



What Factors Explain Development Projects' Performance?



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Determinants of Development Projects' Effectiveness

What Literature Has Found

- Literature on aid effectiveness has evolved from measuring the impacts of aid in various socio-economic outcomes to identifying factors that determine the success of development projects.
 - ❑ Literature has examined the impact of development projects implemented since the 1960s on growth, poverty, inequality, and health outcomes.
 - ❑ More recent literature has explored factors limiting or enhancing the success of development projects.

What Literature Has Found

- Literature that assessed the success of development projects identified factors at two levels: project and country.
 - ❑ Project factors include features such as project size, length of implementation, preparatory work, and supervision, among others.
 - ❑ Country factors encompass a country's policy or enabling environment, which refers mainly to external conditions and stakeholders, such as implementing government agencies, socioeconomic and political conditions in recipient countries, government regulations, target beneficiaries, and development agencies.



Motivation, Objective, Scope, and Methodology

Motivation

- Since 2016, ADB public sector projects have generally posted declining success rate.
 - ❑ ADB success rate steadily declined from 86% in 2016 to 68% in 2020.
 - ❑ Success rate picked up to 72% in 2021, before dipping again to 64% in 2022.

Motivation

- Deteriorating success rates in infrastructure sectors—dropping by 3.9% annually—drove ADB’s declining performance.
 - ❑ For example, energy projects’ performance fell by 9.6% in 2016–2022.
- Non-infrastructure sectors, i.e., health and energy, charted increased success rates.
 - ❑ However, budget support interventions’ performance dropped by 7.9% annually over 2016–2022.

Motivation

Declining success rates of development projects

Transport and Energy: persistent design issues and faced challenges in applying new or advanced technology

Water and Sanitation: consistently the weakest among infrastructure sectors due to inadequate consideration of partner governments' capacity before supporting long-term, whole-sale sector reforms

Agriculture: some improvements in certain subsectors due to participatory approaches and appropriate social or geographic targeting

Education: strong performance due to appropriate design and financing modality, and DMC commitment to reforms

Health: benefitted from strong government ownership and functioning implementation and monitoring systems of government health programs

Public Sector Management: declining performance due to changes in government priorities leading to noncompliance with policy actions

Objective

- The paper examines project and country factors associated with success the development projects and applies this approach to ADB's public sector projects.
 - ❑ The success of development projects is defined or measured against evaluation criteria consistent with OECD DAC Network on Development Evaluation's six evaluation criteria—relevance, coherence, effectiveness, efficiency, impact and sustainability.
 - ❑ For example, in ADB projects, success is measured based on assessments of relevance, effectiveness, efficiency, and sustainability, all of which are equally weighted.

Unit of Analysis

- The paper examines 486 ADB projects that were completed and validated between 2016 and 2022.
 - ❑ Completed pertains to projects for which completion reports have been published.
 - ❑ Validated pertains to completed projects whose completion reports have been validated by ADB's Independent Evaluation Department.

Proxy Indicators

- The paper identifies the following project and country factors influencing the success of development projects.
 - Project complexity
 - Project risk severity
 - Project supervision
 - Project financing utilization
 - Project procurement and design readiness
 - Governance
 - Fiscal management
 - Political stability
 - Economic performance
 - Unforeseen events

Methods

- The paper draws on the following methods.
 - Statistical analysis of 429 completed and validated projects
 - Statistical analysis of ADB staff survey results
 - Decomposition analysis
 - Comparative assessment of higher- and poorer-performing projects
 - Consultation meetings with various stakeholders



Factors Explaining the Success of Development Projects

Findings

➤ **Project factors accounted for nearly three-fourths of the explainable variation in development projects' performance in 2016–2022.**

- Minimizing project startup delays and higher utilization of ADB financing are associated with higher project performance.
 - Longer elapsed times between project approval and signing are associated with a lower probability of project success.
 - Higher utilization rate of ADB financing is associated with a higher probability of project success.

Findings

- Project delegation to resident missions, if done in a timely manner, can boost project performance.
 - Some projects in public sector management, transport, and water and sanitation performed did not benefit from the involvement of country offices because they were delegated well into implementation.

- Larger implementation teams (which are linked with greater project complexity) are associated with lower project success.
 - Size of implementation team was associated with projects' level of complexity; transport and energy projects had large teams given the need to apply advanced technology, while agriculture and water and sanitation required large teams since they largely involved numerous subnational stakeholders.

Findings

➤ **Country factors accounted for one-fourth of the variation in development projects' performance in 2016–2022.**

- ❑ Greater government effectiveness, economic growth, and fiscal management positively affect project success.
 - e.g., agriculture, and water and sanitation projects heavily influenced by governments' decentralization and devolution efforts performed poorly.
- ❑ Unforeseen events hinder project success, especially in countries that are highly vulnerable to natural disasters and economic shocks.
 - e.g., Pacific countries face geological, security, and climate risks, in addition to their remoteness and small economies.

Findings

Higher-performing projects

- used appropriate financing and procurement modalities
- incorporated learnings from past projects
- used inclusive and participatory approaches
- strengthened the capacity of subnational government agencies and beneficiary groups

Poorer-performing projects

- had inadequate risk assessment at appraisal
- implemented insufficient risk mitigation
- had unjustified or untimely change in project scope
- had ambitious project scope not commensurate with government capacity
- faced security concerns or geographical or topographical issues

Thank you

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