

## Role of the Yen Loan Evaluation Expert Committee\*

The Yen Loan Evaluation Expert Committee was established in 2002 with the aim of improving projects by providing a more robust evaluation system and enhancing the objectivity of evaluation results. This is accomplished by in-house members and external experts who assess the evaluation policies, procedures, system, and results for development projects. The committee comprises 19 members, including external experts (see below), and is chaired

by the Executive Director of JBIC. The committee members study a variety of issues such as the evaluation system, evaluation organization, evaluation procedures, feedback, public relations, and improving evaluation capacities. Based on issues that the committee has discussed, JBIC strives to improve its evaluation system. A summary of proceedings can be found on the JBIC website at <http://www.jbic.go.jp/japanese/oec/feedback/index.php>.

\*The name of the committee was changed in FY2006. Previously it was known as the Ex-Post Evaluation of ODA Loan Project Feedback Committee.

### Panel of Yen Loan Evaluation Expert Committee (as of December 2006)

Name	Office	Profile
Kiyoko Ikegami	Director, United Nations Population Fund (UNFPA), Tokyo Office	Previously employed by the Office of the United Nations High Commissioner for Refugees (UNHCR), UN headquarters in New York, the Japanese Organization for International Cooperation in Family Planning (JOICFP), and the International Planned Parenthood Federation (IPPF). Took up her present post in September 2002. Is also a member of the ODA Evaluation Experts Panel at the Ministry of Foreign Affairs.
Eietsu Imamatsu	Editorial Writer, Editorial Office, the Mainichi Newspapers	Following stints at the editorial office business news department Tokyo HQ, the editorial office business news department Osaka HQ, and as editorial director at the Tokyo HQ of Mainichi Newspapers, has worked as an editorial writer in editorial office since April 2000. He is currently a provisional member of the Financial System Council and the Fiscal System Council.
Yasuyuki Sawada	Associate Professor, Faculty of Economics, the University of Tokyo	After working as an assistant professor in international social sciences at the Tokyo University Graduate School of Arts and Sciences, and as assistant guest professor at the National Graduate Institute for Policy Studies, has held his current position since April 2002. Also works as a member of the editorial staff for the <i>Asian Economic Journal</i> .
Kiyotaka Takahashi	Research & Policy Manager, Japan International Volunteer Center / Associate Professor, Faculty of Human and Social Studies, Keisen University	After working at Daiichi Iryo Shisetsu Consultants, serving as a researcher within the Oxford University Refugee Research Institute, and as a part-time lecturer at the School of Law, Waseda University, has held current position since August 1995. Serves on the committee to revise JICA guidelines for environmental and social considerations.
Hidekazu Tanaka	General Manager, Department of International Studies, International Business Division, Mitsubishi UFJ Research and Consulting Co., Ltd.	After a stint at the Engineering and Consulting Firms Association, has held his current position since July 2005. As a JICA long-term expert, has been on long-term dispatch to Indonesia Investment Coordinating Board (BAPPENAS), etc.
Kanji Hayashi	Manager, Asia Group, International Cooperation Group, International Economic Affairs Bureau II, Nippon Keidanren	Has worked at Nippon Keidanren in their Economic Cooperation Department, Asian Department, International Cooperation Group, and Social Affairs bureau. Has held his current position since June 2006.
Kazunori Miura	Director, Office of Evaluation, Planning and Coordination Department, Japan International Cooperation Agency (JICA)	After a stint at JICA's Medical Cooperation and Grant Aid Management Departments, and following another post at the Grant Aid Cooperation Office of the Ministry of Foreign Affairs, Economic Cooperation Bureau, has held his current position since August 2006.
Ikuo Mitake	Assistant Manager, Nishiya Water Purification Plant, Waterworks Bureau, City of Yokohama	Came to his current position in April 2005 after working at the Yokohama Water Bureau as a coordinator for inviting the World Congress of International Water Association. Has also served as special member for the Yokohama Water Bureau's Committee on International Cooperation. Has worked on JBIC Special Assistance for Project Implementation (SAPI) for water sector projects in Nepal and India.
Hiramitsu Muta	Dean, Graduate School of Decision Science and Technology, Tokyo Institute of Technology	Came to his current position in April 2005 after serving as senior researcher for the Education Ministry's National Institute for Educational Research and as a professor in the faculty of engineering at Tokyo Institute of Technology. Member of the ODA Comprehensive Strategy Board, the ODA Evaluation Experts Panel at the Ministry of Foreign Affairs, and chairman of JICA's Advisory Committee on Evaluation.

\* Listed in Japanese syllabary order. Titles omitted.



Discussions on the evaluation and rating systems taking place at the tenth meeting of Yen Loan Evaluation Expert Committee held in December 2006

# Recommendations from the Yen Loan Evaluation Expert Committee and Response from JBIC

## 1. Evaluation System

Committee Recommendations	JBIC Response
<p><b>Strengthen ex-ante project evaluations</b> Evaluations should be conducted in consideration of project objectives and upper objectives. Continuous monitoring of development results and project impact based on the indicators are needed. (FY2002)</p>	<ul style="list-style-type: none"> <li>By introducing unified forms in project supervision and improving ex-ante evaluations, JBIC has established a consistent monitoring system (starting in 2003).</li> <li>Established beneficiary survey reference and studies beneficiaries' needs starting with the ex-ante evaluation stage (starting in 2006).</li> </ul>
<p><b>Evaluation in the implementation stage</b>  <ul style="list-style-type: none"> <li>Projects should be improved by evaluating them while they are in progress (FY2003).</li> <li>It is important to hammer out future revisions during the mid-term review, while verifying effectiveness to date (FY2005).</li> </ul> </p>	<ul style="list-style-type: none"> <li>Introduced a mid-term review (starting in FY2004).</li> <li>Have been considering the formation of guidelines to identify the issues that will affect the project results and points to be improved during the mid-term review (starting in 2005).</li> </ul>
<p><b>Follow-up on evaluation results</b> It is essential to follow up on projects with low ratings (FY2004).</p>	While implementing the Special Assistance for Project Sustainability (SAPS) where necessary, confirmed the results of monitoring by developing countries in the ex-post monitoring conducted seven years after project completion (starting in FY2004).
<p><b>Participation in evaluations</b> It is essential to promote the involvement of various stakeholders, not just of evaluation experts (FY2002).</p>	External experts (media, universities, NGOs, etc.) now participate in evaluations. In addition, observations from notable persons who can spark a broad interest are also implemented (starting in FY2004).

## 2. Evaluation Procedures

Committee Recommendations	JBIC Response
<p><b>Improvements in ex-post evaluations</b> It is important to evaluate the role that development played in improving living condition of people (FY2002).</p>	<ul style="list-style-type: none"> <li>JBIC has developed a number of evaluation techniques for each priority area, including quantitative analysis on the poverty reduction effect of development projects. Moreover, for project evaluations, JBIC now analyzes the effect that projects have on living condition of people, having improved its approach to studying beneficiaries (FY2003).</li> <li>JBIC is also attempting to prepare and use beneficiary survey reference on a trial basis (starting FY2006).</li> </ul>
<p><b>Contribution to the achievement of Millennium Development Goals (MDGs)</b> It is vital to conduct evaluations that can show the degree to which contributions have been made towards achieving millennium development, with an eye towards reviews to be conducted in 2005 (FY2003).</p>	In addition to improving the ex-post evaluation process for individual projects, JBIC is now conducting impact evaluations (starting FY2003).
<p><b>Ratings of the past project</b> It would be good to know just how much the JBIC evaluation standards have improved relative to those used ten years prior (FY2005).</p>	Based on the individual ex-post evaluation results for FY2003 and earlier years, JBIC is assigning ratings for past projects (starting 2005).
<p><b>Review of relevance</b> While it goes without saying that development projects have relevance, it would be good to incorporate new standards such as the relevance of the aid (FY2006).</p>	JBIC is in the process of improving rating standards, including those for relevance, through studies and analysis of past rating results (starting FY2006).

## 3. Public Relations for the Evaluation

Committee Recommendations	JBIC Response
<p><b>Public relations schemes</b></p> <ul style="list-style-type: none"> <li>In order to assure accountability, a more persuasive public relations scheme needs to be implemented. In addition, it is important to publicize as evaluation results the benefits achieved for the citizens of the country concerned and the value of infrastructure development (FY2002).</li> <li>Publicity efforts must be far-ranging (FY2005).</li> <li>Regarding academic evaluations on things like impact, it is important to positively implement publicity activities towards multiple donors like the World Bank (FY2006).</li> </ul>	<ul style="list-style-type: none"> <li>While thoroughly revising the evaluation reports, JBIC introduced a rating system. Moreover, JBIC publicized the results of development projects far and wide by creating pamphlets that explain evaluation activities in an easy-to-understand manner and by disseminating evaluation reports as widely as possible (starting in FY 2004).</li> <li>Observations by experts and famous people were carried out to spark a broad interest in project results (starting in FY2005).</li> <li>With regard to the impact study of Jamuna Multipurpose Bridge Construction Project in Bangladesh, JBIC plans to cooperate with other assistance agencies.</li> </ul>

## 4. Development of Evaluation Capacity

Committee Recommendations	JBIC Response
<p><b>Policy dialog and capacity building in conjunction with developing countries</b> In order to ensure that the fruits of development are sustainable, efforts are needed on the part of the developing countries by themselves. It is particularly important that the developing countries participate in planning and engage in dialog during the evaluation process (FY2002).</p>	<ul style="list-style-type: none"> <li>Responded by joint evaluations and strengthening feedback (starting FY2004).</li> <li>Together with the Indonesian Development Planning Bureau (BAPPENAS) and the Filipino National Economic Development Bureau (NEDA), have agreed to cooperate in evaluation and monitoring activities (FY2006).</li> </ul>
<p><b>Application of evaluation results</b> It is important to utilize the accumulation of evaluation results, and to exploit anything that could be useful to the ODA activities (FY2004).</p>	Conducted joint research with Waseda University (FY2004)

# From the Yen Loan Evaluation Expert Committee— Seeking improvement in ODA loan project evaluations

**The Yen Loan Evaluation Expert Committee, centering on the Evaluation Highlights of ODA Loan Projects 2006 report, verified the JBIC evaluation operations. This opinion report consists of a compilation of views and recommendations from external experts.**

## 1. JBIC's Evaluation System

Reading the evaluation report, we can see that the evaluation has been strengthened substantially well-established. In particular, within the Plan-Do-Check-Action (PDCA) cycle, P, D and C have come to be deeply and specifically examined in the evaluation conducted to date. As for A (Action), in other words, regarding how to best make use of the evaluation results in ongoing or future project, it is extremely important to improve ODA operations in the future, and we hope it will be positively put to use. In addition, evaluation results do not simply contribute to the improvement of individual projects, as it is hoped that additionally they will contribute to overall ODA policy improvements. Further, with an eye towards the integration of JICA and the Overseas Economic Cooperation Operations of JBIC in 2008, it is important to review the way evaluations should be carried out in the future, and have these results conveyed to citizens in an easy-to-understand manner.

## 2. The Evaluation Highlights of ODA Loan Projects 2006

### (1)The Compilation of the Report

The quality of the report is very high, the entire design and format are well organized and the report is easy to understand. One with an interest in international cooperation will soon recognize the good performance of JBIC's operations. However, there is still room for improvement in the way diagrams are listed and detailed descriptions are provided. In "Improvement of Living Environment and Livelihood in Poor Communities - in the Case of Peru", one of the thematic evaluations, it turned out that implementing a water supply project had led to a drop in the infant and child mortality ratio. Reading such a report, the general reader can easily understand that JBIC's international contribution is significant in that the project improved public sanitation. When the social effects of ODA loan projects are specifically described like this, the reports are easily understood.

### (2) The Enhancement of the PDCA Cycle

It is appreciated that JBIC tries to turn the results, lessons learned, and recommendations obtained from the ex-post evaluations into action based on the PDCA cycle. However, in an area-specific evaluation that analyzed stakeholders in Sri Lanka, regarding the future formation of projects, there is a mention of a planned partnership with a civil society. But in the action section, it would be good to show how to implement such steps in future projects based on real achievements and results of the evaluation.

Further, it would be good to summarize the results and

lessons learned derived from ex-post evaluation, reflect them positively in Strategy for Overseas Economic Cooperation Operations, and thus have them play a long-term role in overall task management.

Moreover, even if the sectors are the same, each country's executing agency and regional circumstances are different, so the evaluation results and the manner in which they should be reflected in the actions will no doubt also differ. The process of summarizing evaluation results and verifying consequent action based on the individual factors for each target country is still not being implemented satisfactorily. In the future it would be desirable to implement evaluations with a different perspective for each country, while executing the PDCA cycle and continuously applying it to ODA activities.

## (3) Ratings

### i. Criteria

While there has been a change in the thinking on output, regarding the independence of the five elements of a development assistance committee (DAC) evaluation, there remains a question as to why examining one element may give no information on all the others. Individual evaluation standards have a fairly strong interrelationship with one another, and can often be understood as being little more than different perspectives on the same thing. For example, while effectiveness and efficiency are assessed using different information, the rating chart flow could be continuously improved by considering similar information between effectiveness and efficiency. Regarding the five elements of a DAC evaluation, it should be possible to provide a breakdown for each criterion, to identify the elements needed to be evaluated, and to assign evaluation indicators accordingly. As for the parts that overlap with other elements, it should be possible to evaluate them in the separate way.

### ii. Relevance

The majority of projects are assigned an "A" rating for relevance. Because relevance ratings currently lack a discriminating function, it would be nice to look into ways to improve them. For example, judging from the evaluation results, a number of projects that had been rated "A" or "B" for relevance suffered from technical issues. The fact that projects suffered technical problems while being implemented and thus did not manifest sufficient project effects is something that ought to be evaluated under relevance. Moreover, needs analysis is something else that ought to have relevance ratings added to it. There also needs to be an analysis and study into whether feasibility studies (F/S) are being run appropriately. In the Boracay Environmental Infrastructure Project in the Philippines, which was included in the Evaluation Highlights of ODA Loan Projects 2006, project planning was inadequate due to a lack of needs estimates in the feasibility study, and so project implementation was not as smooth as it could have been. For projects like these, it is critical to assess what kind of needs analysis was applied in the planning stage, and the result of that assessment should be reflected in the relevance rating.

### iii. Factor analysis and temporal variation

Rating results can be comprehensively analyzed from a variety of perspectives. One approach is to analyze trends in rating

results from various perspectives, including sector, level of economic development, and governance. In addition, it is possible to look at whether rating results tend to improve over time. To do these things, it is vital to accumulate the required data, and to do so continuously.

#### (4) Operation and effect indicators

In JBIC's reference on operation and effect indicators, there are no indicators on two-step loans (development credit loans). Within the structure of the evaluations, we believe that it is important to preserve the linkage between operation and effect in ex-ante and ex-post evaluations. For instance, in the Two-step Loan Project for Small and Medium-Scaled Enterprises Development and Environmental Protection in Mongolia, indicators were set for such things as the degree of improvement in air pollution through the entire environment. In doing such things, it is possible for there to be a wide gap between cause and result. From the perspective of whether the indicators can be measured as well as the degree to which they are related to a project, it would be necessary to study the way such indicators are set up in a careful manner.

### 3. Projects with Low Rating

Generally speaking, projects that are rated "D" tend to be those where the capacity of the executing agency or some other factor on the target country end of things is insufficient. For instance, in the Environmental Fund Project in Thailand, the local authorities were incapable of performing well. Likewise, in the Ecuador Catarama River Basin Irrigation Project, progress was hampered by a currency crisis. As for the loan scheme of The Environmental Fund Project, it was complicated as to which funding was provided to the local authorities in a mixed form of grant and loan. Although it was an ambitious and proactive attempt, the initial project objectives were not misguided. Looking at the ex-post evaluation results, it seems that some measures should have been taken, such as providing some degree of technical cooperation to foster human resources for the local authorities. In future, by integrating JICA with the Overseas Economic Cooperation operations of JBIC, with regard to the fact that it was difficult for JBIC to respond to the situation on its own, a new scheme and policy is expected to be put in place. Projects with a "D" rating have many lessons to offer to the promotion of future development assistance activities. In future it would be good to execute and apply evaluations for the various country assistance programs while inputting resolution measures and pointing out problems to the government of the target country, and at the same time further apply those evaluation results in domestic responses.

### 4. Human Security

The issue of human security is vital in ODA outlines and overseas economic cooperation policies. In this evaluation report, one only has a weak impression of that importance. In future it is important to strengthen efforts to actively promote human security. Also, JBIC should conduct evaluations from the perspective of how the local residents make use of the completed projects. For example, in the water sector, the philosophy used emphasizes cleanness, abundance, and low cost. Evaluations should be conducted keeping in mind the quality of tap water

as well as the perspective of someone who actually drinks the water, such that effectiveness is judged from the perspective of whether the water is safe or not. Regarding the beneficiaries survey, in order to establish partnerships with the executing agency and local civil society, it is important to do it prior to project execution, not just at the ex-post evaluation. Moreover, it is necessary to determine whether the needs of beneficiaries are met and how that is being measured. It is important to specify the attitude towards civil liberties and rights at JBIC when strengthening evaluations and efforts to ensure human security.

### 5. Public Relations for Evaluation Results

One of the reasons that JBIC's ODA operation has not been sufficiently understood by people is that they do not know whether providing infrastructure really has an impact in terms of reducing poverty. At present, projects that emphasize poverty reduction and small-scale projects that focus on local residents have been conducted and, in the future, such projects must continue to be actively implemented. By analyzing their effects and impact, PR should be conducted positively relating to JBIC's ODA activities.

### 6. Synthesis of Evaluation Results and Appeal to Emerging Donors

As Japanese ODA loan targeting China come to an end in FY2008, projects in China need to conduct evaluations from the standpoint of what kind of impact they have on Chinese society and what impact they have on the Chinese economy, including the meaning they have overall within JBIC. Most of the China yen loan projects have had favorable evaluations, including the Shanghai Baoshan Infrastructure Project. It seems that the yen loan projects have a certain role in providing the economic infrastructure that made it possible for China to accomplish substantial economic development. As for JBIC's evaluation system and procedures, they need to transfer technologies to Thailand, Korea, China, and other emerging donor countries, not just partner countries. In future, Japan must take the lead in providing assistance between these emerging donors in Asia.

