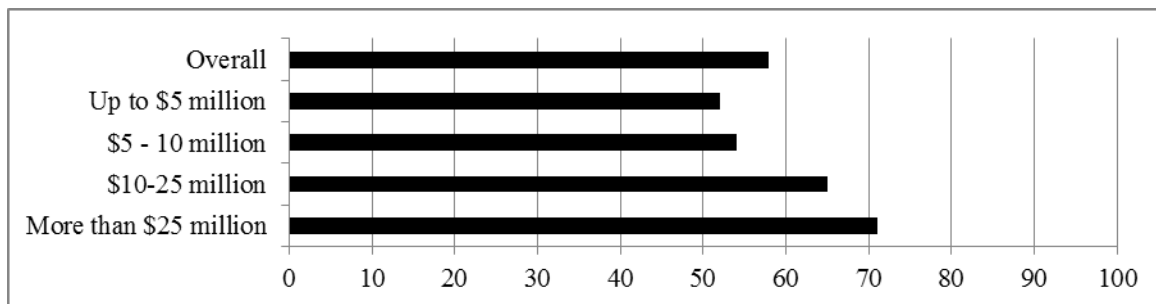
3.1.5 One area in which there are clear differences in development outcomes is the instrument used. As shown in Figure 3.3, policy-based lending and technical assistance loans were more likely to have satisfactory development outcomes than investment projects. However, the numbers of policy-based loans (17) and technical assistance operations (14) for which we have DO data do not permit strong conclusions.

Figure 3.3: Development outcomes, by instrument (percent satisfactory or highly satisfactory)



3.1.6 Finally, we examine development outcomes by loan amount. As figure 3.4 shows, there is a monotonic increase in the percentage of projects rated satisfactory as the size of the project (measured in US dollars) increases. To a large extent, this seems to reflect Bank performance; on the whole, the biggest projects were more likely to be rated high on this factor (71 percent) than were the smallest projects (41 percent), with the other two groups in between (51 percent). This suggests that Bank staff is particularly attentive to projects where the amounts being invested — and thus the financial risks of failure — are highest. This would seem to reflect prudence on the part of staff.

Figure 3.4: Development outcomes by loan amount (percent satisfactory or highly satisfactory).



3.1.7 Overall, while the majority of projects reviewed satisfactorily met their development objectives, many did not. However, there were wide variations across sector departments, regions, instruments, and loan sizes. Beyond that, it may be that the rate of satisfactory

¹⁸ IEG, *Engaging with Fragile States: An IEG Review of World Bank Support to Low Income Countries Under Stress*, World Bank, 2006, pp 115-23.

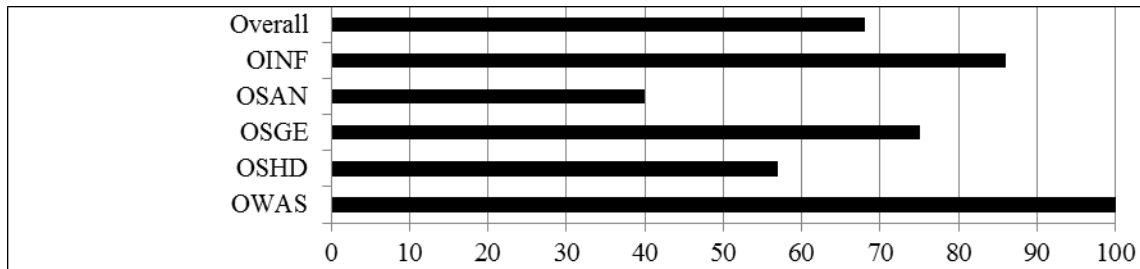
outcomes has declined since the last cohort analysis. This level of performance can to a certain extent be linked to the fact that the AfDB’s recent reforms became effective after the exit of more than two-thirds of the projects reviewed from the AfDB portfolio. And for the rest of the projects reviewed, it was too early for the reforms to have fed through into better development results. However, both the modest level of overall success and the possibility that the level of performance may have declined raises concerns about the Bank’s development effectiveness.

3.2 Project outputs, risk to development outcomes, and efficiency

3.2.1 In addition to outcomes, OPEV rates projects on the outputs produced, the risk to development outcomes (or sustainability), and the efficiency with which outcomes were achieved. Outputs are “the products, capital goods and services which result from a development intervention; [and] may also include changes resulting from the intervention which are relevant to the achievement of outcomes.”¹⁹ They are produced directly as a result of project activities, and contribute to — but are not the same as — outcomes, which reflect the consequences of those outputs for beneficiaries.

3.2.2 Figure 3.5, based on the new format PCREN, shows wide disparities across the sector departments, particularly, in the extent to which planned project outputs were achieved. The ratings are particularly high for OWAS (100 percent) and OINF (86 percent), and especially low for OSAN. But the numbers of projects rated for each department are quite small, ranging from 3 for OWAS to 12 for OSGE. Thus, these data should be regarded as indicative only. Perhaps the most that can be said is that about two-thirds of 40 projects (68 percent) satisfactorily produced planned outputs.

Figure 3.5: Project outputs (percent satisfactory or highly satisfactory)



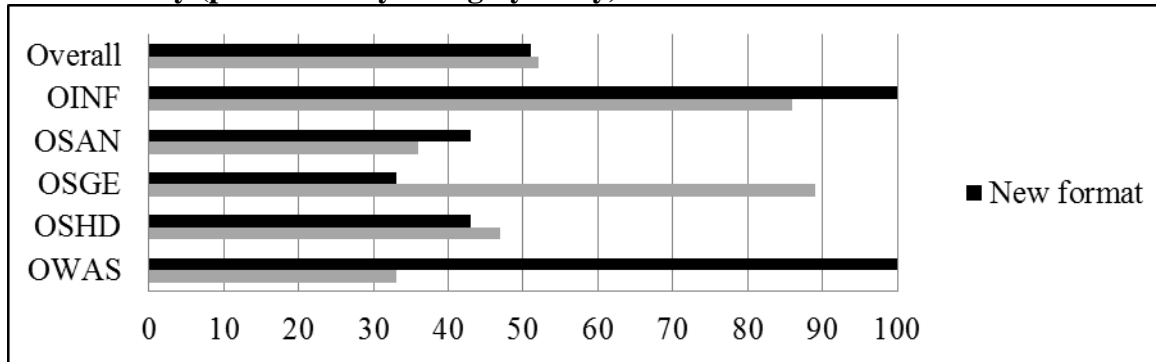
3.2.3 Another important aspect of project performance is the extent to which project achievements are expected to last. In the old format PCREN, this was called “sustainability” and was rated (between highly likely and highly unlikely) in terms of a number of factors, such as technical, financial, and economic viability. The new format PCREN, borrowing from more recent MDB usage, evaluates the risk to project outcomes (from negligible to high). While the terminology is somewhat different, the underlying concept is largely the same: the extent to which what was achieved by the project can be expected to hold under future circumstances.

3.2.4 The data reported in Figure 3.6 show little overall difference on this dimension between the old and new format PCRENS. On the old, 52 percent of 79 projects were rated as likely or highly likely to sustain their achievements; while on the new 51 percent of 41 projects were rated

¹⁹ DAC Network on Development Evaluation, p. 28.

as having a negligible or moderate level of risk to project outcomes. There were substantial differences on ratings for two sector departments (OSGE and OWAS) but they were in opposite directions, indicating that the differences are the result of the projects themselves rather than the change in format.

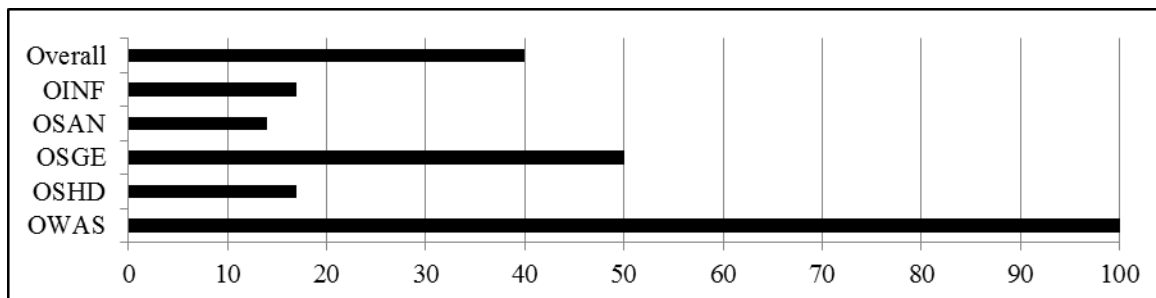
Figure 3.6: Risk to development outcomes (percent moderate or negligible) or sustainability (percent likely or highly likely)



3.2.5 More important is the fact that only about half the projects were rated favorably on this dimension. This certainly is a cause for concern. However, to set this result in a broader context it is worth noting that World Bank Africa projects closed in 2008-09 scored only slightly better on this dimension, with rated 58 percent favorable. Taken together, these ratings from the two banks reflect how risk-prone many projects are a long-recognized fact in many African environments.

3.2.6 The new template also has a rating for project efficiency, which takes account of timeliness, rates of return, and other criteria.²⁰ Ratings are shown in Figure 3.7. While there is wide disparity across sector departments, the small number of projects invites caution in interpretation. What is more significant is that overall only 40 percent of the 40 rated projects achieved satisfactory or highly satisfactory ratings on this dimension. The reasons for these low ratings are not entirely clear, though poor timeliness and sub-optimal utilization of project outputs seem to be major drivers.

Figure 3.7: Project efficiency (percent satisfactory or highly satisfactory)



²⁰ The sub-ratings often are not recorded on the database, suggesting that the overall ratings rely on a more holistic judgment by the evaluators.

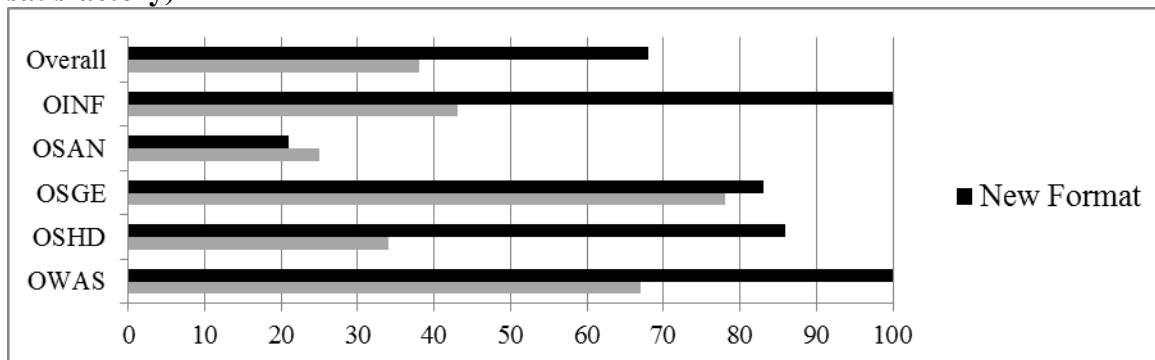
3.2.7 Perhaps surprisingly, nearly a third of projects reviewed did not produce planned outputs to a satisfactory level. The projects also did not do very well on the risks to development outcomes, achieved/sustainability, or project efficiency.

3.3 Bank and Borrower performance

3.3.1 OPEV also looks at how well the Bank and the Borrower performed in designing and carrying out the project. This is important because the data shows that good Bank and Borrower performance is closely related to project outcomes. Among those projects rated satisfactory on Bank performance, 92 percent also were rated as having satisfactory outcomes. By contrast, only 40 percent of projects rated unsatisfactory on Bank performance had satisfactory outcomes. Similarly, 93 percent of projects with satisfactory Borrower performance had satisfactory outcomes, but only 45 percent of those with unsatisfactory Borrower performance.

3.3.2 Ratings on Bank performance are shown in Figure 3.8. It is striking that the ratings for each sector department are higher in the new PCREN format than in the old. It is possible that the more detailed sub-ratings on the new template (21 in total) provide a more accurate accounting than the fewer, broader sub-ratings on the old template (4). But it also may be that this is picking up changes in Bank performance, since the projects rated on the new template tend to be somewhat more recent, on average, than those rated on the old template. It is difficult to draw firm conclusions from the available data.

Figure 3.8: Bank performance, by sector department (percent satisfactory or highly satisfactory)



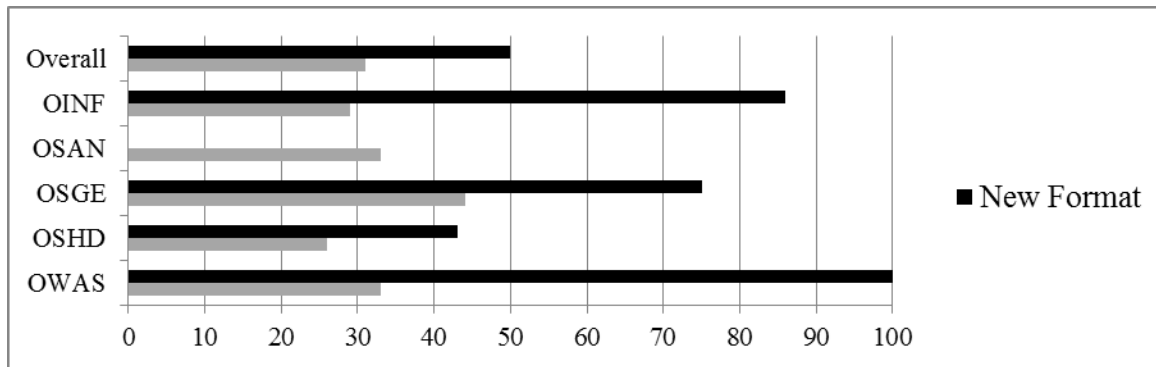
3.3.3 However, the rich array of sub-ratings on the new template can help explain the overall ratings for that group of projects. There are several areas in which nearly all such projects (95 percent or more) showed satisfactory performance, each of them belonging to the project design and readiness strand including: objectives relevant to country priorities, consistency with Bank corporate priorities, and consistency with Bank country or regional strategy. These are, in a sense, relatively easy targets to achieve, given the generally broad parameters of country strategies and Bank priorities. Overall, 68 percent of projects rated on the new template scored satisfactory on design and readiness issues. On supervision, 69 percent of such projects achieved this rating.

3.3.4 But there are a number of areas where a majority of projects came up short, particularly on risk analysis and related issues. On risk assessment, only 46 percent of projects were rated satisfactory on identifying key risks, 47 percent on specifying those risks in the project log

frame, and 42 percent in carrying out an adequate risk analysis. Regarding M&E, only 33 percent of projects laid out the causal chain behind the project, 36 percent had a plan and indicators agreed upon during project design, and 34 percent had baseline data available.

3.3.5 Figure 3.9 reports on the ratings for Borrower performance. If anything, these ratings are even lower than for Bank performance, with only 37 percent of the current cohort achieving a satisfactory rating. And once more there is a significantly higher rating for projects on the new template, except for those from OSAN.

Figure 3.9: Borrower performance, by sector department (percent satisfactory or highly satisfactory)



3.3.6 As noted, the new template permits some in-depth analysis of reasons for these summary ratings. Overall, 56 percent of projects were rated satisfactory on project design and readiness, but only 47 percent on project implementation. Most projects were rated satisfactory on compliance with environmental safeguards (71 percent), and defining project responsibilities clearly (67 percent), but only about half on complying with fiduciary requirements (51 percent), collecting and using monitoring data (50 percent), and having a monitoring plan (46 percent). Borrower performance was particularly weak in the areas of responsiveness to Bank supervision (40 percent), compliance with project covenants (37 percent), and having necessary project documents at the time of appraisal (36 percent).

3.3.7 One area of clear performance weakness is monitoring and evaluation. Only 30 percent of projects were rated satisfactory or highly satisfactory on having an adequate M&E systems. Clearly, this points to a serious weakness for a results management system. As discussed in Chapter 2, the Bank has taken some steps to address this issue, but it is too early to assess the success of those efforts.

3.3.8 Projects in two sector departments, OINF and OWAS, scored especially well on Bank and Borrower performance. A review of the sub-ratings reveals that, compared with projects in other sector departments, they were particularly strong on clear definition of project implementation responsibilities, risk analysis, compliance with safeguard and fiduciary policies, and required documentation. The clarity on responsibilities may be especially telling, since this is related directly to how well projects are carried out, and can therefore affect their outcomes.

3.4 Ratings disconnects

3.4.1 The Bank’s project evaluation system, as noted earlier, is based on self-evaluation validated by independent evaluation. This can lead to differences between the ratings reported in the PCR and by OPEV. These differences are called “ratings disconnects”. In general, a high rate of disconnects can suggest problems in the M&E system, often reflecting unwarranted optimism about project performance. The difference between the number of cases in which OPEV provides a higher rating (upgrade) and the number in which it gives a lower rating (downgrade) is called the net disconnect.

3.4.2 Table 3.1 shows disconnects in this cohort for three major ratings: DO, and Bank and Borrower performance. Overall, 61 individual ratings were changed by OPEV, of a possible 373 ratings, or about 16 percent of all ratings on these three dimensions. In all but seven cases OPEV downgraded the PCR rating from a satisfactory to an unsatisfactory. For DO, the net disconnect was 11 percent, somewhat higher than the comparable figure for the World Bank, which has ranged from 5 percent to 8 percent in recent years.²¹

Table 3.1: Disconnect between self-evaluation and OPEV ratings (number)

| Change in rating by OPEV | Development outcome | Bank performance | Borrower performance |
|---------------------------------|----------------------------|-------------------------|-----------------------------|
| Upgrade | 1 | 3 | 3 |
| Downgrade | 15 | 22 | 17 |
| Net disconnect | -14 | -19 | -14 |

²¹ IEG, *Annual Review of Development Effectiveness: Shared Global Challenges*, 2008, p. 13.

4. CONCLUSIONS AND RECOMMENDATIONS

This final chapter presents the conclusions from this review, along with recommendations that reflect the major findings (see Annex 2 which discusses the key lessons drawn from the PCRENS). Recommendations are directed both to Bank Management and to OPEV itself.

4.1 Conclusions

4.1.1 This review has examined the PCR and PCREN processes, paying particular attention to changes that were introduced in 2009. Initial results include higher compliance with the requirement to produce PCRs, although it is too early to tell whether improved compliance will be maintained once special budgetary support is no longer available. Timelines of PCRs improved greatly, though there still is room for improvement. OPEV's review of new-template PCRs did show improvement in timeliness, but still remained short of attaining targets. Some concerns about limitations to the new PCR format, particularly the ability to present a complete narrative, may be addressed through planned refinements to templates (e.g., creating an online version).

4.1.2 Other issues also emerged from this review. Operational definitions of key ratings criteria, including development outcomes and efficiency, have some ambiguities, and in some cases move away from internationally-recognized evaluation standards and good practice, such as in the operational definition of outcomes. This raises validity issues, and reduces the value of the resulting data for learning and analysis across development organizations. Moreover, PCR quality can be strengthened, particularly in terms of the quality of data and analyses to support project ratings. In part, this last problem reflects the fact that project M&E systems continue to be weak in a number of areas, including lack of adequate baselines, poor selection of indicators, gaps in data collection and analysis, and failure to use M&E data to manage projects more effectively. Risk assessment too continues to be problematic. Concerted attention from Management could be directed to these issues as part of sound management for results. Lesson-learning remains weak. In addition, some inconsistency between OPEV's overall ratings of PCR quality and the ratings on individual quality criteria indicate a need for further review.

4.1.3 In terms of project results, just over half of the projects in the cohort achieved satisfactory development outcomes, and there are suggestions that on this measure performance may have declined since the last report covering the 2003-05 cohort. Bank performance is also satisfactory in only about half of the projects, and Borrower performance in not much more than one-third. The results vary widely over such factors as sector department, regional department, instrument, and loan amount. Clearly there is much room for improvement. At the same time, recognition should be attributed to the many successes in Bank projects and programs, as well. Examples, such as those highlighted in this report, can help to provide guidance for future operations.

4.2 Recommendations

4.2.1 Based on this review, OPEV recommends that Bank Management:

- Enhance support for monitoring and evaluation (M&E) capacity development for Borrowers and in the Bank, especially with regard to improving human capacity and strengthening project M&E systems and results management;
- Publicize examples of good practice, with attention to lessons learned on all aspects of project performance, including M&E;
- Complete work on improving systems for up-front risk analysis for projects and programs and ensure consistent implementation of the changes required;
- Review the new PCR format with a view to adopting accepted MDB-ECG operational definitions of key evaluation criteria, including development outcomes, efficiency, Borrower performance, and risk to development effectiveness;
- Continue monitoring of PCR timeliness and requirements, while ensuring that adequate resources are allocated to Operations Complexes for PCR; and
- Improve the effectiveness of Management review process of PCR quality.

4.2.2 In addition, OPEV needs to undertake some internal improvements. In particular, it should further improve the timeliness of PCR reviews by holding evaluators accountable for meeting the target of 90 percent on-time performance. In addition, it should review the possible inconsistency between overall ratings on PCRs and the ratings on individual quality criteria.

Annex 1: Characteristics of projects reviewed

Table A1.1: Projects by sector and amount

| Sector | Number | Approved (million UA) | USD equivalent (million)* |
|--------------------|---------------|----------------------------------|--------------------------------------|
| Agriculture & RD | 35 | 327.9 | 495.1 |
| Finance | 1 | 10.7 | 16.1 |
| Infrastructure | 13 | 275.3 | 415.7 |
| Multi-sector | 23 | 435.2 | 657.1 |
| Social | 46 | 522.1 | 788.3 |
| Water & Sanitation | 8 | 411.3 | 621.0 |
| Total | 126 | 1982.4 | 2993.4 |

*Exchange rate, 2009: 1 UA= 1.51 USD

Table A1.2: Projects by regional department

| Region | Number |
|---------------|---------------|
| Central | 10 |
| East | 26 |
| Multi-country | 6 |
| North | 14 |
| South | 29 |
| West | 41 |
| Total | 126 |

Table A1.3: Projects by fragile and non-fragile states

| Type of state | Number |
|----------------------|---------------|
| Fragile | 21 |
| Non-fragile | 99 |
| Total | 120 |

Table A1.4: Projects by instrument

| Instrument | Number |
|----------------------|---------------|
| Investment project | 92 |
| Policy-based loan | 17 |
| Technical assistance | 17 |
| Total | 126 |

Annex 2: Using evaluation to learn from experience

1 Chapter 3 of this report focused on one of the key functions of evaluation -- accountability for results. But accountability is insufficient without another key function of evaluation: the encouragement to learn from the lessons gained from experience. These two functions are intimately linked. Organizational learning is intended to improve performance in fulfilling accountabilities, while accountability measures provide an incentive for learning.²² Thus, Chapter 3 and this annex are complementary in helping us to have a holistic understanding as to what is really happening in Bank projects and how to improve the development impact of the Bank.

2 This chapter highlights the key lessons learned from a review of the 2008-09 cohort of evaluated projects, and provides some examples of good practice related to those lessons. It builds on a series of internal syntheses carried out by OPEV in the preparation of this report.²³ The chapter begins by laying out some of the problems with identifying lessons from evaluation.

a. Distinguishing lessons from findings, conclusions, and recommendations

3 Lessons need to be differentiated from other outputs of evaluation, such as findings, conclusions, and recommendations.²⁴ While the differences among these concepts may be clear in principle, in practice it often is difficult to maintain the distinctions. This is a likely explanation as to why, in Chapter 2, we found the extraction of lessons a weakness of the PCR process.

4 A lesson is a generalization from findings and conclusions based on one case or a set of cases to a broader universe of cases. Unlike findings and conclusions, lessons are not limited to the specific circumstances of the projects or programs that were evaluated, but rather address issues that transcend those particular projects or programs, and can comprehensively inform future actions. At the same time, unlike recommendations, lessons do not mandate that specific actions be taken in the future, but rather indicate what factors from past experience should be considered in forming future actions.

b. Lessons learned from the 2008-09 cohort

5 A number of lessons have been drawn from the 2008-09 cohort of reviewed projects. Many of these lessons cut across all or most sectoral areas, while some are more sector specific. In this report we focus on a limited number of frequently-observed lessons, rather than attempting a comprehensive recounting of the many lessons from the individual projects.

²² Development Assistance Committee, *Evaluation Feedback for Effective Learning and Accountability*, Paris: OECD, 2001, p. 17.

²³ These syntheses were prepared by A. Awale, H. Kamoun, L. Mourad, J. Ofori, and O. Ojo.

²⁴ See discussion in Annex 6.

Lessons across sectors

6 One lesson that recurs across a range of sectors is that *projects could be strengthened by investing more attention at the design stage to potential risks*. As we saw in Chapter 3, risk assessment is an area of weakness in about half of Bank projects. This lesson, therefore, has important implications for the performance of the Bank in producing satisfactory project outcomes, and by extension, development impacts. As a corollary, *lack of adequate preliminary studies may result in design flaws and subsequent implementation problems*. This lack of adequate preparation, through risk assessment and preliminary studies appears to be reflected in the frequent failure to provide prescribed identification and preparation documentation, as noted in Chapter 3.

7 Another common lesson is that *project implementation suffers where there are many complex Bank and country administrative procedures in place*. This complexity can take the form of multiple loci of project leadership and oversight, lack of harmonization of procedures among financiers and implementing organizations, or excessive conditions for effectiveness.

8 Finally, across all sectors, *project supervision is more effective when it is regular and carried out by teams with the proper skill mix*. A recurring theme in many projects is that lack of adequate supervision often leads to implementation problems and failure to meet objectives. Clearly, not all projects require the same frequency or intensity of supervision, but regularity of supervision appears to have positive benefits, especially when carried out by teams with a skill mix that matches the projects' objectives and socio-political and economic conditions.

Social sector lessons

9 Many other lessons are more applicable to some sectors than others.²⁵ In the social sector, one lesson is that *community participation is beneficial to project implementation*. Experience demonstrates that stakeholder consultation and involvement, — from project identification and preparation through implementation — reinforces community support, commitment and ownership. This has proven to be a key factor in project success, in both outcomes and sustainability.

10 Related to this, *a needs assessment can be a key to designing projects that address cross-cutting issues, including gender, social, economic, and environmental aspects*. Such an assessment can not only aid in developing project components, but also in identifying M&E indicators that are disaggregated to take account of gender and other issues, thereby allowing for estimates of differential impacts.

11 Third, *social sector projects with civil works or equipment components require mechanisms and systems to ensure adequate maintenance*. This is applicable to all sectors, but such issues are sometimes not sufficiently appreciated in the design and implementation of projects in the social sector.

Infrastructure sector lessons

²⁵ These lessons were derived from reviews of specific sectors. Some of these lessons may have broader applicability, however. For example, community participation may be beneficial in areas other than the social sector, but the sectoral reviews did not highlight this as a major lesson.

12 In the infrastructure sector, one important lesson is that the ...*insufficient evaluation of the capacity of the country and the executing agency to carry out the project, meet conditionalities, and achieve the national contribution has negative implications for project success.* Failure to take account of on-the-ground capacity means that the project status is likely “at risk” from the outset.

13 Another lesson for the sector is that *long delays in acquisition of goods and services threaten project outcomes.* While delays are often signs of trouble in all sectors, in infrastructure projects they frequently mean that labor and materials arrive at the wrong time or in the wrong sequence for successful completion of the project, raising costs and increasing the risk of unsatisfactory outcomes.

14 Thirdly, *infrastructure projects can benefit by exploiting opportunities to link with other projects in the same or related sectors within the country.* Infrastructure projects could often provide greater developmental impact if they were better coordinated with other projects in terms of physical construction, timing, and appropriate linkages. Frequently these potential benefits are lost because projects are designed and carried out within institutional stovepipes.

Agriculture sector lessons

15 In agriculture, a major lesson is that *lack of sufficient supervision and oversight contributes to a poor level of success in the sector.* This is consistent with the findings of the recent Bank-International Fund for Agricultural Development (IFAD) evaluation, which found a “lack of attention to rigorous portfolio management such as termination of non-performing projects before the closing date.”²⁶

16 A second lesson is that *lack of clear project objectives leads to less than satisfactory outcomes.* Projects in the sector frequently have objectives that are unclear or ambiguous, with implications for design and implementation that affect project performance negatively.

17 Finally, *greater attention to gender issues could improve project outcomes.* Women have an important role in the sector, but projects often fail to take adequate account of gender issues at the design and implementation stages. This contributes to the poor record of performance in the sector.

c. Success stories

18 Learning from experience also involves identifying examples of good practice that have led to successes. Sometimes these are referred to as “best practice” but that term can be misleading because normally not enough information is available to compare all practice to determine which is “best” and in any case the same practices may not be best in all circumstances.²⁷ Or to put it succinctly: “There is no single best practice and approaches need to be context specific.”²⁸ Hence, in this chapter we provide some case studies of success stories

²⁶ OPEV/OE, *Towards Purposeful Partnerships in African Agriculture*, 2010, p. 55.

²⁷ Michael Quinn Patton, “Evaluation, Knowledge Management, Best Practices, and High Quality Lessons Learned,” *American Journal of Evaluation*, 22(3), pp. 329-36.

²⁸ Operations Evaluation Department, “Learning Lessons,” Manila: Asian Development Bank, 2010.

as examples of good practice in achieving outcomes, in relation to Bank and Borrower performance, and M&E systems.

Outcomes: Mauritius Economic Reform Program

19 In 2005 the economy of Mauritius suffered three shocks: the erosion of trade preferences on the EU sugar market, which led to a 36 percent price reduction between 2006 and 2009; the phasing out of the Multi-fiber Agreement, resulting in a 33 percent decline in clothing exports; and rapidly-increasing oil prices that increased import costs by 4 percent. These shocks led to a drop in annual growth from 5 percent during 1980-2005 to 3 percent in 2005-07. In response, Mauritius adopted an ambitious reform program with four objectives:

- consolidating fiscal performance and improving public sector efficiency;
- enhancing trade competitiveness;
- improving the investment climate; and
- democratizing the economy through participation, social inclusion, and sustainability.

20 The Bank provided support for this reform program through a Development Budget Support Loan of USD 30 million, about 6 percent of total project costs. To help achieve fiscal consolidation, loan tranches were tied to legislation abolishing ministerial discretion over tax and duty exemptions, operationalization of a Revenue Authority to strengthen tax administration, and reduction of government spending as a percentage of GDP. Trade competitiveness was encouraged through a condition requiring stability in the macroeconomic environment, subsequent tariff reductions, and increased telecommunications capacity with reduced costs. The investment climate was to be improved through taking actions to facilitate private investment, increasing market flexibility, attracting skilled foreign workers, improving infrastructure, and ensuring environmental sustainability. Finally, economic democratization was to be promoted through improved education, transitional support for unemployed workers, provision of low-income housing, facilitation of growth in small and medium sized enterprises, and targeted cash transfer programs to replace government subsidies.

21 In response, the Government introduced a number of tax reforms and improvements in tax administration that were designed to stabilize revenue at not less than 19 percent of GDP. At the same time, expenditure was to be reduced by 0.5 percent of GDP each year during the program, and the deficit ratio was to be pared from an anticipated 6.2 percent in 2005-06 to 3.3 percent by 2008-09. Primary spending reductions were achieved in 2007-08, although the response to the global financial crisis prevented planned reductions in 2008-09. However, revenue targets were met, reaching 22.1 percent of GDP for 2008-09. The country improved its standing on the World Bank's measure of trade competitiveness, and private investment rose from 16.6 percent of GDP in 2006 to 20.4 percent by 2008. The number of students enrolled in tertiary education, both locally and overseas, grew from 29,000 in 2005 to 35,000 in 2007. More than 4,000 unemployed were trained and placed in jobs, and computer and internet training courses were made available to all citizens for little or no out-of-pocket cost.

22 The results for the economy were positive. The GDP growth rate increased from an average of 3.6 percent in 2005-06 to an average of 6.6 percent in 2007-08, before the global financial crisis hit. Meanwhile, the unemployment rate fell from 9.8 percent in 2005-06 to 8.2

percent in 2007-08, while Gross National Savings increased from 17.2 percent of GDP in 2005-06 to 21.1 percent in 2007-08. There was an increase in exports of goods and services by 3.5 percent in 2007 and by 2.6 percent in 2008. Although some of these gains were eroded by the economic crisis, the program was highly successful on its own terms.

Bank performance: Liberia Public Financial Reform Program

23 In 2008 the Bank approved its first budget support operation in Liberia. The program was designed to improve the Government's budget effectiveness through strengthened preparation, execution, reporting, and auditing. In addition, it was to sustain the country's food security strategy by reducing the import tax on rice and tariffs for agricultural inputs.

24 The program achieved most of its intended outcomes. Liberia's Doing Business Indicators ranking improved, and its Ibrahim Governance Index score saw the greatest increase than any African country between 2005 and 2008. A new public financial management law was adopted, and capacity for budget preparation increased. The major exception was a planned new computerized procurement and auditing system, which was affected by delays in a World Bank-supported local area network through no fault of the Bank or the Government.

25 The Bank's performance was a major contributor to these outcomes. The Bank set clear internal lines of responsibility. It worked with the Government to develop monitoring indicators drawn from a joint Government-donor policy reform matrix. Eligibility for budget support was based on comprehensive analytical work, and the Borrower's performance closely monitored by an International Monetary Fund (IMF)-led donor group. The task-manager worked closely with the IMF and the World Bank's country office in supervising the program, identifying necessary revisions, and expediting their approval. The supervision mission included not only the task-manager and country economist, but also the OSGE Manager, providing the necessary skills mix to ensure good supervision.

Borrower performance: Senegal Poverty Reduction Project

26 In 2001 the Bank approved a loan to Senegal to support its poverty reduction program. The Borrower used several good practice strategies to carry out the project, starting with a participatory management approach that enabled local populations to play an active role in the selection, financing, and construction of community projects. Project implementation entailed selection of a priority department in each of five project regions in which to concentrate most of the investments. This was intended to ensure that resources would achieve maximum effectiveness.

27 In addition, the project included a communication plan that provided high visibility to its achievements. This helped to mobilize public opinion on the poverty problem and social inclusion in the country.

28 These good practices inspired similar Bank-supported projects in other countries. These projects supported study trips to Senegal, which was able to share its learning from experience with other Borrowers. Eventually, these exchanges were formalized through the Sub-Regional Meeting on Poverty Reduction Projects in West Africa held in Dakar in July 2006, in which eight countries participated.

M&E systems: Mali Poverty Reduction Project

29 The Mali Poverty Reduction Project, approved in 2006, incorporated a successful M&E system designed to provide the project managers and other decision-makers with relevant, timely and reliable information to support decisions. The system incorporated three elements:

- monitoring of physical activities;
- monitoring of performance and project implementation; and
- impact assessment.

30 A baseline was established using two surveys, one qualitative, the other quantitative. The qualitative study provided an overview of the poverty situation in the project area by helping to define local indicators of poverty and development objectives. The quantitative survey helped to determine the basic socio-economic infrastructure, and the knowledge, attitudes and practices of the local populations with regard to child nutrition, reproductive health, hygiene, water management, environment and sanitation, women's rights, and girls' education. A mapping study was conducted as a test case toward developing a poverty map of Mali to help guide its poverty reduction strategy.

31 The M&E system was based on a participatory process. It brought together various stakeholders, including village development committees, the Fund Management Unit, intermediaries, field offices, and other implementing partners, such as the Communal Project Approvals Committee.

d. Conclusions

32 Learning is recognized as an important evaluation function, but the process of extracting useful lessons is not as easy as often supposed. To some degree, learning is better facilitated by examining groups of projects rather than individual operations, since patterns can emerge from comparisons across numerous cases.

33 Despite these limitations, some lessons did emerge from examination of the 2008-09 cohort of evaluated projects. While many are not new, they do reinforce prior work and suggest areas for improvement in future Bank operations. In particular, the need for increased attention to potential risks at the design stage, avoidance of complex Bank and country administrative procedures, and regular supervision by teams with the proper skills-mix, stand out.

34 Examples of good practice may help to show the way to implementing changes in response to some of these lessons. The Mauritius PCR, discussed in chapter 2, effectively told the story of the economic reform project in that country, providing lessons not only for similar programs but for improving PCRs, as well. The Liberia public financial reform case demonstrates specific Bank supervisory actions that can support successful implementation. The Senegal poverty reduction program is an outstanding example of how exceptional Borrower performance can not only lead to project or program success, but can also inform work in other countries addressing similar issues. The Mali poverty reduction project shows how good M&E can support actions that lead to successful outcomes.

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