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19243

Distr.
LIMITED

ID/WG.517/3 (SPEC.)
5 November 1991

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

REPORT ON THE EXPERT GROUP MEETING ON THE THEORY AND PRACTICE OF THE APPRAISAL OF TECHNICAL CO-OPERATION PROJECTS*

Vienna, 25-27 September 1991

Prepared by

the UNIDO Secretariat

* This document has not been edited.

V.91-30294

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Introduction

1. The meeting was organized by the Project Appraisal Section against the following background:

(i) the problems encountered in the appraisal of technical cooperation projects did not always permit the assurance of their overall quality; a main cause was found to be the insufficiency of analyses carried out at the project identification stage (see Annual Report of UNIDO 1990, Chapter V Appraisal and Evaluation, paragraphs 2 and 7);

(ii) the concern expressed by several Member States with the quality of UNIDO projects and the effectiveness of its project development process - as expressed most recently at the Informal Consultative Group of Donor Countries which met on 24 September 1991.

2. The Expert Group Meeting had before it two papers:

(i) "The Reference Paper" (ID/WG.517/1) containing a structured and annotated list of questions concerning:

- the logical framework analysis (LFA),
- the UNDP/UNIDO guidelines on project design,
- appraisal methods and tools,
- quality criteria and the measurement thereof as used by bilateral and multilateral cooperation agencies.

(ii) "Situation Analyses for the Design of Integrated programmes or of Large Complex Projects" (ID/WG.517/2) postulating the adoption by UNIDO of a planning-by-objectives approach for project identification and formulation as used by most bilateral cooperation agencies.

The Meeting also had before it a sample project document, some Appraisal Memoranda, a set of Working Papers prepared by the Project Appraisal Section over the past 2 years, and the Project Design Reference File (Vols. I, II and III).

3. The purpose of the Expert Group Meeting was: "The improvement of the tools and techniques used for the appraisal of technical cooperation programmes and projects so as to better ensure their overall quality".

The List of Participants in contained in Annex 1.

Conclusions

A. Summary

1. The experts concluded that, although it is difficult to define quality in precise terms, it is crucial to ensure that projects are at least:

(i) relevant to the country's development and immediate objectives and particularly to the needs of the target beneficiaries,

(ii) cost -effective, and

(iii) sustainable after project completion.

Environmental, gender-sensitive and other issues were also considered important in this regard.

2. To enable UNIDO to meet the quality criteria of bilateral cooperation agencies, it is necessary for it to introduce objectives-oriented project planning into its project identification and formulation process.

3. The meeting nevertheless agreed that there were no standard recipes and that each project presented different characteristics.

B. Quality in appraisal

4. At the appraisal stage of the project development process, this quality assurance can only be partly provided. While the PPM (UNDP) and UNIDO guidelines on project design cover the project identification stage, they do so only implicitly and without providing an approach as to how to ensure quality at that early stage.

5. The meeting agreed that appraisal was important for "quality assurance", but that it should not only take place just before approval, when its action is limited to undertaking corrective measures. Rather, appraisal should also provide advice at the identification/formulation stage. This would be cost-effective particularly in the case of large and complex projects as suggested in the second paper submitted to the Expert Group Meeting; it would also allow for taking into consideration economic, social and environmental aspects which the experts deemed to be of crucial importance for project impact.

6. The appraisal of a project's overall quality should be based on a review of participation in the project (including of counterparts and target beneficiaries), of how the central problem addressed was arrived at (problem tree) and its linkage with the project objective, the advantages and disadvantages of the alternative project strategies considered by the project planners, as well as a review of the external factors likely to affect the implementation of the project (project matrix), and the indicators established at the project objective and output levels in particular. The review of killing factors rendering a project unimplementable was considered crucial.

7. Appraisal should in addition verify the extent to which the results and lessons drawn from evaluation reports of past projects have been considered in project formulation, as well as the findings of sectoral and/or country studies. Otherwise appraisal may yield misleading results.

8. The experts recommended that Appraisal Memoranda provide a clearer position as to whether projects should or not be approved. Instead of dealing with details of the project document which should have been ironed out by the project planners, Appraisal Memoranda should focus on the overall quality criteria: relevance, feasibility, cost-effectiveness, sustainability. It was agreed that relevance must be related to immediate objective, development objective, and particularly to the needs of target beneficiaries. With regard to sustainability, the financial commitment of counterpart institutions was considered to be a crucial factor. A few experts considered that certain criteria, such as feasibility and cost-effectiveness, did not constitute an element of overall quality, since they were related to aspects which should have been considered at an earlier stage.

9. In short, it was agreed that sound appraisal is dependent on sound project identification.

C. Quality in project identification/formulation

10. Sound project identification requires a thorough analysis of the situation in the recipient country/industrial sector; the purpose of country/sector studies should deliberately permit the identification of problem areas and bottlenecks. The Meeting also considered that projects

should normally be developed in 2 phases: (i) identification/concept stage when a decision should be taken whether or not to proceed to (ii) the formulation of a full project document.

11. Furthermore, the Meeting concluded that an objectives-oriented approach to project planning (ZOPP)1/ is required for sound project identification. It comprises participation, problem, objectives and alternative options analyses; a project planning matrix indicating the assumptions/external factors which condition the achievement of a project's outputs and objectives; indicators at each level of the project matrix. Such an approach should be applied not only to large complex projects, but also in a simplified way to smaller ones thereby filling the gap left open by the existing UNDP/UNIDO guidelines on project design.

12. The above analyses should normally be done at the project site through a workshop conducted with the full involvement of all parties concerned with the problem area in order to reach a consensus on the central problem to be addressed (problem tree), on a single project objective, on the preferred project strategy, and on the external factors/assumptions likely to affect project implementation. Every attempt should be made to determine indicators particularly at the level of the immediate objective and outputs.

13. These workshops constitute a joint planning exercise which should be moderated by persons concerned with project design and appraisal per se, i.e. not associated with the project. The workshops, through communication, visualisation and moderation, provide a way of reaching a common understanding of the problems addressed by all concerned parties, as well as of their motives, interests and commitment to the project. The workshops provide a means of ensuring that the "ownership" of the project lies with those counterparts and target beneficiaries in the recipient country.

1/ Zielorientierte Projekt Planung (ZOPP); see also for example:
GTZ: Methods and Instruments for Project Planning and Implementation.
NORAD: Handbook for Objectives-oriented Project Planning.
FINNIDA: Guidelines for Project Preparation and Design.

14. The Meeting considered that objectives-oriented project planning is important in ensuring that common sense is at least common to all parties concerned with the project; such common sense constitutes an important contribution to a project's relevance and sustainability - i.e. also to its quality.

15. As a rule projects should have a single objective. In complex cases a distinction can be made in terms of (i) time and (ii) scope. The first may be overcome by adopting a phased approach and by having a clearly defined objective for each phase; the second may be overcome by adopting a programme approach consisting of a set of interrelated projects each having a single objective. Strong project management is a must in both cases.

16. The importance of the programme approach and the need for sectoral analyses was recognized. Insofar as MEPs in concerned, it was found useful as a way of quantifying the impact of selected alternative project strategies. There is a case for bringing the MEPs systems approach closer to objectives-oriented project planning, since the base diagrams in the MEPs methodology can also be used for participation, problems and objectives analyses.

17. Some reservations were expressed as to the general use of cost-benefit, risk, sensitivity and other analyses to quantify the impact of projects, given the nature of most technical assistance projects, the lack of data and the high cost of its collection. While such analyses could have a limited use, project planners and appraisers will have to continue to rely on common sense, experience, results of evaluation, etc.

D. Other conclusions

18. It was generally recognized that the shift from technical assistance (TA) to technical cooperation (TC) upgraded the role of the counterparts and target beneficiaries as the "owner of the project". The counterpart is seen to take over an increasing share of responsibility for the project which is important for impact and sustainability.

19. Representatives of bilateral cooperation agencies felt it important that UNIDO be able to reject requests for technical cooperation in specific cases. However, the Meeting recognized that there was an important difference between multilateral and bilateral cooperation agencies: the former are responsible to their member states, some of which are also the recipients of technical cooperation; the latter are responsible only to their own authorities who can decide on whether or not to respond to a technical cooperation request.

20. Caution was expressed with regard to the provision of assistance to the private sector since there may be a risk of causing distortions to an otherwise competitive market or of prolonging the operation of enterprises which are not viable. For some experts, public money should not be used for supporting the private sector.

Note: Following the Expert Group Meeting, an appraisal officer conducted a 3-day appraisal (ZOPP) workshop in Nepal to design a large project proposal. The workshop had the benefit of the very active participation of all interest groups, institutions, government agencies concerned with the problem areas, as well as of the area and backstopping officers from UNIDO. The result was the redefinition of the central problem to be addressed and of the project objective given the different interests and views expressed by the Nepali participants; various project strategies were discussed and one selected for adoption by the project. The experience obtained from the Nepal Workshop was very positive insofar as the application of objectives-oriented project planning methods is concerned.

Suggested follow-up

1. The improvement of the project identification process at UNIDO through the introduction of objectives-oriented project planning particularly with regard to large and complex projects such as those over $700,000 in value.

2. Training of appraisal officers as moderators in workshops to conduct participation, problem, objective and alternative strategies analyses

3. Training of management and project planners at UNIDO (area and backstopping officers) in objectives-oriented project planning.

4. The provision of advice on project design to project planners by appraisal officers at the project identification or concept stage.

5. The adoption of an outline for a project concept document on the basis of which: (i) UNIDO can decide to develop a full project document, and (ii) donor countries can express preliminary interest in financing the project.

6. Investigation of the possibility of linking MEPs as developed by UNIDO and objectives-oriented planning.

7. A more systematic use of evaluation findings by appraisal officers. The possibility of applying the Evaluation Information System of ILO as well as the BRIDGES software programme developed by UNDP will be investigated.

8. Verification of the extent to which the analytical tools (e.g. cost-benefit, sensitivity) used in connection with investment projects could be usefully applied to large-scale technical cooperation projects. The experience gained by other development agencies will be examined.

9. Organization of a second Expert Group Meeting (on the same subject) with the participation of experts from developing countries responsible for overseeing the design, implementation and evaluation of technical cooperation project.

10. Establishment of a mechanism for regular consultation and exchange of information on technical cooperation projects among appraisal officers of international organizations, bilateral donors and recipient agencies.

Annex 1

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