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

<table>
<thead>
<tr>
<th>Relevance</th>
<th>Efficiencies</th>
<th>Efficiency</th>
<th>Period</th>
<th>Costs</th>
<th>Sustainability</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>300</td>
<td>231</td>
<td>42</td>
<td>52</td>
<td>235</td>
<td>151</td>
</tr>
<tr>
<td>b</td>
<td>23</td>
<td>71%</td>
<td>79</td>
<td>227</td>
<td>107</td>
<td>57</td>
</tr>
<tr>
<td>c</td>
<td>1</td>
<td>0.3%</td>
<td>14</td>
<td>54</td>
<td>163</td>
<td>13</td>
</tr>
<tr>
<td>d</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>NA</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>19</td>
<td>1</td>
</tr>
</tbody>
</table>

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.”
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.

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.”