

PERFORMANCE EVALUATION: AN APPRAISAL

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I. Introduction

Performance evaluation has received significant attention as a reliable means of improving project performance and policy measures. It helps in ensuring and encouraging satisfactory performance of development projects and controlling waste of resources. It is critically important for realizing the objective of development programmes and projects. Therefore, national planning agencies have established specific system of performance evaluation to encourage implementing agencies for making projects effective in achieving their objectives and increasing service delivery efficiency through such measures.

This article attempts to conceptualise performance evaluation criteria and its relevance in the context of developing economies. The approaches of policy and project evaluation will be explained separately

II. Conceptual Framework

Performance evaluation is a part of learning process in the context of development. In developing countries, governments have entered into various unexplored and other areas where adequate experience has not been gained before. In this context, performance evaluation provides two important but very basic services to management. First, it provides empirical evidence in regard to project performance and policy impact. Secondly, it provides important feedback for policy and project formulation in future.

Performance evaluation is a process of determining systematically and objectively the relevance, efficiency, effectiveness and impact of activities in the light of their objectives. It is an unprejudiced, objective and practical analysis of any particular policy, activity or organization which carefully looks at merits, demerits, results and accountability of concerned officials in meeting their responsibilities.

Evaluations serves several purposes, namely:

- Determines whether the plan has moved smoothly towards the target in accordance with all quantitative and qualitative indicators;
- Detects and explores latent potentials for future growth;
- Reveals weaknesses in the original preparation of the plan and its execution;
- Assesses the effectiveness and capacities of planning agencies

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- Gives wide publicity to the results of new experience and applies that experience to refine the preparation of future plans.

Generally, there are three types of evaluation:

1. **Ex-ante Evaluation** - It is an appraisal of project proposal in the context of its relevance, feasibility and potential effectiveness undertaken before decision making to provide assistance by donor agency/agencies.
2. **On-going Evaluation** - It is the analysis undertaken during implementation phase of an activity to determine its continuing relevance, efficiency, effectiveness, present and likely future outputs, effects and impacts. Monitoring is also short term counterpart of on-going evaluation. Such evaluation requires:
 - (a) Systematic comparison of actual results with targets;
 - (b) Evaluation of the reasons for both favourable and unfavourable divergences;
 - (c) Reallocation of resources to take advantage of new opportunities disclosed;
 - (d) Implementation of corrective measures to increase efficiency where under-fulfilment of target stems from inadequacies in the state control system;
 - (e) Co-ordinated, planned adjustments to adverse changes in external constraints.

The on-going evaluation examines whether the assumptions or hypotheses made during the project formulation/appraisal stage are still valid, or whether adjustments are necessary to ensure that overall project objectives will be achieved.

3. **Terminal and Ex-post Evaluation** - Terminal evaluation is undertaken from 6 to 12 months after project completion. In some cases it is undertaken as a substitute for ex-post evaluation of projects with short gestation period.

Ex-post evaluation is undertaken after project completion when full project benefits and impacts are expected to have been realized. It looks more broadly at the probable impact of the completed project in relation to original expectations.

Evaluation, in its various stages, seeks answers to a series of questions with which proper understanding could be made in regard to economic viability and relevance of concerned project. It generally seeks answer on whether;

- original objectives of the project were clearly defined and feasible,
- technical choices and procurement procedures were appropriate,
- the local socio-economic environment of the project was adequately understood,
- reasonable progress was made towards strengthening project implementation,
- there were sizable cost and time overruns, if so, why?

By seeking answers to those questions and conclusions drawn, genuine response may be sought that despite all difficulties encountered and shortfall in results, the project was

worth doing. Valuable clues and lessons for the future may be obtained and management system improved through those answers and conclusions.

III. Performance Evaluation: Donors' Viewpoint

In recent years, the system of performance evaluation has received significant attention in policy documents of donor agencies in order to derive maximum possible benefit from resources employed. The World Bank has introduced the system of independent ex-post evaluation carried out through its Operations Evaluation Division (OED). The annual review of Project Performance Audit Results (publication of evaluation results) is intended to provide lessons of experience that are relevant to the Bank's current practices and that can be applied to the design and implementation of future projects as part of the Bank's continuing search for increased operational effectiveness. The Asian Development Bank (ADB) has also been gradually improving the system of post-evaluation and achieving maturity. The ADB believes that evaluation seeks answers relating to how to improve, qualitatively, the design, implementation and operation of development projects, and enable the bank to better account to member countries for the effectiveness of its assistance.

The major objectives of performance evaluation carried out by donor institutions and subsequent issues related to them are mainly as follows:

- (a) To improve the delivery of aid.
(Analysis of goal accomplishment, effectiveness of donor procedures and system of ensuring improvement in project selection and design)
- (b) To place development aid in a broader context.
(Systematic assessment of project constraints and pressures, impact, etc.)
- (c) To provide accountability to political leaders and the public.
(Provide information about opportunities for better accountability relationship in executing agencies to strengthen service delivery system).

Thus, it is clear that evaluation has been accepted as an effective tool of planning and management.

IV. Project and Policy: Meaning and Scope

It would be appropriate to distinguish project and policy before dealing with the methods of their evaluation. Project is understood as "a series of works, under an investment programme, that is carried out for the formation of capital goods, the equivalent of an activity under an operating programme."¹ It is defined as a discrete

¹ Manual of Program and Performance Budgeting - U.N. Department of Economic and Social Affairs, 1965, p. 102.

package of investments, policies, and institutional and other actions designed to achieve a specific development objective (or set of objectives) within a designated period.² Project is generally undertaken to create capital assets under a specific proposal over an extended period of time.

Policy is the statement of course of action to achieve an objective (specific or general). It is also defined as consciously acknowledged plan and procedure of action to be followed by concerned organisation or entity. It guides several interrelated programmes and projects to achieve common goal. In other words, a number of projects may be carried out to meet a single policy objective. Policy is formulated to achieve plan objectives. Thus, it is relatively broader delineation of planned objectives.

V. Criteria for Evaluation

It is always essential to establish and identify specific and general criteria to carry out evaluation effectively. Criteria are the standards according to which we can judge performance. It may be set by legislature, donor agencies in consultation with borrowing country, management or followed by studying the standard of similar entities.

Following are the general criteria of evaluating a project:

1. **Review of Performance** - It emphasises on comparison of some formal measures of performance through which efficiency of implementation of project could be judged objectively. It is useful to monitor progress and to check whether activities are carried out on time and within the cost limits set. Similarly, efficiency could also be judged by using the techniques of input/output analysis.
2. **Analysis of Impact** - Every project is carried out with the expectation of positive impact on target population. Project impact assessment is concerned with the linkage between purpose and goal. It is very difficult to evaluate indirect impact of project and impact of social sector projects because their impact is not easily quantifiable. Some general measures of evaluating project impacts are to look into economic, social, health and environmental considerations.
3. **Appropriateness Assessment** - It aims at looking at the parts of a programme of project from the viewpoint of users or expected beneficiaries. Projects or programmes should be evaluated against their compatibility with the actual requirement, level of understanding of beneficiary groups and suitability with local socio-economic and technical situation.

² Baum, Warren C. and Stokes M. Tolbert - Investing in Development, The World Bank, 1985, p. 333.

4. **Institutional Measures** - In evaluating such measures one should consider the organisational structure of the implementing agency. Particular attention should be given to the performance of the concerned organisation in relation to the project, power and authority entrusted to implementing agency, clarity of roles, responsibilities and procedures and continuity in the system of supervising operational staff.

The content and focus of evaluation may vary greatly. The relative emphasis given to different factors concerned with performance may be different but general contents are efficiency (financial and productive), effectiveness and social aspect evaluation.

Evaluation of financial efficiency looks into surplus generated from project. Productive efficiency is related to capacity of producing maximum output by using available resources. Social performance is evaluated by looking into changes brought in the social structure of target group or population.

These different criteria used in performance evaluation help find out the actual condition of project and judge the relevance in the context of socio-economic requirement of the project area or scope.

VI. Project Evaluation

As projects are established and executed to perform economic and, in some cases, non-economic function, it is obvious to set evaluation criteria on the basis of objectives set and plans and programmes outlined. The basic element of project evaluation is to look into physical achievement, impact on target population and economic benefit accrued from the project. In evaluating those aspects following points are generally considered:

- Whether works were completed within the anticipated period and in the prescribed sequence,
- Whether completed work meets specified quality,
- Whether completed project has been delivering service satisfactorily,
- How has the target population been receiving benefit from the project and how has it contributed to their socio-economic well-being ?
- How has the project been contributing to the economic benefit of the nation, region or province ?

The issues to be covered under economic benefit assessment are very broad. Economic impact depends on people responding to opportunities created by the project. This response depends, in large part, on the financial attractiveness of new project.

VII. Policy Evaluation

It is macro-level evaluation and concerned with the estimation, assessment or appraisal of policy, including its content, implementation and effect. Hence, it covers

broad issues ranging from selection of implementing measures to long term impact and compares national policy with similar policies adopted in other countries. It generally looks into following broad issues:

1. **Evaluation of Sectoral Performance** - National policies are formulated to encourage balanced development of various sectors. Therefore, it is essential to look into the contribution of policies for balanced and stable development. Promotion of one sector should positively influence other sectors. Evaluation of sectoral performance requires data related to effect on target population to compare it with assumptions made before policy formulation.
2. **Cross - country Comparison** - Notwithstanding various difficulties in evaluating policy effectiveness in the light of policy adopted in other countries, its importance should not be undermined. International lending institutions judge performance of a country by comparing it with the performance of similar other country in nearly similar situation. Generally, cross - country comparison of economic and social policy encourages means that find out the real cause of strengths and weaknesses in policy implementation and public interaction with public policy.
3. **Cost - effectiveness Evaluation** - Public policy is expected to be cost effective and ensuring optimum output from available resources. Effectiveness is the degree to which output contributes to the purpose of development objectives.

Cost effectiveness evaluation of a policy provides feedback regarding financial performance and stipulated objective. It assesses the relation and sufficiency between cost and social impact of policy which is not generally quantifiable.
4. **Process Evaluation** - It looks into process followed in implementing a particular policy. Selection of a wrong, lengthy and cumbersome process may defeat the objective of a policy. Therefore, it is essential to look into the process established for a specific policy or, in general, to ensure smooth implementation.
5. **Impact Evaluation** - Policy impact is understood as the effect of policy either on system, population or society. It tries to determine the impact of policy on real life conditions.

VIII. Effectiveness Auditing

Auditing is an important tool of strengthening management system. Traditional audit techniques concentrate mainly on testing propriety and regularity in financial transactions. But modern audit technique aims at objective, systematic and professional evaluation of operational system with the objective of finding out opportunities for more efficient, economic and effective operation. The main elements of modern techniques are Economy, Efficiency and Effectiveness (3Es), together with traditional values of auditing like financial and operational compliance. Audit of effectiveness is perhaps the most important and distinct area of modern approach to auditing. Resource may have been used

economically and efficiently but may not be effective in achieving desired output or result. In this context, the system instituted for economical and efficient operation may not have significant impact. Therefore, it is indispensable to ensure effectiveness in meeting objective of policy or programme. The effectiveness audit examines and evaluates the following:

- Whether the objectives have been defined by the auditee as precisely as practicable,
- Whether the objectives set are realistic and reasonable to resource allocation,
- Whether the objectives have been based on facts and forecasts which appear reliable,
- To what extent have the objectives been achieved ?
- The policy instruments chosen to carry out objectives are based on detailed analysis of alternatives,
- The progress can be reasonably attributed to the activities and policies of the auditee, and
- The auditee has instituted satisfactory system of monitoring the effectiveness of policy instruments.

Thus, it can be said that effectiveness audit is very close to monitoring and evaluation (M & E) system. But the major difference is on procedure. Similarly, M & E may be partly an executive function whereas effectiveness audit is completely an independent function. Therefore, evaluation accepts the evidences presented by the management and draws conclusions by analysing them, but audit verifies them too.

The scope of effectiveness auditing is very broad. It evaluates and analyses auditee's function from different points of view. But, in a nutshell, the major approaches required for effective analysis may be as follows:

1. **Goal Analysis** - Almost every project has both quantifiable and non-quantifiable goals. Therefore, it is important to analyse the attainment of such goals by comparing them with time and resource allocation. In the process of goal analysis, the auditor examines how well plans have been translated into action and thereby the goal attained.
2. **Impact Analysis** - Impact is one of the most critical issues in effectiveness audit. It is the outcome of effects of a project and expression of the results actually produced at the level of broad and long range objectives. It may also be defined as the ultimate change in the living conditions of beneficiaries resulting wholly or partially from a product/programme.

Impact analysis is undoubtedly the most complex and difficult aspect of effectiveness auditing. It involves measurement of the economic and social costs and benefits of major programme of project over an extended period of time. Its objective is to identify the results of the long range goals in the development plans and,

where warranted, to recommend other options with a greater promise of achieving goals at lower cost.

In the case of some social sector programmes, it is difficult to quantify objectives, output and hence to develop a meaningful measurement for effectiveness audit. It may take years to determine effect of such programmes and may end up with inconclusive results. Therefore, some secondary evaluation criteria related to direct physical and visible services need to be applied to meet basic requirements of social projects.

The increase in socially-oriented projects and programmes as opposed to infrastructure projects defined purely in economic terms is causing evaluation to become more flexible and more sophisticated in order to deal with non-economic questions and data.

System Analysis - It evaluates how well systems are designed to carry out activities and to what extent employees are following the designated system. It is basically the study of service delivery system, its soundness, continuity and generation of reasonable amount of resources from such system. In this connection, the auditor has to look into management system established to ensure smooth service delivery system. For example, in the case of irrigation projects, service delivery system could be analysed through evaluation of procedures set to distribute water equitably, maintenance of canal system and accurate data related to command area, etc. In social service projects like a hospital, service delivery system could be evaluated through comparison of doctor's availability, quality of service like medicine, laboratory testing, bed system, maintenance and repair of equipment, etc. In addition to that, it also evaluates the financial position and possibility of achieving self-sustaining standard or capacity to make contribution to national economy.

Policy is examined and evaluated on the basis of various issues including whether;

- policy statement clearly specifies how it relates to organisational development objectives,
 - policy objectives have been determined and policy decisions taken by appropriate authority,
 - the policy objectives were set and decisions based on sufficient, relevant and reliable financial or other data,
 - satisfactory arrangements are made after considering alternative options, including the Identification, selection and evaluation of such options (but, generally, the auditor would not attempt to establish and evaluate further possibilities),
- policy statement identifies responsibilities of different levels of organisation in implementing different components of policy,
policy statement identifies associated measures to execute set policies,
policy statement explains criteria through which its performance should be judged,

planning of future projects. Impact evaluation will examine the effectiveness of policies and programmes in the fulfilment of social and economic objectives.

2. In the Eighth Plan, Nepal will embark on a new initiative with respect to the monitoring and evaluation of both new projects and on-going activities. A comprehensive M/E system will be designed for all levels of institutions which are involved in project planning and implementation. The M/E capacity at the NPC, sectoral ministries, departments and at the project level (district and sub-district) will be strengthened to facilitate the flow of information for making decisions in time to remedy the bottlenecks which cause projects to be overdue and over-cost. A quarterly reporting of the status of all important development projects will be made to the full cabinet for its information and timely action.
3. The effectiveness of the M/E system depends largely on the sustained willingness of the political leadership at the top. This leadership is adequately provided by the present democratic government.

Thus, it can be expected that the system of M/E will gradually improve. HMG/N has also mobilised external assistance to strengthen the M/E capabilities. Currently, the NPC and the Ministry of Finance (MOF) are receiving assistance to build institutional capacity for planning, programming, budgeting, monitoring and evaluation at different levels of administration and programme management.

The Office of the Auditor General receives evaluation reports and compares them with books of accounts, and in the case of some large projects through own field visit. Audit has cited some examples of critical divergences between evaluation report and actual situation. In many cases, projects exhibit progress on the basis of advance given to contractor or supplier but actual works starts later. Similarly, there are some cases where targets were set below capacity and works performed little above target and commendation received. With all these findings, audit report has gained good deal of attention among intellectuals and academicians. Audit has to broaden its audit programmes to cover more projects for on-the-spot inspection.

X. Recent Trends in Evaluation

In recent years, the technique of evaluation has been advanced gradually to cover broad issues related to project management. Currently, evaluation does not limit itself to criticising failure and indicating instances of mismanagement but also analyses its causes and consequences. Recent evaluation practice focuses on social, technical, economic, financial, environmental and management issues.

Social aspects are evaluated on the basis of project's cultural acceptability, capacity for adapting to and for bringing about changes in peoples' behaviour and perceiving their needs, contribution in reshaping social structure, system and measures to sustain peoples' participation

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Technical aspects are evaluated on the basis of trade-offs between imported and domestically-produced technology, capital and labour intensive technology, new investment, maintenance and operating costs, interdependence between choice of technology and administrative and institutional systems. Besides, the approaches accepted in designing technical matters to use local materials and capabilities are also included in evaluation of technical aspects.

Developing countries generally face the challenge of making choice between scarce resources and vast expectations of people. In this situation, it is obvious to consider various parameters, e.g. rate of return, comparison between costs and benefits, value added through project, time preference and transfer payments, etc.

Financial aspects are evaluated on the basis of resource (finance) generated through the project, rate of cost recovery and strengthening organisations responsible to implement project components. It also looks into income distribution among project beneficiaries through generation of additional employment opportunities, change in mode of production and application of mode of technology.

Environmental issues are of rather recent origin. As the world has observed serious environmental threats, it is obvious to evaluate project in the light of effect on land, forest, water and other natural resources. Projects are not selected to create negative effect on human well-being but to ensure their bright future. The concern over sustainable development has contributed to the evaluation of environmental effect. Large lending institutions like the World Bank emphasise on environmental consideration in selecting and executing projects and evaluating their benefits.

The issues related to management are also evaluated to ensure reasonable impact on target population through efficient service delivery system. Besides, it looks into the process of strengthening project management and institution building.

XI. Problems of Evaluation and Prospects

Evaluation is a dynamic and challenging activity. The major problems of evaluation including effectiveness auditing are as follows:

- * Lack of clarity and precision in performance indicators,
- * Lack of skilled manpower,
- * Lack of genuine interest in performance evaluation and confidence in its effect on increasing management capability,
- * Lack of well-established management information system,
- * Lack of adequate political will power for gradually strengthening performance evaluation.

It is very important to build-up in-house capability in evaluating plan, policy and project performance at different stages despite these problems. It could be enhanced by developing human resource, building an atmosphere which could ensure that evaluation is

not only a formality but a real need of development management and designing appropriate management information system.

XII. Concluding Remarks

The role of the State in the process of national development cannot be over-emphasised. The compulsion to live within resource constraint in relation to peoples expectations has established the need for developing sound and effective management system. Developing countries are embarking on ambitious development plans and financing them through massive mobilisation of internal and external resources. But, in the process the development activities tend to be overcentralised and sometimes suffer seriously in attaining objectives. In this context, performance evaluation provides very useful input to improve the process of resource mobilisation and making public officials responsive and accountable to their responsibilities and, at large, public. Therefore, it is desirable to consider the system of making M & E effective and Important. The audit institution should develop an in-built system which carefully looks into the result of M & E to achieve maximum possible result from the use of available resources. Thus, performance evaluation could genuinely reflect its value in the social, political and economic system.