Position Paper No. 6

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Position Paper on Monitoring and Evaluation Strategies for the Transport Sector

1. Executive Summary

The Foreign Investors’ Council in Latvia (FICIL) supports “sustainable mobility” to enable economic growth and promote integration, sustainability, territorial cohesion and openness within the transportation network of the Republic of Latvia. To achieve development that is sustainable, FICIL sees four key issues that should define all future development activities:

1) transparency;
2) competition - elimination of protectionism for a well functioning market;
3) predictability - stability in the investment climate; and
4) continuity – stability of the regulatory and policy environment to foster more forceful attraction of foreign direct investment.

Since the Government has adopted the National Development Plan 2014-2020 (NAP) and the Ministry of Transportation has published the Transportation Development Guidelines 2014-2020 (TAP), the focus is changing from planning to implementation. As Ministries begin prioritizing and implementing these long term programs, predictability will be critical for success.

FICIL believes the Government should promote and enforce effective monitoring and evaluation strategies for all transportation sector institutions that have adopted sustainable transportation development programs to ensure predictable and accountable implementation. A fully detailed and defined Monitoring and Evaluation Strategy will:

• allow the Ministry of Transportation to identify poorly performing projects, so that corrective action can be taken;
• provide information that will assist in improving the specification and delivery of future projects; and
• will be a requirement for EU funding that is vital to the Government in successfully implementing TAP prioritized large-scale transportation infrastructure projects.

2. Recommendations

An important requirement in ensuring the success of the TAP is the preparation of a strategy for monitoring and evaluation of the plan and each project within it. The Monitoring and Evaluation Strategy must assess whether each project has been implemented on time, on budget and to the specified standard. The process of monitoring and evaluation shall be ongoing, to ensure that the plan continues to deliver the intended results and benefits that were forecast during their appraisal. The Monitoring and Evaluation Strategy must be based on data and key performance measures that are well defined, collected and managed.

The major goal of monitoring and evaluating the TAP is to influence decision-making and policy
formulation through empirically driven feedback. Five main benefit categories of effective evaluation processes can be identified as follows:

A. Improved planning – such as improvements to appraisal methods;
B. Better implementation procedures – from a better understanding of project risks;
C. Strengthening of the institutional relationships required to deliver projects – such as links between the Republic of Latvia and the European Commission;
D. Better accountability – evidence to show that investment programmes are delivering social and economic benefits; and
E. Improved production of knowledge - to support continuous improvement.

There are three key procedures as for the Monitoring and Evaluation Strategy that should be further detailed by the Ministry of Transportation as a result of the TAP:

1) Ex-ante evaluation – containing the best estimates of definition, cost, desired outputs, and desired outcomes of each project and an independent cost-benefit analysis of each project;
2) Monitoring – collection of relevant information to enable the Ex-post evaluation to take place; and
3) Ex-post evaluation - comparing the desired results and outcomes with the Ex-ante evaluation.

A fully detailed and defined Monitoring and Evaluation Strategy will:

- Allow the Ministry of Transportation to identify poorly performing projects, so that corrective action can be taken;
- Provide information that will assist in improving the specification and delivery of future projects; and
- Be a requirement for EU funding.

Attention to this mandated monitoring and evaluation requirement for projects requiring EU funding is vital to the Government, because the TAP prioritizes large-scale transportation infrastructure projects that have significant EU funding. In addition, FICIL recommends that the Ministry of Transportation develop a monitoring and evaluation database for the efficient management and control of data and key performance indicators for preparing formal reports on the funds management as required by the European Commission.

3. Rationale for Recommendations

FICIL supports the mobility and large-scale transportation initiatives proposed by the Government. It is important that these initiatives and future transportation improvements address infrastructure needs and act as investments that facilitate free-market competition and revenue generation for the State.

Requirements for Evaluation and Monitoring of the TAP

Monitoring and evaluation will be required both at the individual project level and at the level of the TAP development guidelines as a whole. Requirements for evaluation and monitoring of the TAP must include two elements, detailed in Table 1 below:

1) An external independent evaluation focusing on operational and strategic issues to assess overall performance; the absorption of financial resources; physical progress; and
2) An internal interim assessment of the contribution of the TAP to the goals of the NAP
### 1) Independent external evaluation of TAP effectiveness and impact

<table>
<thead>
<tr>
<th>Overall financial progress</th>
<th>Analyse financial progress against target and priorities of TAP. Identify problems in the absorption of funds.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of external developments</td>
<td>Analyse developments in transport sector and in traffic volumes across key transport modes. Analyse developments in transport and other policies at national and EU level. Assess implications of above developments for TAP implementation and strategy.</td>
</tr>
<tr>
<td>Physical progress</td>
<td>Assess rate of physical progress towards desired results. Analyse factors affecting progress.</td>
</tr>
<tr>
<td>Implementation arrangements</td>
<td>Assess adequacy of existing arrangements for TAP implementation.</td>
</tr>
<tr>
<td>TAP management and monitoring</td>
<td>Is the monitoring system providing reliable information on a timely basis? Assess performance of the Ministry of Transportation.</td>
</tr>
<tr>
<td>Progress towards achieving TAP goals and wider impacts</td>
<td>Assess integration between national and European transport networks. What progress has been made to reduce the load on the road infrastructure? Is a better balance between different types of transport being achieved? What progress has been achieved towards a sustainable transport system?</td>
</tr>
<tr>
<td>Progress towards achievement of NAP priorities</td>
<td>What is the programme’s contribution to sustainable development policy? What is the contribution to stable economic growth? What is the contribution of the TAP to employment? What is the impact on regional development?</td>
</tr>
</tbody>
</table>

### 2) Internal interim assessment of the contribution of the TAP to the goals of the NAP

| Review of developments in NAP | Assess implications of new policy orientations for TAP. |
| Achievement of NAP goals resulting from development of the transport sector | Assess level of development of trans-European transport corridors. Assess level of integration with the trans-European transport system. |
| Protection of the environment | Assess contribution to environmental protection as a result of TAP. |
| Social policy impacts | Assess number and quality of created jobs. |
| Economic impacts | Assess contribution to economic development at national and regional levels. |

To engage external “best-in-class” evaluators, the Ministry should follow public procurement rules for open tenders in a transparent, fair and competitive fashion to ensure that the evaluator is selected properly.

The projects within the TAP are designed to form a coherent and integrated plan. All projects require monitoring and evaluation. The types of projects for which monitoring and evaluation are most clearly definable are the infrastructure projects. These have clear physical characteristics and measurable outputs, their costs are usually identifiable in public accounting systems, and reasonable estimates may be made of their benefits and environmental impacts.

The proposed monitoring framework is as simple as possible and identifies key performance focus areas to be monitored. For all types of projects financial monitoring and physical monitoring of progress are essential. But for some, where outputs and outcomes are difficult to identify, or where surveys of users and stakeholders are required, a more limited monitoring and evaluation is recommended.

Table 2 introduces various forms of monitoring and evaluation. These must be developed further to identify what quantities would be measured under each of the main headings.

### Table 2: Type of Monitoring Required by Project Type

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<tr>
<th>Project Type</th>
<th>Financial Monitoring</th>
<th>Physical Monitoring</th>
<th>Output Monitoring</th>
<th>Outcome Monitoring</th>
<th>Cost - Benefit Analysis</th>
<th>Sustainability Monitoring</th>
<th>TAP Project/Program Examples per Type</th>
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<tbody>
<tr>
<td>New Infrastructure</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>RAIL: Rail Baltic planning, land expropriation, design, construction. AIR: RIX Infrastructure Improvements</td>
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<tr>
<td>Maintenance/Rehabilitation</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>ROAD: State Roads on-going maintenance and road resurfacing program</td>
</tr>
<tr>
<td>Network Strategies</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>TRANSIT: Expand the regional public transportation system throughout LV</td>
</tr>
<tr>
<td>Control &amp; Information Systems</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>SEA: SafeSeaNet system implementation</td>
</tr>
<tr>
<td>Management/Institutional Systems</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>ROAD: Regional/Local roads authority restructuring</td>
</tr>
<tr>
<td>Education/Training</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>SEA: Endorse recruitment, education and career development opportunities in sea/ports sector</td>
</tr>
<tr>
<td>Further Strategy Plans</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>ROAD: Develop the Latvian Electro-mobility national plan project for 2014-2016</td>
</tr>
</tbody>
</table>

**Financial Monitoring**

Financial monitoring is relatively straightforward -- it concerns the financial resources expended on each project, and, if the project forms part of a corridor improvement, the cumulative expenditure. The need for financial monitoring is important for both funding organisations and the implementing bodies for two reasons:

1) the financing authority or organizations need to know that the allocated funds are being spent on the project to which they were allocated; and
2) the implementing bodies need to monitor expenditure against budget and take timely corrective action if required.

Recommended key performance measures that need elaboration for financial monitoring:

1) Overall Project Cost - shows how overall actual costs compare with budgeted costs. This measure will apply to the full range of projects, from major infrastructure projects to further studies;
2) Capital Costs – divided into land costs and construction costs. This measure would apply to those projects with a significant capital spend, e.g. projects which consist primarily of new infrastructure, maintenance and rehabilitation, and control and information systems;
3) Operating and Maintenance Costs – to allow measurement of improved efficiency in operations; and
4) Unit Costs - to assess value for money and to allow meaningful capital budgeting comparisons to be made between different projects.
Physical Monitoring
Physical monitoring will measure the visible products of the project, which is most easily understood in the context of infrastructure projects where the products are a new road, railway, intermodal terminal or port quay. But a passenger information system also produces displays of train or bus/tram times, a navigation system produces appropriate equipment, etc. The concept can be extended also to studies, where the physical product is a report or series of recommendations.

Recommended key performance measures that need elaboration for physical monitoring:
1) Capital Projects - projects which produce a physical, visible output; and
2) Studies and Analyses – programs which involve institutional reform, education and training, or strategy development.

Output Monitoring
Outputs are what the physical features of the project actually produce. For example, roads carry vehicles, people and freight; railways carry trains, people and freight; intermodal terminals process tonnes of freight. In other words, the outputs measure the usage of the new or improved facilities.

Recommended key performance measures and outputs to be monitored:
1) Additional capacity provided - a simple measure of the theoretical capacity of the new or improved facility;
2) Flows of vehicles, people or goods – amounts the facility actually carries; and
3) Utilisation of the capacity - giving a straightforward indicator of the efficiency of the project.

Outcome Monitoring
Project outcomes are broad measures of the effectiveness of the projects in meeting wider national development objectives. If successful, the TAP should improve transport efficiency and economic development, produce sustainable development and effect a change in mode of travel towards more energy efficient modes.

Recommended key performance measures for outcome monitoring include:
1) The transport system; and
2) The Latvian economy.
These should be relevant to the impacts of major transport investments.

Cost-Benefit Analysis
Cost-benefit analysis is a process of quantifying costs and benefits of a decision, program, or project (over a certain period), and those of its alternatives (within the same period), in order to have a single scale of comparison for unbiased evaluation.

FICIL recommends two types of cost-benefit analysis:
1) An economic cost-benefit analysis assesses the value of the project from the viewpoint of Society as a whole, regardless of to whom the benefits and costs fall; and
2) A financial analysis considers the financial impacts on the owner of the project vs. the costs thereof.

It will assign a value to certain goods, such as travellers’ time and vehicle emissions, for which there is no direct market; it considers the transactions that affect the financial flows for the project owner.

Sustainability Scorecard
Sustainability Scorecards are widely used by business and governments around the world because
conventional monitoring practices do not address the growing importance of climate change, environmental degradation, the consumption of energy from non-renewable sources, and the legacy left to future generations.

1) The role of the Scorecard is to highlight certain outputs of the environmental evaluation at a macro level which contribute specifically to mitigation of climate change and the development of a safe, healthy environment;

2) The issues covered in the Sustainability Scorecard would emerge from independent economic and environmental evaluations;

3) Because Latvia must first work on improving its monitoring system, we recommend that the scorecard be developed as the monitoring system becomes better established.

Monitoring Database and Monitoring Organization
FICIL recommends that the Ministry of Transportation develop a monitoring and evaluation database for the efficient management and control of data and key performance measures for preparing formal reports on the funds management as required by the European Commission. The database should primarily monitor the financial and physical aspects of the programme, with less emphasis on the outputs, outcomes, cost-benefit analysis and sustainability aspects. Many of the outputs and outcomes should be part of the national system for transport data collection, and many are already part of the Eurostat database requirements.

We therefore recommend that existing arrangements for gathering and recording transport statistics are developed further, as a matter of priority. The management of this monitoring and evaluation database should reside in the Ministry of Transport who shall continue to be responsible for the coordination, organisation and execution of the TAP evaluations.

The functions related to the on-going maintenance of the database and managing of the evaluation process should be further elaborated and include:

1) Determining the scope, objectives and frequency of evaluations of the TAP;
2) Designing a milestone schedule and action plan for carrying out evaluations;
3) Preparing technical terms of reference and tender procedures for carrying out evaluations of the TAP by independent evaluators;
4) Tendering for independent contractors for on-going and thematic evaluations of the programme;
5) Approval and acceptance of the work carried out by independent evaluators of the programme;
6) Preparing and dissemination of information on the evaluations of the TAP; informing the European Commission of the results;
7) Ensuring linkage between monitoring and evaluation responsibilities;
8) Interpreting data from TAP monitoring and information received from programme beneficiaries;
9) Coordinating the collection of statistical data on the evaluations; and
10) Analysing the recommendations made by external evaluators and by the European Commission.