

Chapter 1

JBIC's Evaluation of ODA Loan Projects

1. Project Evaluation in the Context of Project Cycle

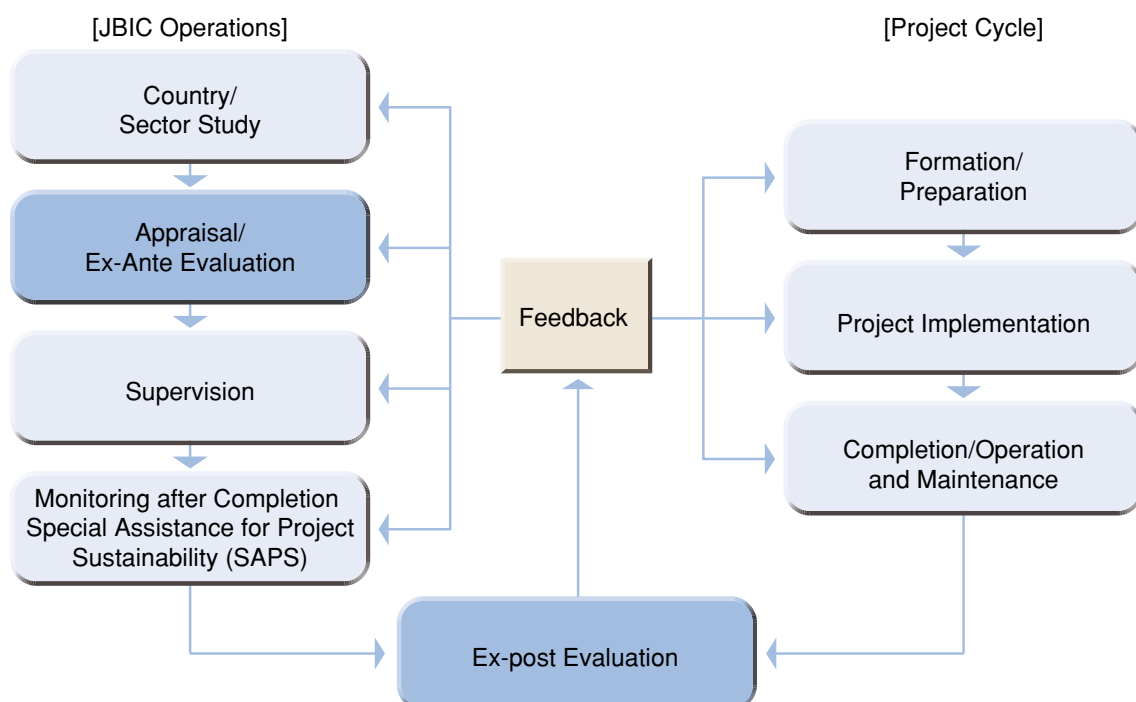
(1) Flow of Development Projects and Evaluation

Japan's economic cooperation takes many forms. As part of its Overseas Economic Cooperation Operations, Japan Bank for International Cooperation (JBIC) has implemented Japan's Official Development Assistance (ODA) loan operations for developing countries and has supported a large number of projects, primarily those aimed at developing economic and social infrastructure in developing countries.

The flow of ODA loan operations is shown in the following chart. The process leading to provision of an ODA loan starts with a detailed appraisal/ex-ante evaluation, on the basis of a request by a developing country, to determine whether or not

the proposed project is a suitable subject for an ODA loan. The appraisal/ex-ante evaluation is multi-faceted in approach, covering the project's necessity, urgency, and operations and maintenance, and so on. Once a project is approved, implementation begins according to the terms of the loan agreement signed by JBIC and the country involved subsequent to the Exchange of Notes (E/N) between the Japanese government and the government of the counterpart country. Project construction is launched following international competitive bidding and contract procedures once the final decisions on the detailed design stage have been made. Construction usually requires a period of a few years for completion. Ex-post evaluation is carried out for completed projects.

Project Cycle and Ex-post evaluation



(2) Appraisal and Ex-Ante Evaluation

Since fiscal 2001, ex-ante evaluation has been introduced as an additional component of ODA operations with the objective of fostering an integrated evaluation system spanning the stages of appraisal through ex-post evaluation. Ex-ante evaluation is carried out based on investigative review of a candidate project, and the result is published as the “Ex-Ante Evaluation Report” immediately following the conclusion of the loan contract.

The contents of the ex-ante evaluation report are as shown below. In addition to actual JBIC project appraisal data, it encompasses project objectives, which form the basis for evaluation following the project selection phase, lessons learned from similar projects conducted in the past, future evaluation plans, and so on.

Ex-ante Evaluation Report Format

Necessity and Relevance of JBIC Assistance
Project Objectives
Project Description (Overview, Schedule, Consideration of Environmental and Social Aspects)
Target of the Project (Operation and Effect Indicators, Internal Rate of Return (IRR))
Risk of External Factors
Lessons Learned from Findings on Similar Projects Conducted in the Past
Future Plans of Ex-post Evaluation

(3) Ex-Post Evaluation and Monitoring after Completion

Ex-post evaluation involves a review of the entire process of completed projects, from appraisal through implementation, operation and maintenance. Project outcome is compared to the original plans, effect and impact are assessed, and any areas in need of improvement and lessons that should be learned for future projects are identified. JBIC is also working to ensure that lessons learned from ex-post evaluations are provided as feedback to JBIC personnel and the governments/executing agencies of the countries concerned. It is hoped that such feedback will be utilized by JBIC in project implementation strategy and formulation (both by country and by sector), appraisal, supervision, and so on and, on the side of the developing coun-

tries, that it is employed in general development planning as well as in formulation, implementation, and operations of individual projects. As is the case with ex-ante evaluation reports, ex-post evaluation findings are published as reports in order to promote greater transparency and accountability of ODA operations.

(<http://www.jbic.go.jp/english/oec/post/index.php>)

Some projects, on the other hand, require long periods of time before their effects manifest. Accordingly, an ongoing follow-up for a predetermined period after project completion is required to observe any effects and assess whether or not they are sustainable. For projects that require further work, to maintain or simply to enhance project effect, JBIC endeavors to pursue the possibility of additional assistance, while still placing priority on the developing country's own efforts. This type of post-completion follow-up is generally termed “Monitoring after Completion.”

As part of its monitoring-after-completion work, JBIC conducts investigations to track the status of completed projects. It also utilizes Special Assistance for Project Sustainability (SAPS), which supports the formulation of improvement strategies following project completion. JBIC also endeavors to maintain and extend project impact, working in conjunction with the Japanese government, which disburses grant aid for rehabilitation, and with the Japan International Cooperation Agency (JICA), which provides technical assistance.

Special Assistance for Project Sustainability (SAPS)

JBIC funds field studies for assistance in the formulation of projects eligible for ODA, and in countermeasures for problems encountered during the implementation phase as well as post-completion operation and maintenance. Such studies are conducted through assistance programs collectively known as Special Assistance Facility (SAF), comprised of Special Assistance for Project Formation (SAPROF), Special Assistance for Project Implementation (SAPI) and Special Assistance for Project Sustainability (SAPS).

Among these different programs, SAPS is concerned with completed projects. Based on ex-post evaluation and other sources, it is designed to provide assistance in the form of specific solutions, through detailed field studies, when there exists a problem that impairs project operations or management from the perspective of sustainability and where the situation is deemed sufficiently urgent.

Grant Aid for Rehabilitation

When changing circumstances affect a completed project, necessitating additional funding, grant aid for rehabilitation can be provided as grant-type financial assistance in cases where it would be complicated to use an ODA loan for reasons such as urgency, profitability, or scale. The integration of grant aid for rehabilitation with ODA loans was introduced in fiscal 1998. It is implemented in close cooperation with JICA and the Ministry of Foreign Affairs.

2. Criteria Considered in Ex-Post Evaluation

Ex-post evaluation carried out by JBIC is based on the five evaluation criteria agreed upon in 1991 by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). The criteria apply to all donor countries, and its essential contents are described below.

DAC Evaluation Criteria

1. Relevance

Relevance of project objectives at the evaluation stage

Examines whether project objectives and planning have remained relevant, taking into consideration changes in both project background and presumed conditions. If there was any major change in the project scope, the project is examined to determine whether any significant deviation from the original objectives has occurred.

2. Efficiency

Efficiency with which the resources input to the project led to the project's output

The efficiency of the project is analyzed, in regard to project scope, implementation schedule and project cost, judging from such points as comparison between planned/actual figures, any problems that may have arisen, relevance of any countermeasures taken, and notable factors leading to the success of the project.

3. Effectiveness

Degree to which project objectives have been realized

Pre- and post-implementation status, including planned/actual figures, are compared as quantitatively and objectively as possible. Here, indicators designed to assess the success of operations/efficiency, as well as internal rates of return (IRR)¹, and so on, are employed to ascertain the degree to which goals have been attained.

4. Impact

Direct and indirect impact on macro-economic, social, and environmental aspects

Examines whether the ultimate goal of the project has been realized, and assesses the project's social impact on the people residing in the vicinity of the project site and on the environment.

5. Sustainability

Sustainability of effects of the project over the medium and long term

Analyzes whether or not the maintenance system is adequate and is properly implemented, examines whether effects of the project can be expected to continue over the medium and long term, and the question of what countermeasures are required to solve any problems is considered.

3. Types of Ex-Post Evaluation and Implementation Structure

(1) Types of Ex-Post Evaluation

Ex-post evaluation of ODA loan projects can be roughly divided into the two categories of "project evaluation" and "program evaluation." The former is based on the five DAC criteria, while the latter is theme-based or entails comprehensive evaluation of the impact of multiple projects — extending beyond the scope of individual projects.

Program evaluation is meant to emphasize, as far as possible, objective and qualitative analysis of the efficacy of projects, measured in terms of the extent to which the ODA goals of economic growth and alleviation of poverty in the regions and sectors concerned are achieved. In fiscal 2002, for the purpose of analyzing by country and by sector, JBIC reviewed findings from past ex-post evaluations of projects for three major countries and one primary sector, compiling lessons learned from them and possible solution proposals in the form of a meta analysis by country and by sector.

¹ Internal Rate of Return (IRR): One of the indices of profitability, which is the discount rate required to make the present value of the project's benefits equal to the present value of its costs. In the case of ex-post evaluations, it is the cost (achievements) required for the project's implementation and the profits (projections based on achievements of several years after start of operation) obtained for the entire period of the project's operation (project life). There are two types of IRR: the economic internal rate of return (EIRR), which measures social benefit of the project from the viewpoint of the national economy, and the financial internal rate of return (FIRR) that measures profitability of individual projects. In other words, it is the IRR obtained based on the profits of the project's executing agency. However, in many cases qualitative aspects that cannot be quantified are also involved. Moreover, in some cases, it may be difficult to obtain the rate of returns due to the nature of the project, for instance in the case of social development projects, medical care projects, education projects, environmental projects, etc., and in such cases, the rate of return is not calculated.

Moreover, among the program evaluations that have been implemented from previous years, in regard to “theme-based evaluation,” in fiscal 2002, it was assigned to both international and domestic researchers, and four evaluations were implemented. Keeping in mind the seven themes emphasized under the Medium-Term Strategy for Overseas Economic Cooperation Operations (1) strengthening support for poverty reduction, 2) developing infrastructure for economic growth, 3) supporting environmental improvement and antipollution measures, 4) addressing global issues, 5) supporting human resource development, 6) supporting the dissemination of Information Technology in developing countries, 7) supporting provincial development), and taking into consideration factors such as the public’s interest in ODA and approaches to evaluation taken by related domestic and international agencies, JBIC endeavors to select themes that offer broader-based lessons and potential solutions for future projects as well as suggestions applicable to the Medium-Term Strategy.

(2) Evaluation Implementation Structure

JBIC carries out ex-post evaluation based on field studies conducted by the Development Assistance Operations Evaluation Office, Project Development Department, for each project in question, and on information obtained from the government and executing agency — as well as research institutes and other entities — of the country concerned. This process is carried out in coordination with the JBIC departments handling the ODA project appraisal and interim monitoring and with JBIC’s representative office in the country of the project. Information is obtained, including at the local level, for example through research by external experts including consultants. JBIC is thus striving to provide direct and effective feedback, to be applied to the appraisal and monitoring stages, in the form of lessons derived from completed projects by means of the process of ex-post evaluation. Moreover, in order to ensure objectivity and neutrality of ex-post evaluations, JBIC commissions experts from developing countries’ universities and research institutes to analyze and publishes their comments, as “third-party opinions,” alongside JBIC’s findings.

On the other hand, among the selected issues and themes of JBIC, in regards to the theme-based evaluation that requires a high level of specialist knowledge, JBIC is actively commissioning “third-

party evaluation,” which assigns specialists who are familiar in their particular fields, research organizations, and NGO’s etc. from Japan, the borrowing country or other countries.

As it is important to maintain the neutrality and objectivity of the evaluation process, third-party evaluation findings will, in principle, be presented as the third-party evaluator’s conclusion. If there is a difference of opinion between the evaluator and JBIC, JBIC’s view will be reported alongside that of the evaluator where required.