

POST-EVALUATION REPORT
FOR
OECD LOAN PROJECTS 1998

March 1999

Research Institute of Development Assistance

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FOR OECF LOAN PROJECTS
1998**

The Overseas Economic Cooperation Fund, Japan

Introduction

The Overseas Economic Cooperation Fund (OECF) is responsible for dispensing Japan's bilateral governmental loans (ODA loans), among Japan's Official Development Assistance (ODA), to support a wide range of development projects and other endeavors in developing countries. In the course of its operations, OECF has expanded the scale of its financing operations to meet the needs of developing countries, while emphasizing the importance of following-up the development projects it finances, in the form of post-monitoring and post-evaluation. The main purpose of the post-evaluation activities is the utilization of experiences and lessons learned from past projects in future projects. They have become an indispensable element for the efficient and effective implementation of ODA loans, and their importance is still growing.

The system for post-evaluation activities of OECF has been built up gradually since 1981, and since 1993, when the Research Institute of Development Assistance (RIDA) was established, the Post-Evaluation Group of RIDA has been in charge of the activities. RIDA's post-evaluations go beyond study of the effects of individual projects. It aims to use the accumulated evaluation records and experience gained through diverse projects to enable high-quality development aid that yields lasting benefits. Evaluations, which include the state of policies in each sector and the systemic aspects of executing agencies in developing countries, are comprehensive endeavors that cover a wide range of development-related issues.

Post-evaluation results are used as feedback both inside and outside OECF, and efforts are made to ensure that evaluation results are efficiently used. In particular, to ensure that ODA LOAN projects are effectively and efficiently implemented, care is taken to share evaluation results with the recipient side (governments of the recipient countries and executing agencies) from the viewpoint that it is essential to raise their capabilities. For example, with regard to projects for which detailed evaluations have been performed, reports are translated into English on a project by project basis and provided to the governments and executing agencies of the developing countries concerned, and for some projects, feedback seminars are also organized in their countries.

"Post-Evaluation Reports for ODA Loan Projects" consists of the results of post-evaluation of ODA-projects as described above. They aim to deepen understanding of ODA loans, and serve as reference materials for the efficient and effective implementation of future development aid. To this end, the reports have been published annually since 1991, with this being the eighth. This report covers all reports of evaluations conducted in fiscal 1997, and also includes extracts from research papers on given themes that were prepared concurrently with some of the evaluations, and introduces some of RIDA's research results.

I would like to take this opportunity to thank all those who have given their support to OECF's research activities, and to ask to give us the benefit of their wisdom and opinions so that we can continue to produce high-quality research.

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Post-Evaluation by OECF

1. Purpose of Post-Evaluation

Japan's economic assistance takes many forms. The Overseas Economic Cooperation Fund (OECF) is the sole development assistance executing agency which provides loan aid (ODA loans) to developing countries. To date, OECF has assisted large numbers of projects in developing countries, primarily for infrastructure improvement, by providing ODA loans. In addition to the provision of loans, OECF aims to enhance the quality of aid to developing countries by conducting its own post-evaluation of projects which have been completed using ODA loans. Post evaluation compares the implementation, operations and maintenance of projects against the initial plans to discover how the project was conducted, whether it has yielded the anticipated benefits, and other aspects to test the project retrospectively. The primary objective of this inspection work is to gain an understanding both of the factors behind the successes of each project in implementation, operations and maintenance and effects, and of the problems faced. From this understanding, we can draw lessons which will feed back to assist us in the formation, appraisal, implementation and post-monitoring of new projects. These lessons will enhance the effects of our aid to developing countries in the future.

In some cases, the results of post-evaluation may show that a project requires efforts to improve its operation after completion. In such cases OECF goes on to provide the borrowing country with suitable advice on steps which should be taken to improve the situation.

2. Post-Evaluation Work of OECF

OECF began conducting post-evaluations in 1975. As a result of the increasing number of projects completed with ODA loans a special section was established in 1981 to deal with the post-evaluation work. Through reorganizations conducted in the past, post-evaluation work is currently carried out by the Post-Evaluation Group of Research Institute of Development Assistance (RIDA). In October 1993, OECF established RIDA to step up its investigative and research activities in order to enhance the quality of aid to developing countries and make it more effective. RIDA comprises four groups, namely; Development Assistance Studies Group, Macroeconomic Studies Group, Sector Studies Group and Post-Evaluation Group. Continuing efforts over the years to build up experience in post-evaluation and establish evaluation methods have resulted in nearly 370 post-evaluation reports at the end of fiscal 1997.

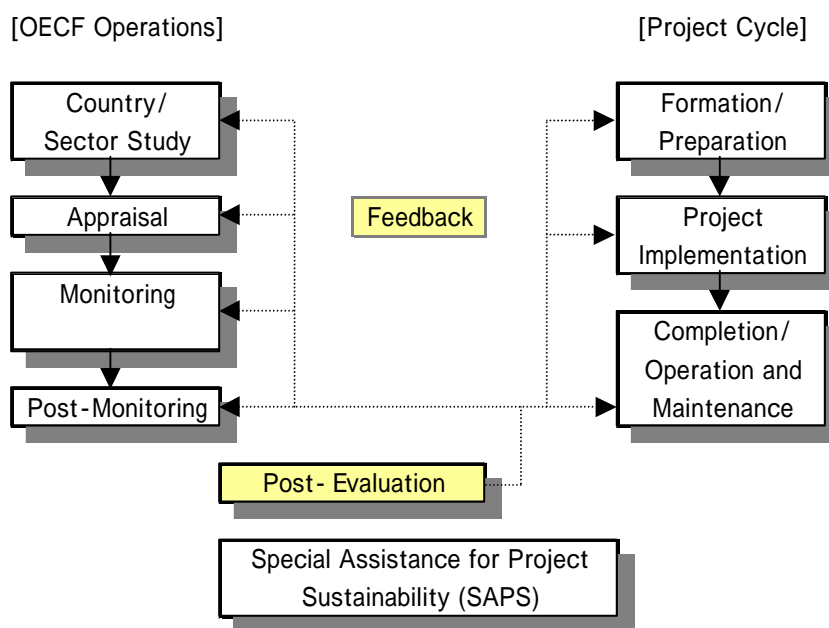
OECF also tries to publish the results of its post-evaluation studies, to raise public understanding of post-evaluation work. A report which summarizes the findings is published annually. At the same time the results of major evaluations are disclosed through the medium of OECF Annual Report.

3. Post-Evaluation in the Context of the Project Cycle

3.1 Flow of Development Projects and Post-Evaluation

The flow of projects subject to ODA loans from OECF is shown in the chart below. The process leading to the provision of an ODA loan starts with a detailed appraisal to determine whether the proposed project is a suitable subject for an ODA loan. The appraisal is multi-faceted in approach, covering the project's necessity, suitability and urgency. Appraisal is also made of a project's implementation, operations, maintenance and effects. Project implementation begins if OECF decides, as a result of the appraisal, to provide the loan and the project is completed after a certain period of time. Post-evaluations will be performed for completed projects.

【Figure 1-1 Project Cycle and Post-Evaluation】



3.2 Post-monitoring and post-evaluation

Post-evaluation covers the project's progress through implementation to completion, its operations and maintenance for a certain period after completion, and its effects. However, some projects require long periods of time before their effects are manifested, accordingly ongoing follow-ups at regular intervals are required to observe the effects and whether or not they are sustainable. Where post-evaluation and investigations of projects' operational status reveal points which require improvement, the possibility of providing additional assistance should be considered, provided the developing country handles the situation to the best of its abilities.

The above mentioned examination of operations and maintenance conditions, and additional assistance provided should the need arise, is termed "post-monitoring". The aim of post-monitoring is to grasp the status of operation and maintenance of a project after its completion, and to maintain or enhance its benefits by considering suitable measures when a necessary improvement is observed. OECF performs Completed Project Follow-up Service and Special Assistance for Project Sustainability as post-monitoring work. The latter type of work is usually implemented in the light of the findings of post-evaluation.

(1) Completed Project Follow-up Survey

Completed Project follow-up Surveys mainly concentrate on the operations and maintenance status of completed projects. As a rule, in order to carry on continuous monitoring, surveys are implemented three years and seven years after project completion. OECF started this survey in 1989 and expanded to include field surveys in 1990 in an ongoing effort to improve the accuracy of knowledge of the operations and maintenance status of projects.

(2) Special Assistance for Project Sustainability (SAPS)

Where the results of post-evaluation have clearly shown the existence of a problem which impairs the function of a project or prevents its improvement, Special Assistance for Project Sustainability begins with a detailed field survey, followed by proposals of specific solutions or improvements. The operations and maintenance of completed projects is the responsibility of the developing country concerned, but if the results of post-evaluation of a specific project indicate the necessity of some improvement measures and the developing country requests assistance with the implementation of such measures, they will be implemented following consideration of the necessity and urgency of the improvements.

4. Types of Post-Evaluation

The post-evaluation conducted by OECF can be classified as follows, according to the content and form of evaluation.

(1) Detailed Evaluation

An evaluation mission is dispatched to the project area to conduct the survey. The composition of the mission includes OECF staff with additional outside experts who are knowledgeable in the specialist fields concerned. The participation of outside experts makes the evaluation more objective and highly specialized. A variation of the Detailed Evaluation is the "Impact Survey", which comprehensively evaluates the total impact of a number of projects in a certain region or sector. Another variation is the "Joint Evaluation", a field survey conducted together with other aid agencies, and the appropriate evaluation method is selected to suit the circumstances.

(2) Desk Evaluation

Ideally, missions would be dispatched to the field to evaluate every project which requires post-evaluation, but the large number of projects makes this impossible in practice. Therefore the evaluation of some projects is conducted in Japan, in what is termed "Desk Evaluation". Desk Evaluation suffers from the fact that the volume of information obtained is rather limited compared to that for a Detailed Evaluation. However, OECF makes the maximum use of the documentary information obtained from the executing agency in the counterpart country and other sources of information, in order to enhance the quality of evaluation. Recently the OECF has tried to conduct field surveys as part of Desk Evaluation, if possible.

(3) Evaluation by representative offices

The local representative office of OECF gathers information and makes field surveys for the evaluation. The participation of local specialists and research organizations may be requested as needed.

(4) Third-party Evaluation

Third-party Evaluations are independent evaluations performed by experts (organizations) outside OECF. They are carried out through field surveys. The aim of obtaining Third-party Evaluations is to achieve a diversity of viewpoints in evaluations by making use of the knowledge and specialties of experts.

5. Selection of Projects for Post-Evaluation

Evaluation subjects are chosen from among projects with consideration for balance between regions, countries and sectors. The allocation of selected projects among Detailed, Desk, Representative office evaluations as well as the Third-party Evaluation is based on the relevance of each project to research themes, and the potential for drawing valuable lessons from the field survey.

6. Points to be Considered in Post-Evaluation

OECF evaluation compares the implementation and operation of the project with the original plan, and aims to confirm retrospectively whether or not the project is yielding the anticipated benefits. The main specific factors which are examined are listed below.

Among these evaluation items, the study of whether the executing agency has secured sufficient resources to implement and maintain the project (financial capability) (vi) and calculation of whether a project generates sufficient revenues to cover costs (internal rate of return) (vii) have been newly addressed since the latest reports (reports of post-evaluations conducted during fiscal 1997).

(i) Project scope:

The planned content of the project and the actual results are compared. If there are changes, the reasons for the changes and the validity of changes of contents are analyzed and evaluated.

(ii) Implementation schedule:

The dates of starting and completion of construction and the duration are compared between the plan and the actual results. If there are delays, the causes and countermeasures attempted are analyzed and evaluated.

(iii) Project cost:

Planned and actual costs are compared by items of expenditure. If there are differences, they are analyzed and evaluated.

(iv) Project implementation scheme:

The system adopted by the developing country's executing agency, the role of consultants, the forms of contracts with consultants and other aspects are analyzed and evaluated to gauge their impact on the project implementation.

(v) Operation and maintenance scheme:

The appropriateness of the operation and maintenance scheme is analyzed and evaluated from the aspect of securing sustainability of the project.

(vi) Operation and maintenance:

Data illustrating the current operating status (e.g. work rate, production volume etc.) is analyzed and evaluated by comparing the recorded results with the original plan. The operation and maintenance situation are also evaluated. Furthermore, if the managing body employs a self-supporting accounting system, additional study of its financial capability will be performed as needed¹.

(vii) Project effects and impacts:

The socio-economic effects of the project are analyzed and evaluated on the basis of (vi) Operations and maintenance above. Moreover, the internal rate of return (IRR)² is obtained in some cases for that project effects and impacts can be quantifiable.

¹ If, as the result of analyses and evaluations, insufficiencies in the financial or management capabilities are suspected, OECF may provide support to raise these capabilities through SAPS (described above). If the executing agency or managing body of the project is a government office, its operating costs normally depend in their entirety on the national budget, so that they are not the subject of financial analysis.

² Internal rate of return (IRR): One of the indices of profitability, which is the discount rate to make the present value of the project's benefits equal to the present value of its costs. In the case of post-evaluations, 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) that 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 FIRR obtained based on the profits of the project's executing agency. They are used with distinct meanings depending on the nature of the project (depending on the project, it may also be possible to obtain both).

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 based on the nature of the project, (for instance in social development projects, medical care projects, education projects, environmental projects, etc.), and in such cases, the rate of return is not calculated.