

# EFFORTS TO IMPROVE THE RATING SYSTEM

## Trial of a new rating system (25 criteria evaluation method), towards system improvement

### 1. Background and Goals

Three years have passed since the full scale introduction of the rating system in FY2004, and the necessity has arisen to evaluate the rating system itself. Thus in FY2006, results of ratings and their reasons (Table 1), and project characteristics were examined for 324 ex-post evaluations, and characteristics and trends of current ratings were analyzed. The results show that in the current rating system, (1) there is still room to improve arbitrariness, and there is a need to introduce even clearer evaluation criteria, (2) there are differences in the overall rating results when using the scoring method compared to the current method, i.e. the flow chart method (below, "conflicting rating results"). Thus from FY2007, to improve the current evaluation system, JBIC will conduct trials

of a new rating system, the 25 criteria evaluation method (described below), and analyze its results.

**Table 1: Distribution of Ratings of Evaluated Projects**

	Relevance	Effectiveness	Efficiency	(Period)	(Costs)	Sustainability	Overall
a	300 92.6%	231 71.3%	42 13.0%	52 16.1%	235 77.0%	151 46.7%	110 34.2%
b	23 7.1%	79 24.4%	227 70.3%	107 33.2%	57 18.7%	146 45.2%	120 37.3%
c	1 0.3%	14 4.3%	54 16.7%	163 50.6%	13 4.3%	26 8.0%	56 17.4%
d	-	-	-	-	-	-	36 11.2%
NA	0	0	1	2	19	1	2

### 2. Concept of 25 criteria evaluation method

In the 25 criteria evaluation method, the five DAC evaluation criteria are broken down to further clarify its criteria. To address conflicting rating results, the current flow chart rating method is replaced with a scoring method. In addition, the 25 evaluation criteria are also classified into "system and policy," "project," "organization," and "evaluation," to clarify aspects for improvement. These improvements enable more objective and accurate ratings, and derive tangible lessons learned and recommendations, which will lead to project improvements.

### 3. Breakdown of the Five DAC Evaluation Criteria

Based on past ex-post evaluation results, the five DAC criteria were examined as to how they could be further broken down. As a result, 25 criteria were proposed (Table 4).

#### a. Relevance

In the analysis of FY2006, the majority (about 93%) of the 324 projects were rated "a" for relevance. Thus, the effectiveness and objectivity of the current criteria for "relevance" was questioned. To establish clearer criteria, the following were added to the new method: "clear project outline and objectives," "quality of feasibility study," "appropriate division of roles with other donors," "appropriate division and coordination with other domestic projects," etc.

#### b. Effectiveness

The majority (about 54%) of the evaluated projects did not show quantitative achievement compared to the target. This means that indicators had been unclear or inappropriate. In addition, it became clear that the achievement of output is not sufficiently reflected in evaluations of effectiveness. Thus the following were added in the new method: "achievement of outputs," "quality of data," and "clarity and appropriateness of indicators and target figures."

#### c. Impact

In the current system, impact is rated together with effectiveness and there are no clear guidelines regarding how to reflect its evaluation in the overall rating. The following criteria were added in the new method: "impact on beneficiaries," "impact on the natural environment," and "involuntary resettlement and land acquisition." This clarified the contributions of impact to the overall rating.

#### d. Efficiency

In the current rating system, the majority (50.6%) of efficiency (period) ratings were "c," and it was confirmed that half (55.4%) of the reasons were due to "problems in the implementation process," mainly "procurement delays." It also became clear that the reason for delay followed a certain trend in different stages, "procurement," "project implementation," "termination." Thus, it was pointed out that more detailed analysis of each of those stages, could derive more useful lessons learned and recommendations. In the new method, analysis of efficiency (period) was further broken down into the stages of "procurement," "project implementation," and "termination."

**Table 2: Analysis of Reasons for Delays (Efficiency "Duration")**

Classification (Number of projects, % of all projects)	Cause	Number (% of all projects)
Change of plan (111 projects, 18.9%)	Revision or change of plan	99 (16.8%)
	Revision or change of plan (extension of loan period)	12 (2.0%)
Problem in the implementation (326 projects, 55.4%)	Procurement delay	128 (21.8%)
	Land acquisition delay	44 (7.5%)
	Construction delay	62 (10.5%)
	Crisis, repair, adjustment	10 (1.7%)
	Contractor's performance and financial difficulties	12 (2.0%)
Problem of the aid recipient government or executing agency (54 projects, 9.2%)	Delays in procedures, negotiations, or coordination	70 (11.9%)
	Problems securing the budget (of the aid recipient country's government)	43 (7.3%)
Other unexpected situation (77 projects, 13.1%)	Organization of the executing agency	11 (1.9%)
	Natural disaster	36 (6.1%)
	Currency crisis	11 (1.9%)
	Change in policy or administration, unstable government, decrease in public safety	25 (4.3%)
No reason (20 projects, 3.4%)	Unexpected change in geographical conditions, etc.	5 (0.9%)
	No reason	20 (3.4%)

#### e. Sustainability

Under the current flow chart rating method, since sustainability, which is at the end of the chart, does not have clear evaluation criteria, it was pointed out that there is room for arbitrary evaluations. For example, when the rating results were sorted into (1) organizational, (2) technical, (3) financial aspects, or (4) the operation and maintenance situation of the outputs, the results of the rating for sustainability ranged from “a” to “c” even when there was a problem in only one of the four criteria. In the new method, the following criteria were added: “organizational structure,” “technical and human resources,” “financial standings,” “operation and maintenance of the outputs,” etc. This aims at more quantitative evaluations. Also, in many of the projects where the sustainability was rated low, the causes were external risks, such as unstable governance of the recipient country. In the new method, criteria were added to address these risks.

**Table 3: Detailed Analysis of Relationship between Sustainability and Ratings**

Classification (how many of the 4 classifications* had problems?)	Number of projects	Rating		
		a	b	c
Problem pointed out in 1 place	80	26	47	7
		32.5%	58.8%	8.8%
Problem pointed out in 2 places	44	6	29	9
		13.6%	65.9%	20.5%
Problem pointed out in 3 places	22	3	12	7
		13.6%	54.6%	31.8%
Problem pointed out in all 4 places	10	0	7	3
		0.0%	70.0%	30.0%

\*The 4 classifications are: “organizational structure,” “technical and human resources,” “financial standings,” “operation and maintenance of the outputs.”

**Table 4: Evaluation Criteria in the New 25 Criteria Evaluation Method**

Criteria Classification	Evaluation Criteria	Corresponding 5 DAC Criteria
System & Policy	1. Is it consistent with development issues?	(Relevance)
	2. Is the division of roles with other donors appropriate?	(Relevance)
	3. Is there proper division of roles and coordination with other domestic projects?	(Relevance)
Project	4. Are the project outline and objectives clear?	(Relevance)
	5. Does the feasibility study meet desired levels of content and quality?	(Relevance)
	6. Does the project contribute to achieving MDGs?	(Relevance)
	7. Were risks properly assessed?	(Effectiveness)
	8. Did the level of outputs achieved reach targets?	(Effectiveness)
	9. Did the effect indicators reach target levels?	(Effectiveness)
	10. Was involuntary resettlement and land acquisition implemented smoothly and properly?	(Effectiveness)
	11. Were there negative impacts on the natural environment?	(Effectiveness)
	12. Did the project have impact on the targeted beneficiaries?	(Effectiveness)
	13. Did delays arise due to budget allocation of the aid recipient government?	(Efficiency)
	14. Did delays arise due to consultant employment?	(Efficiency)
	15. Did delays arise due to procurement or construction?	(Efficiency)
	16. Was project cost within planned levels?	(Efficiency)
	17. Is net present value above planned levels?	(Efficiency)
	18. Are there external risks which will affect project sustainability?	(Efficiency)
Organization	19. Were there any governance issues of the aid recipient government?	(Relevance)
	20. Are the outputs well managed and/or operated?	(Sustainability)
	21. Is the operation and maintenance organization securely established?	(Sustainability)
	22. Are adequate technology and human resources secured for operation and maintenance?	(Sustainability)
	23. Are adequate funds secured for operation and maintenance?	(Sustainability)
Evaluation	24. Were indicators and target figures clearly determined and appropriate?	(Relevance)
	25. Is the data monitored appropriately in terms of content and quality?	(Effectiveness, relevance)

## 4. Trial of scoring method

It was confirmed that overall ratings had conflicting results when using both the current flow chart method and the scoring method. In the 25 criteria evaluation method, overall rating

is determined by totaling the scores for each of the criteria. In the future analysis, overall ratings obtained from both methods will be compared, in order to improve the rating system.

## 5. Summary

In an effort to improve the rating system, trials of the new method are being conducted. To put to practical use, further investigation is needed on detailed evaluation criteria, points

to be allocated for each of the criteria, and development of the evaluation techniques. It is our aim to develop a better evaluation system to “evaluate good projects as good projects.”