



Annual Evaluation Report

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2010 Annual Evaluation Review

Independent Evaluation Department

Asian Development Bank

Abbreviations

ADB	Asian Development Bank
ADF	Asian Development Fund
CAPE	country assistance program evaluation
CO ₂	Carbon Dioxide
COSO	Central Operations Services Office
CPR	country portfolio review
DMC	developing member country
DMF	design and monitoring framework
ECG	Evaluation Cooperation Group
IED	Independent Evaluation Department
MARS	Management Action Record System
MfDR	managing for development results
M&E	monitoring and evaluation
NSO	nonsovereign operation
OCR	ordinary capital resources
OECD	Organisation for Economic Co-operation and Development
O&M	operation and maintenance
P3M	project processing and portfolio management system
PCR	project or program completion report
PPER	project performance evaluation report
PPMS	project performance management system
PPP	public-private partnership
PPR	project and program performance report
PRC	People's Republic of China
QAG	Quality Assurance Group
RTE	real-time evaluation
SAPE	sector assistance program evaluation
TA	technical assistance
UNHCR	United Nations High Commissioner for Refugees
XARR	extended annual review report

NOTE

In this report, "\$" refers to US dollars.

Key Words

ADB, Asian Development Bank, 2010 Annual Evaluation Review, 2009 IED Evaluation Activities, evaluation findings, knowledge management, performance findings, country strategy partnership assessment, country evaluations, country assistance program evaluations, real-time evaluation, developing member country, country partnership strategy completion report, evaluation criteria, project/program completion report

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The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of IED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

Executive Summary

This 2010 Annual Evaluation Review reports on the accomplishments of the Independent Evaluation Department (IED) of the Asian Development Bank in 2009, highlighting key lessons identified from the department's evaluations. It discusses the role and usefulness of real-time evaluation at ADB and suggests how it could be strengthened. A decline in the success rates of ADB projects and greater demand for real-time feedback on project performance—by both developing member countries (DMCs) and ADB—persuaded IED to include strengthening of real-time evaluation as a special topic in the 2010 Annual Evaluation Review.

IED accomplished its 2009 work program. In 2009 IED completed its programmed evaluations and reviewed and validated more project completion reports (PCRs) than planned. The programmed studies included high-level evaluations on priority topics to ADB—public private partnerships (PPPs), gender and development, governance and justice reforms, rural roads for promoting inclusive growth, and sustainable energy development. IED provided evaluative inputs for the preparation of country strategies in Bangladesh, Cambodia, Nepal, and Viet Nam. Two new knowledge products were introduced—an evaluation information brief, and an evaluation knowledge brief—to disseminate evaluation knowledge in a more accessible and concise form. To promote impact evaluations, IED facilitated the formation of an interdepartmental steering committee and working group in ADB and carried out a quasi-experimental study in Pakistan to assess the impact of ADB water supply projects on health, education, and employment. IED did background analysis and took preparatory steps to promote self-evaluation in ADB and in DMCs through training and capacity building. IED took active part in all activities of the Evaluation Cooperation Group (ECG) and the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD).

Success rate of ADB projects is declining. After peaking at 77% for projects approved during the 5-year period ending in 1999, the success rate of ADB projects (based on a 5-year moving average) declined to 69% during the 5-year period ending in 2003 (1999–2003). The Development Effectiveness Review 2009 raised concerns about the declining project success rate. The fall in project success rates for Group B countries may have contributed to some extent to the decline in success rates. The project or program completion report (PCR) validations and project performance evaluation reports (PPERs) completed in 2009 indicate that 83% of *partly successful* and *unsuccessful* projects were rated *partly satisfactory* or *unsatisfactory* for borrower performance; and more than 76% of these projects are *less likely sustainable* or worse. A 2008 evaluation study on the factors determining project success reiterated the importance of close ADB supervision and strong project management by executing agencies. The same evaluation cautioned, “In view of the declining level of project implementation supervision reported by key informants and verified by published data, concern must be expressed for the levels of success to be expected by current and future projects.”

Performance of program loans began to improve. The success rate of ADB program loans has been improving since 2001 (based on a 5-year moving average), possibly spurred by the introduction of a cluster approach for program loans in 2001. ADB has frequently (eight times during 1983–2009) reviewed and evaluated the program loan modality in real-time to improve its design, and processing and implementation arrangements. However, the success rate of program loans (60%) remained below that of project loans (69%) in 2003.

Success rates in 2009 PPERs and PCR validation reports. IED validated 46 PCRs for sovereign operations and rated 63% of them *successful*, while PPERs rated six of the nine sovereign projects (67%) *successful*. The combined success rate of PCR validation reports and PPERs for sovereign operations was 64%. One nonsovereign operation (NSO) project in the energy sector was rated *successful* by the PPER. Extended annual review reports rated two NSO projects *highly successful*. IED confirmed the rating of one of them and downgraded the rating of the other to *successful*.

Success rates of higher level evaluations. Ratings of country strategy and higher level evaluations completed in 2009 are summarized below.

Ratings Summary of Country Strategy and High level Evaluations Completed in 2009	
Title of the Study	Overall Rating
CAPEs	
Nepal: <i>Delivering Assistance in a Challenging Environment</i>	PS
Viet Nam	S
Cambodia: <i>Growth and Sector Reform</i>	S
Bangladesh	S
SAPEs	
Agriculture and Natural Resources in Nepal	PS
Urban Sector and Water Supply and Sanitation in Bangladesh	PS
Urban Services and Water Supply and Sanitation Sector in Viet Nam	S
Transport Sector in Viet Nam	S
Agriculture and Rural Development Sector in Cambodia	S
Transport Sector in Cambodia - Focusing on Results	S
Energy Sector in Bangladesh	S
SES	
ADB Support for Public Sector Reforms in the Pacific: Enhance Results Through Ownership, Capacity, and Continuity	PS
ADB Technical Assistance for Justice Reform in Developing Member Countries	S
ADB Assistance for Public-Private Partnerships in Infrastructure Development	S
Asian Development Bank's Contribution to Inclusive Development through Assistance for Rural Roads	PS
The Asian Development Bank's Support to Gender and Development, Phase 1: Relevance, Responsiveness and Results to Date	NR

HS= highly successful, NR= no rating, PS= partly successful, S= successful, US=unsuccessful, CAPE=country assistance program evaluation, SAPE=sector assistance program evaluation, SES=special evaluation study, ADB=Asian Development Bank
Source: IED Database

Findings of country assistance strategy evaluations. Country assistance program evaluations (CAPEs) in Bangladesh, Cambodia, Nepal, and Viet Nam show a clear difference between ADB's strategic performance and its operational performance. Top-down (strategic) evaluation showed that ADB performed well and formulated relevant and generally focused strategies. But bottom-up evaluation based on ADB's operational performance showed weaknesses in supervising project execution. Two of the most important factors leading to weak project performance were: (i) poor post-project sustainability, and (ii) project implementation delays and difficulties. Sustainability issues often arise from governments facing difficulties in levying the required user fees or finding budgetary resources to meet operation and

maintenance (O&M) costs. ADB should do more at strategic level to encourage governments to determine medium-term O&M needs and costs ahead of time, and take other steps to improve the sustainability of investments. ADB could make more effort to (i) develop capacities for project administration in DMC governments, (ii) determine how to better share portfolio-managing responsibilities between ADB headquarters and resident missions, and (iii) improve oversight of project implementation.

Findings of thematic evaluations. The higher-level evaluations IED carried out in 2009 covered the strategically important areas of private sector development, governance, climate change, gender, and promoting inclusive growth through rural roads. The evaluations provided the following findings and/or lessons.

- A special evaluation study on public–private partnerships (PPPs) in infrastructure development emphasized the need to strengthen the links between PPP support and ADB operations, expand the use of PPPs in transport and water projects, and prepare an ADB-wide strategy for PPP development. PPP is not a panacea for mobilizing resources for infrastructure. Value for money should drive the use of PPPs.
- A special evaluation study on ADB's support for public sector reforms in the Pacific found the programs to be ambitious and based on optimistic assumptions about structural reforms. A narrow stakeholder base for reforms often caused implementation delays and policy reversals. Regular monitoring, continued policy dialogue, and follow-up support for public sector reforms is crucial to sustaining reforms in the Pacific island countries.
- A special evaluation study on ADB technical assistance for justice reforms found that ADB efforts (a) raised awareness on the merits of judicial independence, accountability and empowering people and providing access to justice; and (b) built capacity and introduced innovative ideas for justice reforms. Poor quality-at-entry, a lack of ownership in some countries, and an absence of a framework within ADB for promoting justice reforms are some of the problems the study identified.
- A special evaluation study on rural roads found that access to markets and social services may be beneficial to rural communities, but alone is not sufficient to promote inclusive growth in rural areas. Investments in rural roads need to be complemented by interventions to create economic opportunities and social service access for the disadvantaged. Road safety is also important.
- A special evaluation study on gender and development concluded that ADB's policy objectives and emphasis on gender mainstreaming in ADB operations remain relevant to DMCs. But a gap exists between gender policy and implementation, as reflected by the lack of demonstrable gender benefits and/or gender mainstreaming in infrastructure, program loans, regional cooperation and integration, and private sector and nonsovereign operations.

Lessons from sector evaluations. The evaluations found that although common problems exist across sectors, the underlying causes of these problems differ. Project implementation delays, sustainability of assets created, non-remunerative pricing, and weak regulation and institutional arrangements were major problems that cut across all sectors.

- Implementation delays were a major problem in transport and urban development projects, but for different reasons. Poor project management and difficulties and delays in implementing resettlement plans caused the delays in transport projects. The delays in urban sector development projects were mainly caused by overcomplicated project structures. Some subprojects involved multiple government agencies, requiring a multilayered process of review and approval. The low quality of consulting services was another issue in urban sector development projects.
- Sustainability was another issue in all sectors. In the road transport subsector, the upkeep of project roads and other assets created would demand scarce budgetary resources, especially for roads that are difficult to toll. Insufficient budget allocation for maintenance was a serious problem, particularly for roads maintained by subnational governments. Sustainability of urban investments was an important issue. Difficulties in fixing remunerative tariffs, the weak financial capacity of urban governments, and imbalances in devolution of responsibilities and resources between national and/or provincial governments and local governments negatively impacted sustainability.
- In the Bangladesh energy sector, sustainability and energy efficiency were major issues. Uneconomic pricing is at the root of these problems. Inefficient institutional arrangements, weak regulation, and political factors prevent fixation of tariffs based on financial and economic considerations.
- An evaluation knowledge brief on the greenhouse gas implications of ADB's energy sector noted that ADB has made progress in promoting energy efficiency through its operations. These efforts cut emissions by 2.23 million tons of carbon dioxide (CO₂) equivalent per year for projects approved during 2001–2008. However, ADB should focus more on broader sector-wide reforms to promote energy efficient investments. Scope exists to reduce the high cost of renewable energy by employing more suitable technologies, introducing local production of equipment, and striving for economies of scale.
- The quasi-experimental study on the impact of two rural water supply projects in Pakistan showed that the projects (i) reduced arduous and painful drudgery for women and young girls, (ii) improved girls' school attendance and enrolment, but not the labor force participation of women, and (iii) failed to significantly reduce the incidence and intensity of diarrhea in the project area. The study emphasized the need to provide water supply and sanitation services in an integrated manner.

Real-time evaluation of ongoing projects could improve the project performance.

In recent years, real-time evaluations of emergency relief operations have become common. This is largely because the method is particularly well-suited for such operations, which usually have shorter durations and leave little institutional memory to carry out post-completion evaluations. Real-time evaluation, which is also known as formative evaluation, is done routinely by most development agencies in various forms to assess the progress and impact of their interventions.

The focus of real-time evaluation should be on learning. The main point of real-time evaluation is to provide feedback on project performance and identify design weaknesses so that project managers and decision makers can make midcourse adjustments. It is a dynamic learning tool to “assess and adjust” the ongoing operations, thereby reinforcing the link between operations, evaluation, and policy formulation. Many agencies found it a potentially useful tool to

improve project quality in several ways because it (i) identifies and solves operational problems during project implementation, (ii) improves the quality of the assistance program by promoting learning, (iii) provides an objective assessment of results, and (iv) improves monitoring and helps provide baseline data to improve the quality of future evaluations.

The project performance monitoring system that ADB uses to carry out real-time monitoring and assessment could be made more effective. ADB relies on its project performance management system (PPMS) to monitor, review, and assess the progress of project implementation. But the effectiveness of the PPMS is limited by the low quality of design and monitoring frameworks (DMFs) and project and program performance reports (PPRs). PPRs are an important real-time monitoring instrument for management decision making. But concerns exist about the reliability of the risk-based project ratings provided by PPRs. Weaknesses in the quality of project supervision and midterm reviews of projects contribute to the weakness of PPRs. ADB is making a serious effort to overcome these weaknesses.

Project reviews and evaluative reviews are different. Although reviews and evaluations are used synonymously, they differ in sophistication and in their approaches. Project reviews focus on operational aspects such as assessing the quality of procurement, conversion of inputs into outputs, institutional and policy issues effecting project implementation. Evaluations (i) focus on determining the relevance of project design to achieving targeted outputs and outcomes, and (ii) look not only at the effectiveness of delivering outputs, but also at the efficiency of resource use and ensuring project sustainability. For instance, DFID differentiates between annual reviews and interim *evaluative reviews called output purpose reviews* done at about the midpoint of a project.

ADB's focus on results-based management will necessitate strengthening of real-time evaluation of operations. Real-time (or nearly real-time) feedback loops are integral to results management and play a key role in supporting results-oriented decision making. Recent evaluations pointed to the need to improve the quality and depth of project oversight by ADB. The evaluations also pointed out that carrying out in-depth midterm project reviews can help improve the chances of project success.

In-depth midterm reviews improve project performance. A 2008 evaluation found that midterm reviews improve the probability of a project's success in achieving its outputs and outcomes by solving a wide gamut of project design and implementation problems. Though ADB regularly conducts midterm reviews of projects, such reviews focus on project inputs and improving project implementation, and often do not assess the likelihood of a project achieving its expected outcomes, as intended in staff instructions. Only two of the 20 projects sampled in the evaluation study analyzed progress in achieving outputs and outcomes based on the design and monitoring framework.

IED's role in promoting real-time evaluation. IED will delineate its role in real-time evaluation that does not unduly overlap with either the responsibilities of operations departments or the executing agencies, or inadvertently create conflicts of interest. Although IED may carry out real-time evaluation of ongoing projects and programs in response to specific requests from the Board and ADB Management, it could consider a more proactive role in evaluating: (a) ADB's new products—such as the countercyclical support facility and multitranche financing facility—when they are introduced; and (b) ADB operational procedures, policies, practices, and strategies. It will continue to assess the likelihood of success of ongoing projects using real-time evaluation methods as part of its country or sector assistance program evaluations.

Findings and Issues

The results of 2009 evaluations and the special study on real-time evaluation provide eight findings and issues.

- (i) **Project success rates have been declining.** This has also been noted in the *Development Effectiveness Review: 2009 Report*.
- (ii) **Evaluations rated ADB better at formulating strategies, projects, and programs than supervising their implementation.** The evaluations of country assistance strategies and projects indicate that ADB is good at aligning its strategies and projects to country needs and priorities. But its performance in supervising project implementation was weak in all of the countries and most of the projects evaluated. Project implementation delays were found in the sectors and countries evaluated. Evaluations also showed that close project supervision and in-depth midterm reviews improved the chances of success.
- (iii) **Sustainability is a problem.** Evaluations of almost all country strategies and sectors point out that projects' financial sustainability—and in a few cases, institutional sustainability—continues to be a major problem. Evaluations typically recommend project-level remedial measures to mitigate the problem. Sustainability should be discussed during the formulation of country strategies, in collaboration with other donors.
- (iv) **ADB's focus on results-based management will necessitate strengthening of real-time evaluation of operations.** Carrying out evaluative midterm project reviews will help ADB strengthen project oversight and improve its ability to objectively assess project results. The recent introduction of results-based country portfolio reviews will also help ADB and DMCs progress in this direction.
- (v) **Midterm project reviews could be transformed into self-evaluative tools.** In-depth evaluative midterm reviews will provide real-time feedback on (i) project implementation issues, (ii) the likelihood of the project achieving its expected outputs and outcomes, (iii) the efficiency of resource use, and (iv) project sustainability. This will help take midcourse corrective measures to achieve intended project objectives. The introduction of results-oriented country portfolio reviews in June 2010 will make it feasible to assess project progress in terms of the likelihood of achieving stated outputs and outcomes.
- (vi) **The midterm review process could be further strengthened** by (a) refining the guidelines for carrying out midterm reviews based on results; (b) expanding the coverage of reviews to cover safeguard issues; and (c) providing more resources.
- (vii) **Real-time evaluation of ongoing projects and programs requires DMC support.** Success in this area will depend on (i) ADB improving the quality of DMFs, (ii) a smooth transition to the new results-based country portfolio reviews, (iii) DMC government buy-in, (iv) DMC capabilities to track results at the project and sector levels, and (v) greater harmonization of ADB's results-monitoring efforts with those of DMC governments and other development partners, and alignment of results monitoring with country monitoring systems.

- (viii) **IED will delineate its role in real-time evaluation** such that it does not unduly overlap with the responsibilities of either the operations departments or project executing agencies or inadvertently create conflicts of interest. IED will work with the ADB Central Operations Services Office, the Strategy and Policy Department, and operations departments to refine guidelines on self-evaluative midterm reviews.

I. INTRODUCTION

A. Objective and Scope

1. The Independent Evaluation Department (IED) of the Asian Development Bank (ADB) publishes an Annual Evaluation Review summarizing key findings of the evaluation studies carried out in the previous year. The purpose of the Annual Evaluation Review is to (i) review the activities of the IED in the previous year, (ii) present the overall trends in the success rates of ADB's operations, and (iii) synthesize, by sectors and theme, the key findings and lessons from evaluations carried out in the previous year.

2. The 2010 Annual Evaluation Review also discusses a current topic of interest to ADB, namely strengthening real-time evaluation. This special topic was chosen because (i) real-time evaluation facilitates midcourse changes in project design and implementation arrangements to improve the likelihood of project success; and (ii) demand is increasing for timely evaluative feedback on the likely development effectiveness of ADB operations.

3. The purpose of including special topics of operational interest to ADB and IED in the Annual Evaluation Review is to provide an in-depth analysis of the chosen topic and make recommendations to improve ADB's operational effectiveness in the chosen area. For instance, the Annual Evaluation Review 2007 studied ADB's capacity development efforts and concluded that "doing less but doing well is likely to produce better results." Its recommendations to strategically assess the capacity development needs of developing member countries (DMCs) and focus on quality of capacity development assistance were accepted by ADB Management and have been largely acted upon. IED and ADB are acting upon the 2009 Annual Evaluation Review recommendation to strengthen self-evaluation in both ADB and DMCs through capacity development and promotion of evaluation culture.

4. The structure of the report is as follows. The remainder of this chapter presents IED's main accomplishments in 2009. Chapter II highlights the development performance of ADB assistance by highlighting the trends in successes of ADB's public sector and nonsovereign operations (NSO).¹ Chapter III synthesizes, by sector and theme, key finding of evaluations done in 2009. Chapter IV discusses the special topic of strengthening real-time evaluation. Chapter V summarizes the findings and issues identified in the report.

B. IED's 2009 Work Program and Accomplishments

5. Effective 1 January 2009, the Operations Evaluation Department became the Independent Evaluation Department (IED). In 2009 IED contributed to enhancing development effectiveness by (i) providing inputs to future ADB policies and programs, (ii) assessing the development impacts of ADB assistance, (iii) providing real-time feedback on operations, (iv) promoting self-evaluation by ADB and DMCs, (v) monitoring ADB Management actions on IED recommendations to enhance ADB accountability, and (vi) disseminating evaluation findings and lessons. In February 2009, IED reconfigured its internal structure to better align it with ADB's overall organizational structure, which is based on specific geographic areas. In addition, IED established a strategy, quality, and knowledge unit within the office of the director general.

¹ ADB conducts both sovereign and nonsovereign operations. An NSO is defined as an ADB-financed transaction in the form of a guarantee, loan, or equity investment, with a subsovereign, state-owned enterprise, other public private entity, or private sector entity as obligor or investee, normally without direct sovereign indemnity.

This unit provides quality-assurance services, improves and refines evaluation methodologies, and disseminates knowledge products.

1. Report Completions

6. In 2009 IED completed its work program as planned. The 2009 IED reports comprised four country assistance program evaluations, seven sector assistance program evaluations, 10 project (program) performance evaluation reports (PPERs), five special evaluation studies, three annual evaluation reports, three information and/or knowledge briefs, one rigorous impact evaluation, 46 project (program) completion report (PCR) validation reports, two extended annual review reports, and six sector assessments and/or syntheses. In 2009 the Development Effectiveness Committee discussed 21 IED reports from 2009 plus an additional five 2008 reports. Appendix 1 lists all evaluation reports completed in 2009.

7. IED completed country assistance program evaluations and sector assessments in four countries (Bangladesh, Cambodia, Nepal, and Viet Nam). High-level special evaluation studies done in 2009 were in areas of strategic priority to ADB, including (i) public-private partnerships (PPPs) in infrastructure development; (ii) ADB technical assistance (TA) for justice reform in DMCs; (iii) ADB's support for public sector reforms in the Pacific; (iv) ADB's contribution to inclusive development through assistance for rural roads; and (v) ADB's support to gender and development. In addition, IED completed (i) a rigorous impact evaluation study to assess the development effectiveness of rural water supply and sanitation projects in Punjab, Pakistan; and (ii) an evaluation knowledge brief on the greenhouse gas implications of ADB's energy sector operations. In 2009, IED delivered 87 reports, exceeding its planned outputs of 69 reports (mainly because of a higher-than-expected volume of PCR validations).

2. Promoting impact evaluation and self-evaluation capacity in ADB and DMCs.

8. IED initiated the formation of an ADB-wide steering committee and working group to guide regional departments in undertaking pilot rigorous impact evaluations. For improving self-evaluation capacity in ADB and DMCs, IED's 2009 Annual Evaluation Review recommended training in preparation of PCRs and other measures. IED followed this up with evaluation training in 2010 for operational staff in the preparation of PCRs. IED's evaluation training program also strengthened the self-evaluation capacity of selected DMCs. Notably, IED and the World Bank's evaluation group jointly provided training in self-evaluation to evaluators in the People's Republic of China (PRC).

3. Monitoring Management Actions on Evaluation Recommendations

9. In collaboration with ADB's Office of the Managing Director General, IED helped ADB Management introduce an automated management action record system (MARS) to monitor its action plans for implementation of IED recommendations. MARS provides wider electronic access to evaluation lessons, promotes ADB ownership, and allows for systematic tracking and validation of the actions taken. All 2008 and 2009 IED recommendations requiring management response have been entered into MARS and those agreed upon by ADB Management are being tracked. Since July 2009, MARS has been accessible to all ADB staff and the Board of Directors through ADB's intranet portal. Management agreed to implement 89% of the 186 recommendations IED made in 2008 and 2009.

4. Enhancing Learning and Knowledge Sharing

10. Disseminating evaluation findings and lessons is a high priority for IED. "Learning Curves," "Evaluation Alerts," "Evaluation Presentations," "Evaluation News," and the IED website continue to be used for dissemination of evaluation products. IED introduced a new product, the "Evaluation Knowledge Brief," to present in-depth analysis in strategically important areas. These initiatives added value by making credible and useful information available in a timely manner for decision making. IED also (i) provided timely feedback on operational documents, (ii) carried out real-time evaluation of an ongoing Emergency Rehabilitation of Calamity Damage Project in Viet Nam, and (iii) prepared an information brief on ADB's responses to the financial crisis.

5. Networking and Participation in Joint Evaluation

11. IED actively participated in the Evaluation Cooperation Group (ECG)² and in the activities of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD). IED contributed to the ECG by taking responsibility for preparing good practice standards for evaluation of country strategies and programs, drafting a meta-evaluation paper on microfinance. IED continued to provide secretariat support to ECG and managed its ECGNET website. IED also took part in OECD-led global evaluation studies on anticorruption, and phase II evaluation of Paris Declaration Implementation. IED's director general participated in a panel to peer-review the evaluation function in the International Fund for Agriculture Development. IED will chair the ECG in 2011 and host the 2011 meetings in Manila.

II. DEVELOPMENT PERFORMANCE OF ADB ASSISTANCE

A. Trends in Success Rates in Public Sector Projects and Programs

1. Success Rates in 2009 Evaluations

12. In 2009, IED completed 10 PPERs for eight sovereign projects, one sovereign program, and one nonsovereign operation.³ PPERs covered five sectors—education, energy, finance, transport, and water supply and other municipal infrastructure and services. Six of the nine sovereign projects or programs were rated *successful* (67%); all of them were considered *highly relevant* or *relevant*, *effective* (except for one road project rated *less effective*), *efficient*, and *likely sustainable*.⁴ Of the three *partly successful* projects, two (including the joint evaluated project) were rated *relevant*, *effective*, *less efficient*, and *less likely sustainable* while the remaining project was rated *less relevant*, *less effective*, *efficient*, and *less likely sustainable*.

13. In 2009, IED validated 46 project or program completion reports for sovereign operations and two extended annual review reports for nonsovereign operations. IED validation reports rated 29 out of the 46 (63%) sovereign operations *successful*, 15 operations (33%) *partly successful*, and two operations (4%) *unsuccessful*. Of the 29 successful operations, all were

² Evaluation Cooperation Group established by the heads of evaluation in the Multilateral Development Banks (MDBs) in February 1996. Evaluation departments or offices of African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Monetary Fund, and the World Bank Group.

³ This included one joint evaluation of the Almaty–Bishkek road project with the European Bank for Reconstruction and Development (EBRD).

⁴ See Appendix 4 for evaluation criteria and details of project success ratings.

highly relevant or relevant, and most were effective (except for one) and efficient (except for two). However, only 24 (83%) were rated *likely sustainable*, and the remaining five (17%) were rated *less likely sustainable*. IED validation reports (i) confirmed self-evaluation ratings for 37 PCRs; (ii) downgraded three *highly successful* ratings to *successful*, and 5 *successful* ratings to *partly successful*; and (iii) upgraded one *partly successful* rating to *successful*.

14. The combined success rating for validated PCRs and PPERs was 64% for 53 ADB sovereign operations evaluated⁵ in 2009. The validated ratings of PCRs and PPERs completed in 2009 indicate that 83% of *partly successful* and *unsuccessful* projects were rated *partly satisfactory* or *unsatisfactory* for borrower performance; and more than 76% of these projects were *less likely sustainable* or worse.⁶ These findings are consistent with a 2008 evaluation findings on factors determining project success, which point to the importance of close ADB supervision and strong project ownership and management by executing agencies.⁷ Evaluation findings also indicate that in-depth midterm reviews (which assess the continued relevance and validity of project design and implementation arrangements, and suggest corrective measures to address any weaknesses) improved project success.⁸

2. Trends in the Ratings of Sovereign Operations

Table 1: Performance Ratings of Sovereign Operations in terms of Number of Sovereign Operations and Net Loan Amount

Approval Period of SOs	Total No. of Rated SOs	Distribution by Performance Rating by Number of Loans (%)			Total Net Loan Amount of Rated SOs (\$ Million)	Distribution by Performance Rating by Loan amount ^{##} (%)		
		HS/GS/S	PS	US		HS/GS/S	PS	US
		1968-1980	340	60.9		28.5	10.6	5,897
1981-1991	420	54.8	35.7	9.5	19,832	58.8	36.7	4.5
1992-2000	506	70.9	24.3	4.7	37,739	81.0	18.0	1.0
2001-2007	88	70.5	20.5	9.1	7,717	71.0	23.6	2.4
Total	1,354	63.4	28.7	8.0	71,185	72.5	24.6	2.9

Net loan amount refers to total disbursements in US dollars at the time of loan closing.

GS = generally successful, HS = highly successful, PS = partly successful, S= successful, SO = sovereign operations, US =unsuccessful. ## Instead of numbers, performance ratings of loans were aggregated by net loan amounts to calculate the rates of project success.

15. Up to 2009, 1,484 sovereign operations (projects and programs), with a net loan amount of \$75.75 billion, were independently and/or self-evaluated. Of these, 1,354 (with a net loan amount of \$71.19 billion) have been rated—746 (55%) based on PPER ratings, 81 (6%) based on PCR validation reports, and 527 (39%) based on PCR ratings. Table 1 shows the aggregate success rates⁹ in terms of both the number of loans and the net loan amount between 1968 and 2007. The project success rate (defined as the proportion of operations rated highly successful or successful) was better for approvals during the 1990s than during 2001–2007 if measured by net loan amount. Long term trend in success rates measured by project numbers also showed a declining trend after 1999 (Figure 1).

⁵ Two sovereign projects had both PCR validation reports and PPERs in 2009. In these cases only the PPER ratings was taken into account when combining the PCVR and PPER ratings. Hence, combined ratings are given to 53 sovereign projects rather than 55 (which is the total number of PCVRs and PPERs done in 2009).

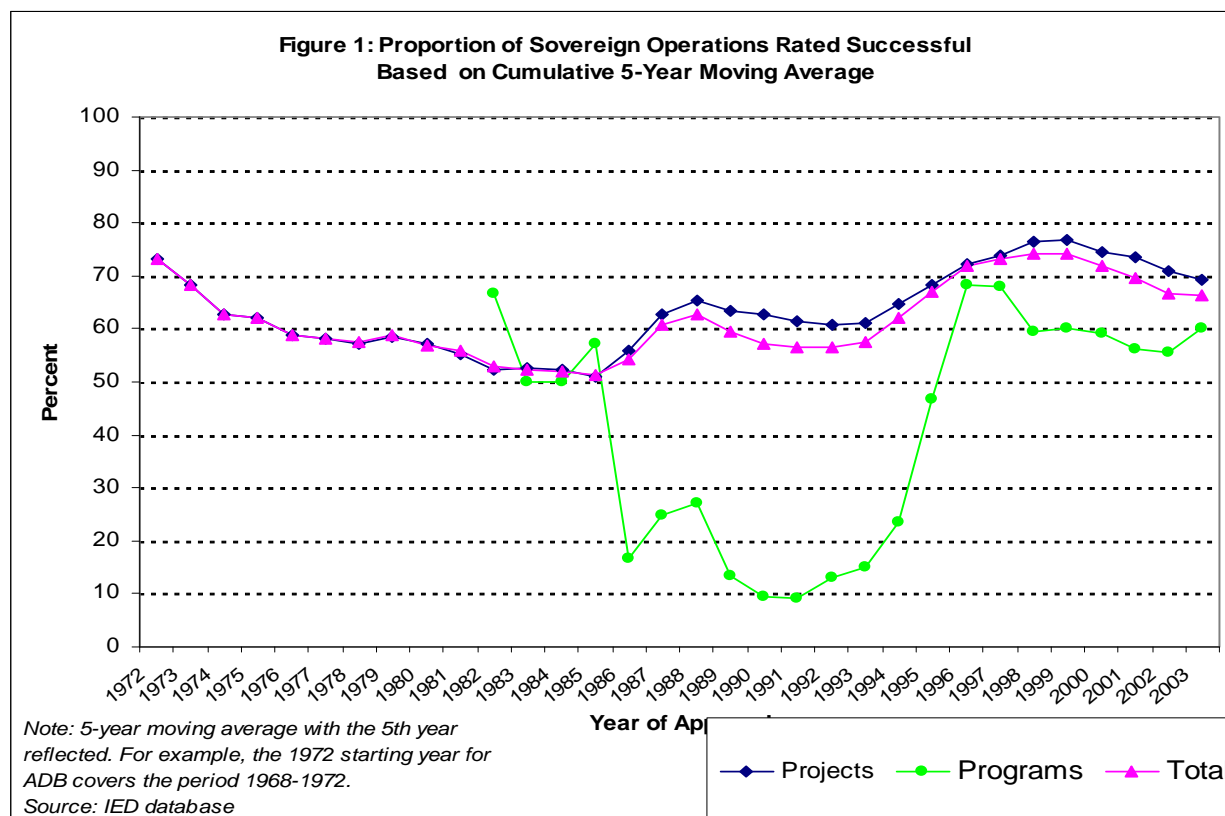
⁶ See Appendix 2.

⁷ ADB. 2008. *Special Evaluation Study on Project Performance and Project Cycle*. Manila. pp23–29.

⁸ ADB. 2008. *Special Evaluation Study on Midterm Review Process*. Manila. pp. 9–11.

⁹ Appendix 4 provides a description of project ratings for sovereign and nonsovereign operations.

16. The trend in the success rate of ADB sovereign operations is shown in Figure 1.¹⁰ The figure shows success rates separately for sovereign operations, projects, and programs.



17. After peaking at 77% for projects approved during the 5-year period ending in 1999, the success rate of ADB projects began to decline. For the evaluated projects approved during 1999–2003, the average success rate was 69%. ADB’s Development Effectiveness Review 2009 also noted this declining trend.¹¹ However, it’s worth noting that the success rate for ADB program loans improved significantly during mid 1980s after experiencing a steep decline in the early 1980s. The success rates were generally stable in during the 1990s and began improving after 2001. The improvement was attributed to close scrutiny of the program loan modality through eight reviews in a span of 26 years (1983–2009), and the introduction in 2001 of a program cluster approach whereby several logically linked single-tranche subprograms are

¹⁰ Figure 1 presents data only through 2003 because of the limited sample size of evaluated projects approved subsequently. The success rates are based on a 5-year moving average. Thus, the figure shown in 2003 refers to the average success rate of projects approved during 1999–2003 that had been closed and evaluated by the end of 2009. Trends in project success rates (overall and for Asia and the Pacific) in the World Bank are presented in Appendix 5.

¹¹ ADB. 2009. *Development Effectiveness Review: 2009 Report*. Manila. Notes in page two, “The success rate of completed investment operations (loans and ADF grants) declined to 67% from the already low level of 69% in 2008.” These success rates are not comparable with those given in figure 1. The Development Effectiveness Review (DEFr) shows success rates based on the year in which PCRs are circulated. Hence these rates correspond to success rates in project completion year. Annual Evaluation Report (AER) shows success rates based on project approval date. For instance if project approved in 2001 is evaluated in 2009, AER attributes the success rate to 2001 (the year of project approval), and DEFr to 2009 (the year when PCR is circulated). The trends are however comparable because, the trend in success rates at completion follow the trend in success rates based on approval year shown in Figure 1.

provided to address a complex policy agenda, taking into account country capacity and program requirements.¹²

18. A 2008 evaluation of project performance in ADB identified the key factors influencing project success at project processing, implementation, and appraisal.¹³ The key finding of the evaluation was that careful supervision and management review at all stages of the project cycle is critical for project success. For instance, the evaluation noted that (i) *less successful* projects would have benefited from more effective internal review—specifically, in 67% of *unsuccessful* or *partly successful* projects, a thorough internal review during project processing could have identified deficiencies in project design; (ii) project readiness filters would be more effective if they were used by DMCs, rather than being used internally by ADB; (iii) a lack of ADB supervision was a contributing factor for poor performance in 73% of *unsuccessful* or *partly successful* projects; and (iv) in 63% of low-success-rate projects, a lack of government ownership was a contributing factor. The evaluation also noted that professional staff inputs to project review missions declined from 7,686 person-days in 1998 to 4,918 person-days in 2005—a 36% fall. While the decline in professional staff inputs was offset by expanding and delegating more work to resident missions, it may not have fully taken into account the expansion of activities in terms of countries and operations (including safeguard concerns).

19. The same 2008 evaluation found that the quality and intensity of supervision helped overcome challenges in *successful* projects. The evaluation found that *successful* and *unsuccessful* projects were afflicted by a similar set of problems that could potentially compromise project success. For example, projects rated *successful* and those rated *partly successful* or *unsuccessful* had the same rate of start-up problems and delays. However, in *successful* projects, better government project ownership and superior internal supervision by ADB overcame these problems. ADB is taking steps to make more effective use of country strategies, country portfolio reviews (CPRs), and regular project reviews to enhance project supervision and results orientation.¹⁴ Although enhanced supervision alone will not guarantee success, it will contribute to timely identification and speedy resolution of problems. In particular, the evaluation cautioned, “In view of the declining level of project implementation supervision reported by key informants and verified by published data, concern must be expressed for the levels of success to be expected by current and future projects.”

3. Success Rates by Country Grouping and Sector

20. Table 2 provides the overall success rates of sovereign operations by country classification,¹⁵ and Appendix 3.1 provided the success rates for sovereign operations by country and sector. Analysis of performance by country grouping shows that: (i) Asian Development Fund (ADF) countries, in spite of their more challenging policy environments, perform on par with Group C countries eligible for ordinary capital resources (OCR) financing,

¹² ADB carried out evaluative reviews of program lending modality in 1983, 1987, 1990, 1996, 1999, and 2009. IED carried out special evaluation of the modality in 2001 and 2008. All of the evaluative reviews assessed the relevance, integrity, and effectiveness of the modality and recommended changes in product design or implementation arrangements to make it more effective. This intense process of reviews helped improve the success of the product.

¹³ Footnote 7, pp. 22–25 and 29.

¹⁴ ADB. 2009. *ADB Action Plan on Managing for Development Results 2009–2011*. Manila. pp. 3-6

¹⁵ ADB employs a classification system for its DMCs that meet the requirements of the Charter by establishing criteria to determine their eligibility to borrow from the Asian Development Fund (ADF) and their access to ordinary capital resources (OCR). The current country classification is as follows: (i) Group A countries are eligible for ADF-only financing; (ii) Group B countries borrow from ADF and OCR; (iii) Group C countries are eligible only for OCR financing. Graduated economies are no longer eligible for ADB support.

and perform better than Group B countries; (ii) project success rates in country groups A and C countries have been improving since 1981; (iii) consistently high rates of success were achieved in graduated economies; and (iv) success rates for Group B countries fell to about 51% for sovereign operations approved during 2001–2007, but this has to be interpreted with caution because of the small sample size. Overly ambitious programs and projects (mainly Pakistan, the Marshall Islands, and Papua New Guinea) that were too complex created implementation challenges for ADB and governments. Difficult political and/or economic conditions in some countries also appear to have contributed to the lack of success. The lower success rates in Group B countries may have contributed to the decline in the aggregate project success rate, particularly during 2001–2005.

Table 2: Performance Ratings of Sovereign Operations in terms of Number and Net Loan Amount, by Country Group and Approval Period^a

Country Group	Approval Period of SOs	Total No. of Rated SOs	Distribution by Performance Rating (%)			Total Net Loan Amount of Rated SOs (\$ Million)	Distribution by Performance Rating (%)		
			HS/GS/S	PS	US		HS/GS/S	PS	US
A	1968–1980	51	56.9	23.5	19.6	369	58.5	11.9	29.6
	1981–1991	85	51.8	36.5	11.8	1,106	58.0	33.3	8.8
	1992–2000	123	70.7	26.0	3.3	2,516	79.2	19.6	1.2
	2001–2007	29	82.8	10.3	6.9	768	92.9	6.9	0.2
	Subtotal	288	63.9	27.1	9.0	4,759	74.9	20.1	5.0
B	1968–1980	89	43.8	42.7	13.5	1,577	53.2	33.0	13.8
	1981–1991	166	50.6	42.2	7.2	9,700	54.7	40.4	4.9
	1992–2000	170	70.6	24.1	5.3	11,759	79.4	19.5	1.1
	2001–2007	39	51.3	38.5	10.3	4,517	51.8	44.3	3.8
	Subtotal	464	56.7	35.3	8.0	27,553	64.7	31.7	3.6
C	1968–1980	147	63.3	27.9	8.8	2,870	67.1	24.4	8.4
	1981–1991	162	59.3	29.6	11.1	8,821	63.0	33.4	3.6
	1992–2000	212	71.2	23.6	5.2	19,763	78.6	20.2	1.2
	2001–2007	20	90.0	0.0	10.0	2,433	99.7	0.0	0.3
	Subtotal	541	66.2	25.7	8.1	33,888	75.2	22.6	2.4
Graduate Economies	1968–1980	53	86.8	11.3	1.9	1,081	87.7	11.6	0.7
	1981–1991	7	85.7	14.3	0.0	204	75.4	24.6	0.0
	1992–2000	1	100.0	0.0	0.0	3,700	100.0	0.0	0.0
	Subtotal	61	86.9	11.5	1.6	4,985	96.3	3.5	0.2
Total		1,354	63.4	28.7	8.0	71,185	72.6	24.6	2.9

Net Loan refers to total disbursed amount in dollars at the time of loan closing.

GS = generally successful, HS = highly successful, PS = partly successful, S= successful, SO = sovereign operations, US = unsuccessful

^a The data for 2001–2007 should be interpreted with caution because of the small sample size—18% for projects and 39% for programs.

21. The proportion of successful sovereign operations to total number of evaluated operations approved during 2001–2007 (presented in Appendix 3.2) indicates the following trends.

- (i) The success rates in agriculture and natural resources increased consistently during the period, to about 60%. This compares favorably with the abysmal 40% success rates in these sectors before the 1990s.
- (ii) Infrastructure operations (transport; information, communications and technology; and energy) continue to have high success rates (over 80%), although success rates declined modestly during the 2000s compared with rates in the 1990s. Success rates also fell modestly in education.

- (iii) Success rates improved for operations in finance, public sector management, and water supply and other municipal infrastructure and services, as well as for multi-sector operations.

B. Trends in Success Rates in Nonsovereign Operations

22. IED evaluated 12 nonsovereign operation (NSO) projects from 2006 to 2009 using the new evaluation criteria.¹⁶ Table 3 shows the ratings summary. NSO projects performed well, with 83% of them receiving overall *successful* or *highly successful* ratings. In terms of sub-criteria three projects were rated *unsatisfactory* or *partly satisfactory* under ADB investment profitability criterion. ADB work quality was rated *partly satisfactory* in three projects (25%). Finally, two projects were rated *partly satisfactory* in terms of development impacts and outcomes.

Table 3: Summary of Ratings of Independently Evaluated NSO Projects 2006 to 2009

Rating for Sub-criteria	Sub-criteria (Number of Projects)				Overall Project Rating	
	DI&O	ADB IP	ADB WQ	ADB Add		
Unsatisfactory	0	2	0	1	Unsuccessful	1
Partly Satisfactory	2	1	3	1	Partly Successful	1
Satisfactory	8	7	7	5	Successful	9
Excellent	2	2	2	5	Highly Successful	1
Total (Number of Projects)	12	12	12	12	Total	12

Rating for Sub-criteria	Sub-criteria (Percent of Total)				Overall Project Rating	
	DI&O	ADB IP	ADB WQ	ADB Add		
Unsatisfactory	0%	17%	0%	8%	Unsuccessful	8%
Partly Satisfactory	17%	8%	25%	8%	Partly Successful	8%
Satisfactory	67%	58%	58%	42%	Successful	75%
Excellent	17%	17%	17%	42%	Highly Successful	8%
Total	100%	100%	100%	100%	Total	100%

ADB = Asian Development Bank, DI&O = development impacts and outcomes, IP = investment profitability; WQ = work quality; Add = additionality

23. One NSO energy project was independently evaluated through PPER in 2009 and was rated *successful*. Self-evaluations rated two NSOs *highly successful* in 2009. IED confirmed the rating of one of them and downgraded the rating of the other to *successful*.

24. The key lessons from the two energy sector NSO projects evaluated in 2009 are: (i) the timing of upstream and downstream components in an integrated power project should be synchronized to ensure the most efficient use of resources; (ii) key project documents should be finalized at the same time to ensure consistency in terms and principles; and (iii) PPP projects require more highly skilled project managers than traditional procurement projects, and present

¹⁶ See Appendix 4 for evaluation criteria and details of project success ratings.

opportunities for scaling up ADB's advisory support to improve project design before committing ADB funding. The key lessons from NSO road transport project were that: (i) acquiring right-of-way takes time, so a realistic timetable should be included in future projects to avoid delays in project start-up; right-of-way should be addressed before tendering the concession agreement; and (ii) PPP models could be improved by referring to international good practices in financing road projects.

III. LESSONS FROM EVALUATIONS FOR BETTER DEVELOPMENT PERFORMANCE

A. Country Strategies

25. IED carried out four country assistance program evaluations (CAPEs) in 2009—Bangladesh, Cambodia, Nepal, and Viet Nam. The strategies have been rated *successful* overall in Bangladesh, Cambodia, and Viet Nam; and *partly successful* in Nepal. These evaluations show that in all four countries ADB was successful in maintaining strategic relevance to country needs, aligning with government and ADB priorities, and responding flexibly. ADB was also effective in delivering results. However, in all four countries ADB was only *partly successful* in implementing its projects and programs. Thus, ADB clearly performed better during project planning than during project execution. The evaluations noted that two key factors leading to weak project performance were: (i) doubts about post-project sustainability, and (ii) project implementation delays and difficulties. The finding on sustainability is not surprising because countries often undertake large investments and then find it difficult to raise user fees or generate the budgetary resources needed to meet operation and maintenance (O&M) costs. This happens because investment sustainability is not assessed at the macro level using a medium-term fiscal framework to determine O&M needs and affordability. ADB should encourage governments to carry out sustainability analysis during the formulation of country strategies. This will help pinpoint institutional reforms that might improve the sustainability of investments, and determine which of those reforms could be incorporated in country strategies. Likewise, ADB will have to make more systemic efforts to (i) build country capacities for project administration, (ii) determine how best to divide responsibilities for portfolio management between ADB headquarters and resident missions, and (iii) strengthen oversight of project implementation.

26. The Bangladesh CAPE pointed to governance, infrastructure, social services, and disaster management as constraints on growth and noted that improved public sector governance, and better project management would enhance the development impact of ADB assistance.¹⁷ In particular, the evaluation recommended continuation of the current sector focus, with greater emphasis on the transport sector in line with its strategic importance, and on disaster risk management considering the country's vulnerability to climate change.

27. In Cambodia, the evaluation found that ADB was quite responsive to the changing needs and priorities of the country.¹⁸ ADB moved to complement its physical infrastructure investments with assistance for policy analysis and policy reforms. However, the evaluation concluded that ADB was late to support improved governance at the national level, and that assistance to Cambodia was spread over too many sectors, resulting in reduced project size and possibly impairing development effectiveness. Better public resource management and project administration would have improved the development impact of ADB assistance. Greater focus

¹⁷ ADB. 2009. *Country Assistance Program Evaluation: Bangladesh*. Manila. The Bangladesh CAPE evaluated ADB's strategy and assistance during 1999–2008.

¹⁸ ADB. 2009. *Country Assistance Program Evaluation: Cambodia—Growth and Sector Reforms*. Manila. The Cambodia CAPE 2009 evaluated ADB's strategy and assistance program during 1998–2008.

on quality of education, better management and regulation of the financial sector and microfinance institutions, more emphasis on maintenance of assets created (particularly in the energy sector), and greater focus on improved road safety also would have improved ADB's development impact in Cambodia.

28. In Nepal, the CAPE found that ADB adopted conflict-sensitive approaches to implement projects under difficult circumstances by relying on civil society organizations and local communities to overcome the difficulties imposed by insurgency, institutional weakness, and the lack of elected political representation at local levels.¹⁹ Reliance on civil society organizations and local communities for implementation necessitated taking note of their capacity limitations and closely monitoring and evaluating their performance. This approach helped enable more ADB assistance to reach poor and excluded populations through investments in rural infrastructure, universal primary education, rural finance, and agriculture production and marketing. However, concerns exist about the sustainability of some of the interventions.

29. ADB assistance to Viet Nam is small compared with total government investment budget, but this assistance nonetheless contributed to economic growth by easing supply bottlenecks in the energy sector and by building capacity to help alleviate shortages of technically skilled labor.²⁰ ADB-supported financial sector reforms improved access to capital markets, improved lease financing to the private sector, and improved the sector's allocative efficiency. Concerns about the efficacy and sustainability of projects, weak portfolio performance, sustained environment management, and the weak implementation capacity of some executing agencies (particularly at the subnational level) remain.

B. Lessons from Sector-Level Evaluations

30. **Transport.** ADB assistance to the transport sector was evaluated in five countries in 2009—at the project level in four countries,²¹ and at the sector level²² in two countries. The following were the key lessons and issues identified.

- **Benefits from rural roads.** Although rural roads helped increase economic activity in the project area, the benefits were not distributed evenly across all social groups. Communities with better human resource capabilities and access to assets benefited more than poorer groups. Evaluation findings showed that (i) rural roads benefit rural communities, but alone are not sufficient to promote inclusive growth and alleviate poverty in rural areas; (ii) the poor benefit more from rural roads if complementary interventions and policies to improve opportunities for the poor are also in place. Road safety is also important.
- **Project implementation delays** (by 22 months on average in six evaluated projects) are a major issue. Economic benefits eroded in two-thirds of projects because of project

¹⁹ ADB. 2009. *Country Assistance Program Evaluation: Nepal—Delivering Assistance in a Challenging Environment*. Manila. The 2009 CAPE for Nepal covered 2004–2008, and also covered projects and programs not covered under the previous CAPE completed in 2004. The 2004 CAPE covered ADB assistance during 1988–2003.

²⁰ ADB. 2009. *Country Assistance Program Evaluation: The Socialist Republic of Viet Nam*. Manila. The CAPE evaluated the performance of the ADB strategy and assistance program during 1998–2008. This covered three country strategy cycles: the 1995 Country Operational Strategy Study, the 2000–2004 CSP, and the 2007–2010 CSP. These were interspersed by annual country assistance plans and CSP updates.

²¹ Project-level evaluations were done in Cambodia, the Lao People's Democratic Republic, Kazakhstan, and the Kyrgyz Republic.

²² Two sector assistance program evaluations in Cambodia and Viet Nam: ADB. 2009. *Sector Assistance Program Evaluation: Transport Sector in Cambodia—Focusing on Results*. Manila; and ADB. 2009. *Sector Assistance Program Evaluation: Transport Sector in Viet Nam*. Manila.

implementation delays caused by poor project management or delays in implementing resettlement plans—particularly in Cambodia and Viet Nam. In Cambodia, the resettlement action plan suffered from the government's lack of capacity and lack of understanding of ADB procedures, poor quality of assessment by the government of affected persons, and weaknesses in government compensation processes. In Viet Nam, the delays were due to differences in the guidelines and compensation norms used in ADB-funded and government-funded projects. The application of different compensation norms often created serious discontent at the community level. Although the government's compensation norms and guidelines are being harmonized with ADB policies, implementing these higher compensation standards at the local level will require additional financial resources.

- **Sustainability.** All sector and project evaluations found the sustainability of investments in the transport sector to be *less likely*. Concerns exist about inadequate financial allocations for maintenance, and weak institutional arrangements and capacity for road upkeep and management—particularly in the Lao People's Democratic Republic and Viet Nam, and for the Almaty–Bishkek road. Effective management of road assets is an issue in all countries evaluated. The special evaluation study on rural road projects pointed out that inadequate allocation of resources to maintain rural roads is a serious issue. Covenants to ensure proper upkeep of road assets are not always complied with.
- **Lack of enforcement** of road rules pertaining to overloading and poor road safety management are other major concerns.

31. **Energy.** Evaluations of the energy sector in 2009 included: (i) a sector assistance program evaluation in Bangladesh and four project-level evaluations—three in Bangladesh and one in the PRC; and (ii) an assessment²³ of the implications of ADB's energy sector operations on greenhouse gas emissions.²⁴ The key issues and findings were:

- **Energy pricing is the key** to sustainable development of the sector and DMC economies. Unremunerative pricing made the Shanxi Environment Improvement Project in the PRC²⁵ financially unsustainable. Cheap energy in Bangladesh has (i) created unsustainable demand for gas, (ii) led to wasteful use of gas and electricity, and (iii) encouraged the use of energy-inefficient technologies in production.
- **The success of efforts to improve energy efficiency** and the flow of private investment to the energy sector will depend on price reforms that are politically difficult to carry out.
- **Policy and institutional reforms** in the energy sector will have to be sequenced properly, taking into account the political economy considerations and the ability of governments to manage the process.

32. **Energy Sector Operations and Greenhouse Gas Emissions.** A 2009 evaluation knowledge brief²⁶ found that during 2001–2008 ADB made notable progress in improving the

²³ ADB. 2009. *Evaluation Knowledge Brief: Greenhouse Gas Implications of ADB's Energy Sector Operations*. Manila. <http://www.adb.org/Documents/Evaluation/Knowledge-Briefs/REG/EKB-REG-2009-38.asp>

²⁴ Including carbon dioxide (CO₂), methane, and several other industrial gases. Greenhouse gases are gases deemed to cause global warming. The impact of different gases on global warming varies; for instance, methane is known to have 21 times greater impact than CO₂.

²⁵ ADB. 2009. *Performance Evaluation Report: Shanxi Environment Improvement Project in the People's Republic of China*. Manila.

²⁶ Footnote 23.

energy efficiency in DMCs through its operations. The following were the key findings of the knowledge brief: (i) annual lending for clean energy projects increased four-fold during the evaluation period to about \$670 million, (ii) the share of clean energy projects in the energy sector increased from 26% to 43%, and (iii) energy sector assistance to the private sector and nonsovereign operations rose 12-fold. Average annual savings in greenhouse gas emissions attributable to ADB projects approved during 2001–2005 was 0.58 million tons of carbon dioxide (CO₂) equivalent; for projects approved during 2006–2008 the average annual savings was 1.65 million tons of CO₂ equivalent. However, in the area of policy reforms, ADB tended to focus more on energy sector entities and less on broader sector-wide reforms to promote energy-efficient investments. Although the share of renewable energy in the PRC and India is increasing in response to incentives, unit energy costs remain higher than in conventional energy sources. Choosing more appropriate technologies, launching local production of equipment, and striving for economies of scale can reduce the high costs associated with introducing renewable energy.

33. Water supply and other municipal infrastructure and services. Sector assistance to Bangladesh and Viet Nam and one project in Indonesia were evaluated in 2009. The evaluations pointed to three main problems: (i) significant delays in project implementation, (ii) poor sustainability of urban development projects, and (iii) insufficient integration of water supply, wastewater treatment, and solid-waste disposal projects to enhance project benefits, particularly health-related benefits.

- **Project complexity and implementation delays.** The evaluations found that projects in the sector tend to be complex. Subprojects tend to involve several government agencies, requiring a multilayered process of review and approval. Project implementation delays were considerable—for instance, the average delay was 3.5 years in Viet Nam. Implementation delays could be reduced through advanced actions to (i) hire implementation consultants, and (ii) review feasibility studies (especially for the 1st year). In the medium term, ADB should engage with the government to streamline the procurement, review, and approval processes. ADB also needs to address the issue of quality of consulting inputs for urban development projects—and the manner of consultant engagement—to ensure professional and efficient relationships with national counterparts.
- **Sustainability.** The evaluations rated the sustainability of urban development projects in two of the three countries *less likely* because of difficulties in (i) fixing remunerative tariffs for proper O&M of water supply projects, and (ii) providing sufficient resources to allow financially weak local governments to maintain other urban infrastructure. Sustainable financing of urban infrastructure will also need devolution from higher level governments of resources commensurate with the responsibilities of local governments. A strengthened regulatory environment would allow municipal enterprises to fix remunerative tariffs and enforce service and productivity standards.
- **Integration of water supply projects with sanitation and solid waste** management components would improve the public health impact of ADB investments by addressing the stagnant water problem in many cities (a major source of vector borne diseases). An integrated approach would be cost-effective because the cost of improving wastewater (sewer) disposal is small compared with the cost of improving water supply systems.

34. **Water Supply and Sanitation.** Rigorous impact evaluations²⁷ of two rural water supply projects in Pakistan²⁸ showed that the projects (i) benefited women and girls in the project area by reducing the arduous and painful drudgery of bringing in water from long distances, (ii) improved girls' school attendance and enrolment, (iii) did not improve women's participation in the workforce, and (iv) did not significantly reduce the incidence and intensity of diarrhea in the project area. The almost exclusive focus on improving access to water supply and the neglect of sanitation—including safe disposal of wastewater and solid wastes in rural areas—was a weakness of both projects.

C. Lessons from Thematic Evaluations

1. Governance

35. **Assistance for Justice Reform in Developing Member Countries.**²⁹ At the institutional level, ADB lacks a strategic framework to promote justice reforms. As a result, ADB provided more advisory support than substantial project or program assistance in this area. ADB technical assistance for justice reforms has raised awareness of the importance of judicial independence and accountability and the merits of empowering people by providing access to justice. ADB has also provided much-needed capacity development support, creating demand for resources to implement justice reforms. Some DMCs showed little interest in ADB support for justice reforms, while others, such as Pakistan and the Philippines, sought additional assistance. Issues concerning quality-at-entry and unrealistic time frames afflicted some programs, resulting in delays, higher administrative costs, and lowered benefits. Justice reforms remain a low priority for ADB and an evidence of its development impact could improve resource flows from ADB.

36. **Support for Public Sector Reforms in the Pacific.**³⁰ Although ADB's governance support was generally relevant to the needs of small Pacific island countries, its programs were often overly ambitious and based on optimistic assumptions about structural reforms. A narrow stakeholder base for reforms caused implementation delays and policy reversals. Fiscal consolidation efforts seem to have succeeded but progress in fiscal performance could not always be sustained. Broad-based public service reforms and private sector development efforts were less successful. Although in many countries reforms helped countries reduce the public debt burden, this burden remained high in the Federated States of Micronesia, the Marshall Islands, and Vanuatu. ADB technical assistance in this area has been relevant. However, more support for institutional development would have yielded better results. Regular monitoring, continued policy dialogue, and follow-up support for the reform process will be crucial to sustaining reforms in the Pacific island countries.

2. Public–Private Partnerships

37. **Findings.** A special evaluation covered ADB's support to PPPs during 1988–2008 in the power, transport, and water sectors, and the development of related policy, legal, regulatory,

²⁷ ADB.2009. *Impact Evaluation Study: Rural Water Supply and Sanitation in Punjab, Pakistan*. Manila

²⁸ ADB.1994. *Report and Recommendation of the President to the Board of Directors; Proposed Loan to Pakistan for the Punjab Rural Water Supply and Sanitation (Sector) Project*. Manila; ADB. 2002. *Report and Recommendation of the President to the Board of Directors; Proposed Loan to Pakistan for the Punjab Community Water Supply and Sanitation Sector Project*. Manila.

²⁹ ADB. 2009. *Special Evaluation Study: ADB Technical Assistance for Justice Reform in Developing Member Countries*. Manila

³⁰ ADB. 2009. *Special Evaluation Study: ADB Support for Public Sector Reforms in the Pacific: Enhance Results through Ownership, Capacity, and Continuity*. Manila.

and institutional frameworks to provide inputs for formulating strategies and policies for future PPP support.³¹ ADB's overall performance in supporting PPP has been rated *satisfactory*, with scope for improvement. The strategic positioning of ADB support to PPP through its public sector operations window is rated *substantial*. ADB's promotion of PPP reform is found to be generally appropriate in the sequencing of measures and building partnerships. ADB has a clear strategic framework to support PPP in the energy sector. In other infrastructure sectors, ADB lacks a clear strategic framework to promote PPP. Several PPP projects failed because of inadequate staff expertise in ADB. Efforts to promote PPPs through ADB's private sector operations has been rated *partly satisfactory* due to the concentration of portfolio in one sector—energy—and in a few larger DMCs. The evaluation pointed out that internal coordination between ADB's private sector operations department and regional departments was strong in energy projects, but was weaker for projects in other sectors. A weak regulatory environment, inadequate institutional capacity in governments for developing and implementing PPPs, and external shocks (such as the financial crisis) have limited the potential benefits of private sector participation in infrastructure projects.

38. **Lessons.** PPP will not automatically improve sector performance or mobilize resources for infrastructure projects. It must be clear that PPP will offer tangible benefits and good value for money. ADB support did not increase PPP transactions due to weak investment climate, lack of institutional capacity, and long time needed to institutionalize the best practices introduced through demonstration projects. Political commitment and stakeholder support is a prerequisite for PPPs to succeed. A regulatory environment for setting tariffs, and significant government capacity to identify and develop projects are prerequisites for the success of PPPs. Pilot projects could provide valuable inputs and practical lessons for developing PPP policy frameworks. In countries where infrastructure is provided by subnational governments, country conditions need to be assessed carefully because the institutional arrangements encompassing different layers of administration will be complex.

3. Gender and Development

39. **The context.** For the purpose of implementing its Gender and Development policy,³² ADB's operations are grouped into four categories: (i) Category I projects—these directly address gender equality and/or women's empowerment by narrowing gender disparities; the outcome statement of the project design and monitoring framework for Category I projects explicitly mentions gender equality and women's empowerment; (ii) Category II projects—these include features to facilitate women's access to program and project benefits, but do not list gender equality as a direct project outcome; (iii) Category III projects—these have some gender benefits and the project is likely to provide direct and substantial benefits to women, but includes little gender analysis and few or no specific design features; and (iv) Category IV projects—these have no gender elements.³³ ADB's Results Framework for sovereign projects envisages that 40% of all projects and 50% of Asian Development Fund-funded projects should be in either Category I or Category II by 2012.³⁴ As discussed below, after experiencing declines since 2003, the proportion of projects in these categories has grown since 2007.

³¹ ADB. 2009. *Special Evaluation Study: ADB Assistance for Public-Private Partnerships in Infrastructure Development—Potential for More Success*. Manila

³² ADB. 1998. *Gender and Development*. Manila.

³³ ADB. 2010. *Guidelines for Gender Mainstreaming Categories for ADB Projects*. Manila.

³⁴ ADB. 2008. *ADB Results Framework*. Manila.

<http://www.adb.org/Documents/Policies/ADB-Results-Framework/r166-08.pdf>

40. **Evaluation findings.** A 2009 evaluation of ADB's gender and development policy noted that the changes in strategic sector priorities during the past 5 years—under the Medium Term Strategy II and Strategy 2020³⁵—have narrowed the application of the gender and development policy to the five core operational sectors (with the exception of education sector, some components of rural infrastructure, and microfinance under the financial sector).³⁶ Gender mainstreaming in ADB operations progressively improved until 2003, when Category I or II gender and development projects reached 46.8% of all projects (up from 17.6% in 1998). From 2003 to 2007, possibly reflecting the impact of strategic shifts in sector emphasis, the proportion of Category I and II gender and development projects declined to 23%.³⁷ The responsiveness of ADB to gender and development has been modest because of several factors, including: (i) inadequate staff with gender development skills at headquarters and resident missions; (ii) uneven impact of country gender assessment on programming and partnership strategies; (iii) type of lending sources; (iv) sector composition of lending (prominence of infrastructure and regional cooperation and integration); (v) modalities of lending (policy-based lending, private sector operations and nonsovereign operations); and (vi) the absence of incentives and champions. To overcome some of the challenges, ADB introduced initiatives such as locating national gender consultants in the resident missions, providing sector specific checklists for incorporating gender into project design, and establishing an informative gender and development webpage. Some regional departments also successfully included gender-oriented projects in their programs. With appropriate selection of projects and proper implementation of their gender components, positive gender outcomes could be achieved even in finance and infrastructure projects. The enhanced efforts led to an increase in the percentage of projects in Category I and II to 27% in 2008, and to 31% in 2009.

IV. STRENGTHENING REAL-TIME EVALUATION FOR DEVELOPMENT EFFECTIVENESS

A. Introduction

41. This chapter discusses real-time evaluation, explaining how it differs from other types of monitoring and how it is undertaken outside of ADB. It reviews how real-time evaluations are currently carried out in ADB, and proposes ways for ADB to provide more effective real-time feedback on the progress and likelihood of success of projects. This report also makes proposals to strengthen real-time evaluation in ADB and IED.

³⁵ ADB. 2006. *Medium-Term Strategy II 2006–2008*. Manila; ADB. 2008. *Strategy 2020. The Long-Term Strategic Framework of the Asian Development Bank 2008–2020*. Manila. Strategy 2020 envisages ADB to focus its operations in five core sectors: (i) infrastructure; (ii) environment, including climate change; (iii) regional cooperation and integration; (iv) financial sector development; and (v) education. The strategy also envisages ADB plan to: (i) have 80% of its operations in its new core operational areas by 2012; (ii) scale up private sector development and private sector operations in all operational areas, reaching 50% of annual operations by 2020.

³⁶ ADB. 2009. *Special Evaluation Study: The Asian Development Bank Support to Gender and Development—Phase I: Relevance, Responsiveness, and Results to Date*. Manila. Phase II of the evaluation is being carried out in the field for completion in 2010. The Phase I evaluation is based on the desk review of about 494 documents (including report and recommendations of the President, project implementation review reports, project and technical assistance completion reports, and relevant independent evaluation reports) and interviews with gender focal points of regional departments and staff of the Regional and Sustainable Development Department (RSDD).

³⁷ The study in footnote 36 reported the proportion of category I and II gender and development projects as 23.4%. This is due to the methodological difference between the figures collated by RSDD and by the study.

B. What is Real-Time Evaluation

42. Real-time evaluation is known in the literature as “formative evaluation.” Michael Scriven,³⁸ who proposed a beneficiary-oriented approach to evaluation in his *Evaluation Thesaurus*, distinguished between formative and summative³⁹ roles of evaluation. Formative evaluation is typically carried out during the development, implementation, or improvement of a program or project. It is carried out, often more than once, by in-house staff with the intent of improving project performance. The findings of formative evaluations normally remain in-house. However, important formative evaluation may be done by an external evaluator or jointly by internal and external evaluators. In this system, one or more project staffers are constantly carrying out formative evaluation in formal and informal ways in an effort to improve project performance. The OECD's Development Assistance Committee defines formative evaluation as, “Evaluation intended to improve performance, most often conducted during the implementation phase of projects or programs.”⁴⁰ OECD also notes that, “Formative evaluations may also be conducted for other reasons such as compliance, legal requirements or as part of a larger evaluation initiative.” Thus, formative evaluations aim to improve project quality to ensure the accomplishment of its stated objectives.⁴¹ Whereas, summative evaluations carried out at the end of the project aim to inform decision-makers and other stakeholders about why a project did or did not succeed in delivering its objectives. It is undertaken to assess the relevance, effectiveness, efficiency, and sustainability of development assistance for accountability purposes and to help improve future performance.

43. In recent years, the term “real-time evaluation” (RTE) has been popularized by agencies that provide humanitarian assistance, particularly in the wake of Alistair Hallam's good practice review,⁴² which recommended carrying out real-time evaluations during the implementation of an emergency relief operation. The United Nations High Commissioner for Refugees (UNHCR) is the first official agency to employ the method to evaluate its relief efforts. UNHCR describes RTE⁴³ as “a timely, rapid, and iterative peer review of a fast evolving humanitarian operation (usually an emergency) undertaken at an early phase. Its broad objective is to gauge the effectiveness and impact of a given UNHCR response, and to ensure that its findings are used as an immediate catalyst for organizational change.” RTE is popular among front-line relief agencies because their mandate is to save more lives. For them, traditional, after-the-fact evaluations arrive too late and yield too little. Furthermore, traditional *ex post* evaluations rely on results data and interactions with staff present at the time of implementation. High staff turnover and weak monitoring of results in emergency situations make *ex post* evaluations unsuitable for emergency operations. To overcome this, RTE outputs and processes are integrated into the

³⁸ M. Scriven. 1991, *Evaluation Thesaurus*. Sage Publications. Newbury Park. Scriven used a metaphor to clearly bring out the differences—a cook tasting the soup while it is being prepared is formative evaluation; where as the guests tasting the soup after it is done is summative evaluation.

³⁹ The summative evaluation assesses the overall effectiveness of a project in achieving its stated outcomes and impact upon a projects completion. It also assesses the project quality and sustainability and investigates both intended and unintended consequences.

⁴⁰ OECD. 2010. *Glossary of Key Terms in Evaluation and Results Based Management*. Paris. pp. 23–24.

⁴¹ R. L. Hogan. 2007. The historical Development of Program Evaluation: Exploring the past and Present. *Online Journal of Workforce Education and Development*. Volume II, Issue 4 – Fall 2007. P. 8. http://wed.siu.edu/Journal/VolII/num4/Article_4.pdf

⁴² A. Hallam. 1998. *Good Practice Review: Evaluating Human Assistance Programs in Complex Emergencies*. Overseas Development Institute. London.

⁴³ A. Jamal and J. Crisp. 2002. *Real-time humanitarian evaluations: Some frequently asked questions*. UNHCR. <http://www.unhcr.org/3ce372204.html>

program cycle of emergency operations. The evaluation process encourages program staff to critically assess their operations and resolve difficulties encountered in real-time.⁴⁴

44. Traditional post evaluation of projects and real-time evaluation complement each other to promote results-based management. A survey carried out in the United Nations (UN) system suggested that results-based management will strengthen the role of evaluation, help promote evaluation culture, encourage self-evaluation by program managers, and enhance the use of evaluation findings in programming.⁴⁵ The survey also indicated that, as organizations focus increasingly on the outcomes and impact of their operations, evaluation becomes more important and more complementary to operations, as it provides unbiased and valid feedback on operational effectiveness.

45. RTE does not have a standard methodology, but most RTE systems share a few common features. The main focus of RTE is to provide feedback on project performance and design weaknesses to project managers and decision makers, so that they can carry out midcourse corrections to achieve the intended project outcomes. RTE places more emphasis on learning than on accountability. This makes RTE a powerful and dynamic tool to “assess and adjust” ongoing operations, thereby reinforcing the link between operations, evaluation, and policy formulation.⁴⁶ Aid agencies have reported that RTE can improve project quality by (i) identifying and solving operational problems during implementation, (ii) improving the quality of assistance programs by promoting learning, (iii) providing an objective assessment of results, and (iv) improving the monitoring function of programs and helping to provide baseline data to improve the quality of future evaluations.⁴⁷

C. Real-Time Evaluation in Development Projects

1. Project reviews versus evaluations

46. ADB, the World Bank, and other aid agencies continuously monitor their projects and programs and periodically assess the likelihood of project success during implementation. This “project review” process focuses on operational aspects such as assessing the quality of procurement, conversion of inputs into outputs, institutional and policy issues effecting project implementation, and progress in achieving outputs. The reviews also look at the validity of project design. Typically, formal evaluations to assess project outcomes are carried out after project completion. Evaluations differ from reviews in two important respects.⁴⁸ First, they focus

⁴⁴ M. Herson and J. Mitchell. 2005. Real-Time Evaluation: where does its value lie?. *Humanitarian Exchange Magazine*. Issue 32. <http://www.odihpn.org/report.asp?ID=2772>

⁴⁵ United Nations Evaluation Group (UNEG). 2007. *The Role of Evaluation in Results-Based Management (RBM)*: Task Force on Evaluation and RBM. New York.

⁴⁶ K. Haugevik, and B. de Carvalho. 2007. *Civil–Military Cooperation in Multinational and Interagency Operations*. Working Paper 178. Norwegian Institute of International Affairs. Oslo. P.18.

⁴⁷ World Food Program (WFP). 2009. *Review of the World Food Programme’s Experience with Real-time Evaluation*. Rome; and P. Sandison. 2003. *Evaluation Working Paper: Desk Review of Real-Time Evaluation Experience*. UNICEF. New York. www.unicef.org/evaldatabase/files/FINAL_Desk_Review_RTE.pdf

⁴⁸ OECD’s Development Assistance Committee defines evaluation as, “The systematic and objective assessment of an ongoing or completed project, program or policy, its design, implementation, and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact, and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors. Evaluation also refers to the process of determining the worth or significance of an activity, policy, or program. It is an assessment, as systematic and objective as possible, of a planned, ongoing, or completed development intervention. Note: Evaluation in some instances involves the definition of appropriate standards, the examination of performance

on determining the relevance of project design to achieving targeted outcomes, rather than focusing merely on outputs. Second, evaluations are more comprehensive in that they look not only at the effectiveness of delivering outputs, but also at the efficiency of resource use and project sustainability. Although reviews and evaluations are used synonymously, they differ in sophistication and in their approaches. For instance, the Department for International Development of the United Kingdom (DFID) differentiates between annual reviews and interim *evaluative reviews called output purpose reviews* (emphasis added). The latter are carried out at about the midpoint of a project to “measure and report on performance to date and indicate adjustments that may need to be made to ensure the successful implementation of the project or program. These adjustments may include adding to, or changing, the outputs in the project’s logical framework.”⁴⁹ Progress toward results-based management of projects in ADB and in other development agencies will necessitate midterm reviews to more rigorously assess the likely outcomes of the projects, rather than merely focusing on its outputs and the use of inputs. Reviews that focus on assessing project outputs lie somewhere between monitoring and evaluation. In this continuum, RTEs lie more toward evaluation in that they are more rigorous, results-based midterm reviews that assess the validity and relevance of project design and suggest remedial measures to amend project design and the design and monitoring framework (DMF). ADB is in the process of aligning its project monitoring and project performance management systems to suit the needs of results-based management. In June 2010 it introduced results-based country portfolio reviews (CPRs).

2. Practices in the World Bank

47. Until recently, the World Bank had two avenues to carry out monitoring and evaluation (M&E) of its operations during implementation. The first avenue is conventional project and portfolio reviews to monitor and evaluate projects, programs, and strategies. Recent procedural changes indicate that the World Bank is placing more emphasis on evaluative aspects of project supervision. A move toward results-based management of projects and programs has triggered the shift. The second avenue was the quality assurance group (QAG), which assessed the quality of project preparation, supervision, and analytical work in a more rigorous evaluative framework and reports to World Bank management. The QAG has been closed.

48. **Project supervision.** The World Bank’s old operational directives, while recognizing that interim evaluations could be carried out during implementation, did not necessarily encourage them. The old directives stated, “Supplementary data collection and special studies required for interim evaluations should be kept as simple as possible, and planned to minimize interference with regular project operations.”⁵⁰ Monitoring and evaluation were considered separate activities, and evaluation was expected to be carried out at the completion of the project.⁵¹ This has evidently changed in recent years as the World Bank has moved toward results-based management of its programs and projects.

49. New staff instructions for project administration state that “project supervision covers monitoring, *evaluative review*, reporting, and technical assistance activities to: (a) ascertain whether the borrower is carrying out the project with due diligence to achieve its development

against those standards, an assessment of actual and expected results, and the identification of relevant lessons.” OECD. 2010. *Glossary of Key Terms in Evaluation and Results Based Management*. Paris. pp. 21.

⁴⁹ DFID. 2005. *Guidance on Evaluation and Review for DFID Staff*. London. p.14.

⁵⁰ World Bank. 1989. *Operational Directive: Project Monitoring and Evaluation*. Operational Directive (OD) 10.70. Washington DC.

⁵¹ World Bank. 2006. *2006 Annual Report on Operations Evaluation*. Independent Evaluation Group. Washington DC. P.51.

objectives in conformity with the legal agreements; (b) identify problems promptly as they arise during implementation and recommend to the borrower ways to resolve them; (c) recommend changes in project concept or design, as appropriate, as the project evolves or circumstances change; (d) identify the key risks to project sustainability and recommend appropriate risk management strategies and actions to the borrower; and (e) prepare the World Bank's Implementation Completion Report to account for the use of Bank resources, and to draw lessons to improve the design of future projects, sector and country strategies, and policies."⁵² The new project implementation instructions (b) to (d) above, which require action during project implementation, are akin to RTE. This amounts to progress toward real-time self-evaluation of ongoing projects.

50. **Quality assurance group.** In 1996 the World Bank created the QAG in response to evaluation findings that one-third of its projects are not likely to achieve their intended objectives. The QAG was setup under the managing director of operations to help improve the quality of World Bank operations by assessing the quality-at-entry of lending products, the quality of supervision, and the quality of analytical and advisory activities. Its purpose was to promote operational excellence through better accountability, and enhance learning by (i) providing real-time feedback to staff and management on operational effectiveness; (ii) finding out systemic problems impinging on efficiency; (iii) informing changes in policies, procedures, and programs; and (iv) using lessons learned to support training. The QAG was closed after it had achieved its intended objectives. Its functions now largely fall under the umbrella of self-evaluation, or have been assigned to the Operations Policy and Country Services department, which provides advice and support to the president and managing directors.

3. Practices in ADB

a. Real-time Evaluation by IED

51. In keeping with its mandated activities,⁵³ IED contributes to real-time evaluation in many ways. First, IED comments on all ADB loan, grant, and TA projects. This constitutes formative evaluation of ADB projects while they are on the drawing board. Second, IED carries out real-time evaluation on issues of interest to ADB in response to special requests. For example, in 2010 IED is evaluating ADB's performance in utilizing ADF resources in preparation for ADB's negotiations with donors for the next replenishment. Likewise, IED carried out a real-time evaluation of an emergency assistance project to Viet Nam in response to a specific request. Third, IED provides feedback to ADB on the effectiveness of its policies and business processes, either in response to a specific request or on its own if circumstances so warrant. For example, in 2010, IED is conducting two special evaluation studies in response to requests: (i) a study on ADB's approach to conflicts and fragile situations, and (ii) a study on financing partnership facilities that were initiated in response to Strategy 2020. Finally, limited real-time evaluation of ongoing projects and programs in selected sectors is carried out in countries where country strategies and/or sector assistance programs are being evaluated.

b. Real-time Evaluation in ADB Operations

52. Key to successful project implementation is project readiness by the time of Board consideration. ADB has been conducting quality-at-entry reviews every 2 years for the past 4

⁵² World Bank. 2001. *Operational Policies: Project Supervision*. Operational Policies (OP) 13.05. Washington DC. Paragraph 2. (Emphasis added).

⁵³ ADB. 2008. *Review of the Independence and Effectiveness of the Operations Evaluation Department*. Manila. See paragraph 44 (ix). And Administrative Order 1.02.

years and reporting to management on project readiness, design quality along with lessons and recommendations to incorporate into future project designs. For real-time feedback on portfolio performance, ADB relies on its project performance management system (PPMS) to monitor, review, and assess the progress of project implementation. ADB is revising its project supervision methods and processes to place more emphasis on M&E of results. ADB also carries out occasional real-time evaluations of its policies and processes. For instance, ADB's Strategy and Policy Department carried out extensive real-time evaluative reviews of ADB's program loan modality six times between 1983 and 2009. IED carried out two evaluations of program loan modality during this period—in 2001 and 2007. These evaluations helped improve the relevance and effectiveness of the product and enhanced its success rate.⁵⁴

c. Project Performance Management—Inputs for Real-Time Evaluation

53. ADB introduced the PPMS in 2002. The PPMS replaced the benefit monitoring and evaluation (BME) system,⁵⁵ which ADB had sought to promote, with mixed success, as an instrument to monitor project benefits and evaluate development impact.⁵⁶ The PPMS has five components: (i) the design and monitoring framework (DMF), a results-based tool to design, implement, monitor, and evaluate projects; (ii) the project administration manual, a framework to manage project implementation; (iii) the project (program) performance report (PPR) or TA performance report, which monitor progress of project implementation and assess the likelihood of project or TA success in delivering outputs and outcomes; (iv) project (program) or TA completion reports, which are self-evaluations of project or TA success, and (v) project (program) or TA performance evaluations done by IED on selected projects.

54. *Prima facie*, the five components of the PPMS appear not to differ from earlier arrangements for project administration and evaluation. But the PPMS differs from the system it replaced in four important ways:⁵⁷ (i) it places greater emphasis on development results and the impact of projects, (ii) it moves the assessment of development results (or the assessment of the likelihood of achieving them) to the implementation period, whereas before this was done after project completion, (iii) it provides a coherent framework to assess performance at different time slots (during implementation and after completion) using a set of standard indicators, and (iv) it provides an objective rating system to facilitate comparisons across time, space, and sectors. These differences, which facilitate monitoring and assessment of development results (outcomes and impacts) during project implementation, will make PPMS an attractive framework to facilitate RTE.

55. **Design and monitoring framework.** The DMF is pivotal to the PPMS and results-based M&E. It informs the country and corporate results frameworks and aids proper M&E of projects. Although ADB's focus on quality control and its efforts to train both internal staff and the staff of

⁵⁴ Footnote 12.

⁵⁵ ADB. 1992. *Bank's Benefit Monitoring and Evaluation, A Handbook for Bank Staff, Staff of Executing Agencies, and Consultants* (the Handbook). Manila.

⁵⁶ The BME sought to: (i) collect baseline information (on the socioeconomic status of project beneficiaries); (ii) monitor project targets and progress in terms of delivery of services and beneficial impact during implementation; and (iii) conduct follow-up surveys (or benefit evaluation studies) to evaluate a project's impact after project completion. Unlike the PPMS, which links project impacts to project outputs, the BME sought to measure changes in a range of socioeconomic indicators that were often not clearly linked to project objectives and targets. This made the task of relating project benefits to project interventions difficult, if not impossible. Furthermore, the BME did not yield information that could be used to improve project performance. Its reliance on consultants made it even less attractive for project managers.

⁵⁷ ADB. 2003. *Special Evaluation Study on Project Performance Management in the Asian Development Bank*. Manila. p.10;

executing agencies in using DMFs have improved DMF quality, there is room for further improvement. The Operations Evaluation Department (now IED) examined the DMFs of all 59 public loans approved in 2006 and all 62 loans approved in 2007.⁵⁸ Of the DMFs issued in 2006, 44% were rated *satisfactory* or *highly satisfactory*, while 58% of those issued in 2007 were rated *satisfactory* or *highly satisfactory*. The review noted that poor specification of "indicators" for DMF targets—and to a lesser extent the specification of "assumptions" and "risks"—contributed to lower ratings.

56. In a 2009 assessment of 337 DMFs by ADB's Central Operations Services Office (COSO),⁵⁹ DMFs received above-average scores in "relevance" and "overall development results," and received poor scores in "description of project implementation."⁶⁰ This lack of clarity on implementation was consistently weak across all departments, sectors, and modes of financing. A new comprehensive online "project processing and portfolio management" system (P3M) is expected to be launched in 2010. P3M will require all DMF indicators to be monitored, and will thus require greater selectivity and precision in choosing indicators to be included in DMFs. Recognizing that improving the quality of DMFs will be crucial for carrying out results-based M&E of projects in real-time, COSO has established a real-time internal feedback mechanism for regional departments. COSO will also intensify staff training efforts and launch a DMF rating system to improve quality control.

57. **Project and program performance reports.** The PPR is the key monitoring system that ADB Management relies on for information on project implementation and progress in achieving development outcomes and impact. There are concerns about its reliability. PPRs are updated through periodic reviews of staff conduct, progress reports provided by the government, CPRs, and midterm reviews. The P3M will improve the usefulness of PPRs as monitoring and reporting devices by strengthening and clarifying their link to DMFs—in particular to the "outcome" and "output" indicators. The revamped PPRs will thus provide the key information against which project progress will be reported. They will also be used as tools for RTE. Rating projects during midterm reviews and feeding those ratings into the PPR may enable project administrators to improve the accuracy of PPR risk ratings. .

58. **Results-based country portfolio review missions.** ADB carries out CPRs annually to assess country portfolio performance. These reviews are based on the analysis of key performance indicators, and use information obtained through individual project reviews.⁶¹ CPR missions review project implementation progress and performance of the overall portfolio, and identify problems (both project-related and wider generic problems) affecting the performance of individual projects and the overall portfolio. Their focus is usually on monitoring inputs and outputs, assessing the efficiency of conversion of inputs into outputs, and investigating the causes of implementation delays.

⁵⁸ ADB. 2008. *Annual Report on 2007 Portfolio Performance*. Manila. DMFs for project grants were not included in the sample; there were 28 in 2006 and 32 in 2007.

⁵⁹ ADB Central Operations Services Office. 2009. *Design and Monitoring Framework Quality Assessment—Analysis of DMFs of Projects Approved in 2009*. Manila. (Unpublished paper)

⁶⁰ The assessment gave the following weighted scores to different elements of DMFs on a scale of 0%–100%. The (above average) scores for relevance and overall development results were—impact (61%), outcome (54%), and assumptions and risks dimensions (62%). The (poor) scores for description of project implementation were—outputs (48%), activities (39%), indicators (35%), and data sources (27%).

⁶¹ The resident missions usually lead these, but in countries with high risk portfolios the directors general of the department concerned lead them.

59. The new project administration instructions issued in June 2010⁶² make two significant proposals to enable CPRs to implement the managing for development results (MfDR) action plan.⁶³ First, the new instructions require that in preparing for CPR missions, “the sector specialists at resident mission or sector project administration unit (PAU) heads at headquarters (where there is no resident mission) (i) collect the latest available information on national sector outcomes and outputs by working with government agencies, and (ii) obtain from project officers the latest assessment of project outputs achieved under the active portfolio.” This facilitates systemic collection and monitoring of sector outputs and outcomes. Second, the new instructions require the country team leader and/or economist to be associated with country portfolio reviews. Staff instructions stipulate that “the country portfolio review mission leader, with the assistance of the country team leader and/or economist, reviews and consolidates findings, and prepares the background paper that include: (i) project outputs achieved, (ii) current *sector outcomes and the likelihood to achieve the intended sector outcomes*, (iii) portfolio performance issues, (iv) project implementation problems, and (v) a draft action plan” (emphasis added). The participation of the country team leader and/or economist in the CPR (which previously was not required) will facilitate better understanding of the results chain in the country, and will help link sector-level outputs and outcomes with outputs and outcomes in the country-level results framework. The new guidelines are informed by the experience of results-based CPRs carried out in selected countries, beginning with pioneering efforts in Bangladesh and the Kyrgyz Republic in 2006.

d. Midterm reviews—instruments of real-time evaluation

60. A 1994 task force to improve project quality found that insufficient project supervision was a major factor hindering project success.⁶⁴ In response to the task force recommendations, ADB set up project administration units in 1994 in all regional departments and began carrying out full-scale midterm project reviews to assess the factors affecting project success and take remedial measures. This constituted a significant move toward real-time evaluation of projects.

61. The special evaluation study of midterm reviews carried out in 2008 states that midterm reviews improve the probability of a project’s success in achieving its outputs and outcomes by solving a wide gamut of project design and implementation problems.⁶⁵ But midterm reviews are not used as effective self-evaluation instruments, possibly because of a lack of clarity about outcomes during project implementation, and because of an absence of results focus in ADB operations until recently. The special evaluation study found⁶⁶ that midterm reviews focus on project inputs and improving project implementation, and do not assess the likelihood of a project achieving its expected outcomes, as intended in staff instructions. Only two of the 20 projects sampled in the evaluation study analyzed progress in achieving outputs and outcomes based on the design and monitoring framework. The introduction of results-based CPRs, and the general increase in capabilities for results-based management of projects in ADB and in executing agencies, could make midterm reviews more effective instruments to improve project performance. Midterm evaluative reviews also could be used to rate a project based on midterm progress and the likelihood of a project achieving its development objectives. Rating projects midterm would facilitate validation of PPR risk ratings and thus create incentives to improve PPR project ratings.

⁶² ADB. *Project Administration Instructions (PAI 6.02 – Revised June 2010)*. Manila. Paragraph 12.

⁶³ Footnote 14.

⁶⁴ ADB. 1994. *Report of the Task Force to Improve Project Quality*. Manila.

⁶⁵ Footnote 8.

⁶⁶ Footnote 8, paragraph 39.

62. Midterm reviews are a comprehensive tool to assess the likelihood of achieving a project's immediate objectives. Midterm reviews look at a project's institutional, administrative, organizational, technical, environmental, socioeconomic, and financial aspects; assess the relevance of loan covenants; assess the need for restructuring or reformulating the project; and update the design and monitoring framework if need be.⁶⁷ The midterm review is meant to carry out a comprehensive real-time evaluation of a project with respect to achievement of its outcomes during implementation. This intent is clearly stated in the ADB 2006 Operations Manual as “During implementation, the PPMS, through the PPR, assesses the likelihood that key milestone dates for activities, outputs, outcome, and impact will be achieved—the latter indirectly by monitoring assumptions and risks. Following project completion, all projects and TAs are subjected to an *assessment* of their outcome along with recommendations for enhancing and sustaining the outcome” (emphasis added).⁶⁸ The Operations Manual's use of the phrases “assess the likelihood” and “assessment” for both midterm reviews and PCRs implies that the Manual intends for the midterm review to do what the PCR does—that is, evaluate a project with respect to its outcomes.

D. Results-Based Management and Real-Time Evaluation: Next Steps

63. ADB's commitment to enhance its development effectiveness through MfDR—reflected in the ADB Results Framework⁶⁹—has created a need for RTE.⁷⁰ The results-based management of ADB operations will change how operational outcomes are monitored, what is monitored, and to what purpose the information collected through monitoring is used. At present, monitoring of project performance is done by assessing progress in the use of inputs and achievement of outputs. The increased focus on results will necessitate collection of additional information by governments (and by ADB, in collaboration with other aid agencies) on the actual and likely flow of benefits to beneficiaries. Furthermore, the focus on results will compel project managers to continuously monitor desired beneficiary behaviors and assess what worked and what did not work in terms of translating project outputs into outcomes. When project outputs are not delivering the intended results, results management requires evaluation of the project design during implementation so that midcourse corrections can be made. In other words, in addition to monitoring the efficiency of conversion of inputs into outputs (as project implementation reviews and midterm reviews do currently), ADB will have to carry out evaluations during project implementation to provide real-time feedback to management on a project's effectiveness in producing the desired outputs and outcome for the intended beneficiaries.⁷¹ Thus, “real-time (or nearly real-time) feedback loops are integral to results management and play a key role in supporting results-oriented decision making.”⁷²

⁶⁷ ADB. *Project Administration Instructions (PAI 6.02—Revised June 2010)*. Manila. Paragraph 6.

⁶⁸ ADB. 2006. *Operations Manual: Section J1/BP*. Manila, paragraphs 5–6.; and ADB. 2006. *Operations Manual: Section J1/OP*. Manila, paragraph 13.

⁶⁹ Footnote 34.

<http://www.adb.org/Documents/Policies/ADB-Results-Framework/r166-08.pdf>

⁷⁰ ADB. 2006. *An introduction of Results Management: Principles, Implications, and Application*. Manila. According to this document, “results management” refers to approaches to manage programs, projects, and organizations for results. “Results” refers to both outputs and outcomes, with a particular focus on the relationship between outputs and outcomes (p.1).

⁷¹ In other words, in primary health projects it would not be adequate to measure the number of clinics built and beds installed; one would also have to assess whether these facilities had effected the desired health-seeking behavioral changes among intended beneficiaries (e.g., one might assess whether more women are seeking pre-natal and post natal care, and then look at the impact of that on, say, maternal mortality if that were one of the desired outcomes).

⁷² Footnote 70, p. 5.

64. The MfDR action plan proposed several measures to make ADB's country strategies and operations more results-oriented.⁷³ These included (i) increasing capacity development support to DMCs for results management; (ii) improving processes, approaches, tools, and policies within ADB to focus on results orientation; and (iii) developing regional and global partnerships for results-based management.

65. ADB has initiated a series of changes in its business processes and policies to enhance results focus in the formulation and implementation of its strategies and projects. ADB introduced results-based monitoring and review of its portfolio of programs and projects in 2010. The declining success rates of ADB operations and the new focus on results-based management will necessitate strengthening real-time evaluation of operations. Recent evaluations revealed a need to improve the quality and depth of project oversight by ADB. These evaluations also found that midterm project reviews provide a good opportunity to improve project success rates. Results-based management entails continuous monitoring of project implementation progress and assessment of projects outputs and outcomes. Introducing evaluative midterm reviews of projects and programs will help ADB strengthen project oversight and assess results more objectively. Introducing results-based country portfolio reviews will also help ADB and DMCs progress in this direction.

66. As intended in the Operations Manual (Section J1/BP), the results-based CPR process needs to be extended to introduce results-based midterm review of projects and programs. This will (i) provide real-time feedback to management, and (ii) allow midcourse corrections to project design and implementation arrangements to enhance development effectiveness. As noted above, real-time (or nearly real-time) feedback loops are integral to results management and play an important role in supporting results-oriented decision making. ADB cannot carry out this process alone; DMCs will also need to play a lead role in carrying out results-based M&E and midterm project reviews. Building capacity for results monitoring within country systems will be essential to the success of the process.

1. Roles of ADB Management

67. Learning to take corrective actions during project implementation is the key objective of real-time evaluation. The primacy of learning implies that real-time evaluation is best carried out by operations departments. At present operations departments do make in-depth assessments of project and program performance during midterm reviews and carry out changes to project design. Real-time evaluation entails widening the scope of the review process to assess the impact of project implementation on a project's likely outcomes, and then determining any midcourse corrections needed to ensure those outcomes are achieved.

68. To create a strong real-time feedback mechanism on project performance, ADB Management will need to focus on:

- (i) Assessing the cause of the decline in the success rate of ADB operations.
- (ii) Improving the quality of DMF's, PPRs and the PPR risk rating system; increasing resources and improving tools for project reviews—in particular, making the midterm review a strong real-time self evaluative tool.
- (iii) Extending results-based CPR processes to midterm project reviews; revising and issuing clear guidelines on midterm reviews.

⁷³ Footnote 14.

- (iv) Providing training to staff and executing agencies on carrying out results-based CPRs and results-based midterm reviews.
- (v) Improving staff awareness and skills in MfDR, focusing on items (iii) and (iv) above.

2. Roles of IED

69. To facilitate real-time evaluations in ADB, IED will need to:

- (i) Delineate its role such that it does not unduly overlap with the responsibilities of operations departments or governments, or create conditions for conflict of interest. Although IED may carry out real-time evaluation of ongoing projects and programs in response to specific requests from the Board and ADB Management, it could take a more proactive role in (a) evaluating ADB's new products when they are introduced—such as the countercyclical support facility, and the multitranche financing facility; and (b) evaluating ADB operational policies, practices, procedures, and strategies.
- (ii) In collaboration with COSO, the Strategy and Policy Department, and other departments, develop guidelines for results-based midterm project reviews.
- (iii) Help develop staff skills for real-time evaluation of ongoing projects and self-evaluation of completed projects.
- (iv) Evaluate results-based management practices in ADB with a view to providing lessons on strengthening real-time self-evaluation.

3. Roles of DMCs and Other Development Partners

70. Results-based real-time evaluation requires strong country M&E systems and good coordination between development partners. Results-based monitoring of portfolio and project performance is possible only in countries where the governments have well-articulated sector roadmaps and associated results frameworks that are supported by reliable monitoring systems. Similarly, countries need to have a developmental framework or plan that links the sector roadmaps and results frameworks to broader development objectives. In the absence of the above, it would be difficult for ADB and other development partners to institute results-based approaches. Therefore, the first tasks for ADB are (i) to assess government buy-in for results-based management of development projects in DMCs; (ii) in DMCs where there is adequate political support, carry out training to develop capacity for results-based M&E, and (iii) focus policy dialogue on the merits and cost effectiveness of results-based management in DMCs where there is limited buy-in.

V. FINDINGS AND ISSUES

71. **Special topics in IED annual evaluation reviews are proving to be operationally useful.** ADB Management and IED have used the recommendations of the previous three annual evaluation reviews to change policies and processes. In the case of capacity development, the approach will now be more strategic, with more emphasis placed on quality. New CAPE guidelines will make CAPEs more useful in formulating country strategies. Efforts to build self-evaluation capacities in ADB and DMCs have been stepped up based on the recommendations of the 2009 Annual Evaluation Review.

72. **Evaluation capacity development.** To develop evaluation capacity in ADB and developing member countries, IED (i) contributed to the World Bank Independent Evaluation Group-administered multi-donor trust fund to develop regional centers to improve institutional M&E capacity; (ii) continued supporting DMC officials from the Greater Mekong and Central Asian regions, (iii) trained regional department staff in self-evaluation techniques to improve project and TA completion reports, and (iv) sent its staff for advanced training in evaluation methods and management.

73. **Success rates of ADB operations have been declining after peaking at 77% for evaluated projects approved during 1995–1999.** The average success rate for the project approved during 1999–2003 was 69%. In 2009, the average success rate reported by validated PCRs and PPERs was 64%.

74. **Project supervision needs further strengthening.** A 2008 evaluation (footnote 7) reiterated the importance of close ADB supervision and strong project management by executing agencies. The same evaluation cautioned, “In view of the declining level of project implementation supervision reported by key informants and verified by published data, concern must be expressed for the levels of success to be expected by current and future projects.”

75. **Evaluations rated ADB better at formulating strategies, projects, and programs than supervising their implementation.** The evaluations of country assistance strategies and projects indicate that ADB performs well at aligning its strategies and projects to country needs and priorities. However, its performance in project implementation was weak in all of the countries and most of the projects evaluated in 2009. Project implementation delays were noted in the sectors and counties evaluated. Weaknesses in project design and project supervision contributed to poor performance.

76. **Sustainability is a problem.** Evaluations of almost all country strategies, and sectors point out that projects’ financial sustainability—and in a few cases, institutional sustainability—continues to be a major problem. Evaluations typically recommend project-level remedial measures to mitigate the problem. Sustainability should be discussed during the formulation of country strategies, in collaboration with other donors.

77. **Project reviews and evaluative reviews are different.** Although reviews and evaluations are used synonymously, they differ in sophistication and in their approaches. Project reviews focus on operational aspects such as assessing the quality of procurement, conversion of inputs into outputs, institutional and policy issues effecting project implementation. Evaluations (i) focus on determining the relevance of project design to achieving targeted outputs and outcomes, and (ii) look not only at the effectiveness of delivering outputs, but also at the efficiency of resource use and project sustainability. For instance, DFID differentiates between annual reviews and interim *evaluative reviews called output purpose reviews* done at about the midpoint of a project.

78. **ADB’s focus on results-based management will necessitate strengthening of real-time evaluation of operations.** Real-time (or nearly real-time) feedback loops are integral to results management and play a key role in supporting results-oriented decision making. Recent evaluations (cited in footnotes 7 and 8) pointed to the need to improve the quality and depth of project oversight by ADB. The evaluations also pointed out that carrying out in-depth midterm project reviews can help improve the chances of project success. Carrying out evaluative midterm project reviews would help ADB strengthen project oversight and improve its ability to

objectively assess project results. The introduction of results-based country portfolio reviews in 2010 will also help ADB and DMCs progress in this direction.

79. **In-depth midterm reviews improve project performance.** A 2008 evaluation (footnote 8) found that midterm reviews improve the probability of a project's success in achieving its outputs and outcomes by solving a wide gamut of project design and implementation problems. Though ADB regularly conducts midterm reviews of projects, such reviews focus on project inputs and improving project implementation, and often do not assess the likelihood of a project achieving its expected outcomes, as intended in staff instructions. Only two of the 20 projects sampled in the evaluation study analyzed progress in achieving outputs and outcomes based on the design and monitoring framework.

80. **Midterm project reviews could be transformed into self-evaluative tools to provide real-time feedback on project progress.** In-depth evaluative midterm reviews will provide real-time feedback on (i) project implementation issues, (ii) the likelihood of the project achieving its expected outputs and outcomes, (iii) the efficiency of resource use, and (iv) project sustainability. This will help take midcourse corrective measures to achieve intended project objectives. The introduction of results-oriented country portfolio reviews in June 2010 will make it feasible to assess project progress in terms of the likelihood of achieving stated outputs and outcomes.

81. **The midterm review process could be further strengthened** by (a) refining the guidelines for carrying out midterm reviews based on results; (b) expanding the coverage of reviews to cover safeguard issues; and (c) providing more resources.

82. **Real-time evaluation of ongoing projects and programs requires DMC support.** Success in this area will depend on (i) ADB improving the quality of DMFs, (ii) a smooth transition to the new results-based country portfolio reviews, (iii) DMC government buy-in, (iv) DMC capabilities to track results at the project and sector levels, and (v) greater harmonization of ADB's results-monitoring efforts with those of DMC governments and other development partners, and alignment of results monitoring with country monitoring systems.

83. **IED's role in promoting real-time evaluation.** IED will delineate its role in real-time evaluation such that it does not unduly overlap with the responsibilities of either ADB operations departments or project executing agencies, or inadvertently create conflicts of interest. Although IED may carry out real-time evaluation of ongoing projects and programs in response to specific requests from the Board and ADB Management, it could consider a more proactive role in (a) evaluating ADB's new products (such as the countercyclical support facility or the and multitranches financing facility) when they are introduced; and (b) evaluating ADB operational procedures, policies, and strategies. IED will continue to evaluate the likelihood of success of ongoing projects using real-time evaluation methods as part of its country or sector assistance program evaluations. IED will work with the ADB Central Operations Services Office, the Strategy and Policy Department, and operations departments to refine guidelines on self-evaluative midterm reviews.

EVALUATION REPORTS COMPLETED IN 2009

		Title	Loan/ TA Number	Country	Rating
A.		Project/Program Performance Evaluation Report			
PE-722	1	Almaty–Bishkek Regional Road Rehabilitation Project (<i>Joint Evaluation with EBRD</i>)	1774KAZ/ 1775KGZ SF	KAZ/KGZ	PS
PE-723	2	First Financial Sector Program Loan Cluster in Cambodia	1859/1951/2185	CAM	S
PE-724	2	Meghnaghat Power Project	E7165/L1793	BAN	S
PE-725	4	Ninth Power Project	1505SF	BAN	S
PE-726	5	Third Natural Gas Development Project	1293SF	BAN	S
PE-727	6	Rural Access Roads	1795SF	LAO	PS
PE-728	7	Engineering Education Development Project	1432	INO	S
PE-729	8	Primary Roads Restoration Project	1697	CAM	S
PE-730	9	Metropolitan Bogor, Tangerang and Bekasi Urban Development (Sector)		INO	PS
PE-731	10	Shanxi Environment Project in the PRC	1511 1715	INO PRC	S
B.		Impact Evaluation Study			
	1	Impact of Rural Water Supply and Sanitation in Punjab, Pakistan		PAK	S
C.		Special Evaluation Study			
SS-99	1	ADB Support for Public Sector Reforms in the Pacific: Enhance Results Through Ownership, Capacity, and Continuity		Pacific DMCs	PS
SS-100	2	ADB Technical Assistance for Justice Reform in Developing Member Countries			S
SS-101	3	ADB Assistance for Public–Private Partnerships in Infrastructure Development			S
SS-102	4	Asian Development Bank's Contribution to Inclusive Development through Assistance for Rural Roads			PS
SS-103	5	The Asian Development Bank's Support to Gender and Development, Phase 1: Relevance, Responsiveness and Results to Date			NR
D.		Country Assistance Program Evaluation			
CE-19	1	Nepal: <i>Delivering Assistance in a Challenging Environment</i>		NEP	PS
CE-20	2	Viet Nam		VIE	S
CE-21	3	Cambodia: <i>Growth and Sector Reform</i>		CAM	S
CE-22	4	Bangladesh		BAN	S
E.		Sector Assistance Program Evaluation			
SE-14	1	Agriculture and Natural Resources in Nepal		NEP	PS
SE-15	2	Urban Sector and Water Supply and Sanitation in Bangladesh		BAN	PS
SE-16	3	Urban Services and Water Supply and Sanitation Sector in Viet Nam		VIE	S
SE-17	4	Transport Sector in Viet Nam		VIE	S
SE-18	5	Agriculture and Rural Development Sector in Cambodia		CAM	S
SE-19	6	Transport Sector in Cambodia— <i>Focusing on Results</i>		CAM	S
SE-20	7	Energy Sector in Bangladesh		BAN	S
F.		Evaluation Knowledge Brief			
EK-1	1	Greenhouse Gas Implications of ADB's Energy Sector Operations			NR
G.		Evaluation Information Brief			
EB-1	1	Lessons from Processing and Ongoing Implementation of Loan 2273-VIE(SF): Emergency Rehabilitation of Calamity Damage Project		VIE	NR
EB-2	2	Lessons from the Asian Development Bank's Responses to Financial Crises			NR

	Title	Loan/ TA Number	Country	Rating
H.	Annual Evaluation Report			
	1 Annual Report on 2008 Portfolio Performance			NR
	2 2009 Annual Evaluation Review: Role and Direction of Self-Evaluation Practices			NR
	3 2008 Annual Report on Acting on Recommendations			NR
I.	Rapid Sector Assessment			
	1 Cambodia Energy Sector		CAM	
	2 Cambodia Financial Sector		CAM	
	3 Cambodia Private Sector Development		CAM	
	4 Cambodia Education		CAM	
	5 Cambodia Governance		CAM	
J.	Sector Synthesis			
	1 Irrigation and Drainage			
K.	PCR Validation Report			
	1 Support the Implementation of the Poverty Reduction Program II	2194SF	VIE	S
	2 Technical Education Project	1596	MAL	PS
	3 Education Sector Project	1752SF	SAM	PS
	4 Secondary Education Modernization Project	1756SF	SRI	S
	5 Lower Secondary Education Development	1537SF	VIE	S
	6 Second Perennial Crops Development	1552SF	SRI	S
	7 Tea Development Project	1639SF	SRI	PS
	8 Urban and Environmental Infrastructure Facility	1720	IND	US
	9 Sanitation, Public Health, and Environment Improvement	1648SF	KIR	PS
	10 Small and Medium Enterprise Development Project	1799	UZB	PS
	11 Capacity Building in Urban Infrastructure Management	1572	INO	PS
	12 Participatory Development of Agriculture Technology	1526	INO	S
	13 Fisheries Resource Management Project	1562SF/1563	PHI	PS
	14 Capacity Building on Corporate Governance and Insolvency Procedure	1547SF	KGZ	S
	15 Ninth Power Project	1505SF	BAN	S
	16 Energy Sector Restructuring Program	1807/1808SF/ 1809SF	PAK	S
	17 Metropolitan Medan Urban Development Project	1587	INO	PS
	18 Rural Access Roads Project	1795SF	LAO	PS
	19 Third Road Rehabilitation Project	1853SF	KGZ	S
	20 Community Groundwater Irrigation Sector Project	1609SF	NEP	S
	21 Rural Microfinance Project	1650SF	NEP	S
	22 Bahawalpur Rural Development Project	1467	PAK	S
	23 Klang River Basin Environmental Improvement and Flood Mitigation Project	1500	MAL	S
	24 Vientiane Urban Infrastructure and Services Project	1834SF	LAO	S
	25 Emergency Flood Damage Rehabilitation Project	2156SF	BAN	S
	26 Punjab Community Water Supply and Sanitation Sector	1950SF	PAK	S
	27 Water Resource Management and Land Improvement Project	1592/1593SF	KAZ	PS
	28 Power XXIII Project	1271	INO	PS
	29 Public Sector Management Program	2002SF	NEP	PS
	30 Second Irrigation Systems Improvement Project	1365/1366SF	PHI	PS
	31 Integrated Pest Management for Smallholder Estate Crops Project	1469	INO	S
	32 Forestry Sector Project	1515SF	VIE	S
	33 Phu My 3 Power Project	E7178/1923	VIE	HS
	34 North Luzon Expressway Rehabilitation and Expansion Project	E7162/1769	PHI	S

	Title	Loan/ TA Number	Country	Rating
35	Central Sulawesi Integrated Area Development and Conservation Project	1605	INO	S
36	Rural Livelihood Project	1634	BAN	PS
37	Community Empowerment for Rural Development	1765SF/1766	INO	S
38	Guanzhou–Longyan Railway	1850	PRC	S
39	State-Owned Enterprise Governance and Privatization Program	1866	INO	S
40	Support for the Implementation of Poverty Reduction Program III	2262	VIE	S
41	Chongqing–Guizhou Roads Development Project (Leichong Expressway)	1783	PRC	S
42	Power Transmission Improvement (Sector) Project	1764	IND	S
43	Housing Finance II Project	1759/1761	IND	PS
44	Housing Finance (Sector) Project	1847	MON	S
45	Guangxi Roads Development Project	1851	PRC	S
46	Outer Island Transport Infrastructure Project	1948SF	RMI	US
47	Tea and Fruit Development Project	1781	VIE	S
48	Road Rehabilitation Project	1819SF	TAJ	S

HS= highly successful, NR= no rating, PS= partly successful, S=successful, US=unsuccessful

ADB = Asian Development Bank, BAN = Bangladesh, CAM = Cambodia, DMC=developing member country, EBRD= European Bank for Reconstruction and Development, IND= India, INO = Indonesia, KAZ= Kazakhstan, KGZ= the Kyrgyz Republic, KIR= Kiribati, LAO = the Laos PDR, MAL= Malaysia, MON = Mongolia, NEP=Nepal, PAK=Pakistan, PHI = Philippines, PRC = People's Republic of China, RMI= the Marshall Islands, SAM= Samoa, SF= Special Fund, SRI = Sri Lanka, TAJ= Tajikistan, UZB= Uzbekistan, VIE = Viet Nam.

Source: Independent Evaluation Department database

DETAILED PERFORMANCE INDICATORS

Scoring of Projects Evaluated in 2009 by Key Performance Criteria Based on Project Performance Evaluation Reports

Score	Relevance		Effectiveness		Efficiency		Sustainability		Institutional Development/ Other Impacts	
	No.	%	No.	%	No.	%	No.	%	No.	%
3 (highest)	2	22	0	0	0	0	0	0	0	0
2	6	67	8	89	7	78	6	67	0	0
1	1	11	1	11	2	22	3	33	2	22
0 (lowest)	0	0	0	0	0	0	0	0	0	0
No scores	0	0	0	0	0	0	0	0	7	78
Total	9	100	9	100	9	100	9	100	9	100

Scoring of Projects Evaluated in 2009 by Key Performance Criteria Based on PCR Validation Reports

Score	Relevance		Effectiveness		Efficiency		Sustainability		Institutional Development/ Other Impacts	
	No.	%	No.	%	No.	%	No.	%	No.	%
3 (highest)	10	21	3	6	3	6	0	0	5	11
2	31	65	26	54	29	61	27	57	28	58
1	4	8	14	30	12	25	13	27	11	23
0 (lowest)	1	2	2	4	2	4	3	6	1	2
Conditional	0	0	1	2	0	0	3	6	0	0
No scores	2	4	2	4	2	4	2	4	3	6
Total	48	100	48	100	48	100	48	100	48	100

PCR=project completion report

Sustainability Rating of Evaluated Projects Based on Project Performance Evaluation Reports

Sustainability Rating	Project Performance Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
Most likely	0	0	0	0	0
Likely	0	6	0	0	6
Less Likely	0	0	3	0	0
Unlikely	0	0	0	0	3
Total	0	6	3	0	9

Sustainability Rating of Evaluated Projects Based on PCR Validation Reports

Sustainability Rating	Project Performance Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
Most likely	0	0	0	0	0
Likely	0	24	4	0	28
Less Likely	0	5	9	0	14
Unlikely	0	0	1	2	3
Conditional	0	0	1	0	1
Total	0	29	15	2	46

Note: Excludes nonsovereign operations. PCR=project completion report.

ADB and Borrower Performance Based on Project Performance Evaluation Reports

Performance Rating	Project Performance Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
ADB					
Highly Satisfactory	0	0	0	0	0
Satisfactory	0	6	1	0	7
Partly Satisfactory	0	0	2	0	2
Unsatisfactory	0	0	0	0	0
Borrower					
Highly Satisfactory	0	0	0	0	0
Satisfactory	0	3	1	0	4
Partly Satisfactory	0	3	2	0	5
Unsatisfactory	0	0	0	0	0

Notes: Excludes nonsovereign operations.

ADB and Borrower Performance Based on PCR Validation Reports

Performance Rating	Project Performance Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
ADB					
Highly Satisfactory	0	1	0	0	1
Satisfactory	0	26	7	2	35
Partly Satisfactory	0	2	8	0	10
Unsatisfactory	0	0	0	0	0
Borrower					
Highly Satisfactory	0	1	0	0	1
Satisfactory	0	26	2	0	28
Partly Satisfactory	0	2	13	0	15
Unsatisfactory	0	0	0	1	1
Not rated	0	0	0	1	1

Note: Excludes nonsovereign operations. PCR=project completion report.

SUCCESS RATES FOR SOVEREIGN OPERATIONS, BY COUNTRY AND SECTOR

Table A 3.1 Proportion of Sovereign Operations Rated Successful Based on Number and Net Loan Amount, By Group and by Country

Country Group	Approval Period:1968-1980				Approval Period:1981-1991				Approval Period:1992-2000				Approval Period: 2001-2007				Overall			
	Total Number	Success Rate (%)	Total Amount (\$Million)	Success Rate (%)	Total Number	Success Rate (%)	Total Amount (\$Million)	Success Rate (%)	Total Number	Success Rate (%)	Total Amount (\$Million)	Success Rate (%)	Total Number	Success Rate (%) ^a	Total Amount (\$Million)	Success Rate (%) ^a	Total Number	Success Rate (%)	Total Amount (\$Million)	Success Rate (%)
Group A																				
Afghanistan													3	100.0	346	100.0	3	100.0	346	100.0
Bhutan					5	60.0	26	74.8	7	100.0	55	100.0	1	100.0	10	100.0	13	84.6	91	92.8
Cambodia									16	81.3	441	92.7	5	100.0	134	100.0	21	85.7	574	94.4
Kiribati					3	33.3	2	32.8	1	0.0	10	0.0					4	25.0	12	6.3
Kyrgyz Republic									13	76.9	338	83.7	4	100.0	104	100.0	17	82.4	442	87.6
Lao People's Democratic Rep.	5	40.0	29	31.4	12	66.7	231	72.6	23	73.9	557	77.8	2	100.0	51	100.0	42	69.0	868	76.2
Maldives					5	80.0	26	96.8	4	75.0	27	75.8	1	100.0	2	100.0	10	80.0	55	86.5
Mongolia					1	100.0	31	100.0	18	66.7	407	70.9	3	66.7	33	97.1	22	68.2	471	74.6
Myanmar	7	57.1	88	58.3	4	75.0	73	74.6									11	63.6	161	65.7
Nauru									1	0.0	2	0.0					1	0.0	2	0.0
Nepal	19	78.9	210	66.5	35	40.0	626	47.6	19	73.7	430	87.3	2	0.0	42	0.0	75	57.3	1,308	62.2
Samoa	10	40.0	25	44.5	5	40.0	42	38.4	4	25.0	27	27.3	1	0.0	1	0.0	20	35.0	94	36.6
Solomon Islands	6	16.7	13	15.1	2	50.0	9	50.6	3	66.7	28	43.5					11	36.4	50	37.2
Tajikistan									5	80.0	104	81.7	4	100.0	25	100.0	9	88.9	129	85.3
Timor Leste									3	0.0	43	0.0	2	100.0	10	100.0	5	40.0	53	19.0
Tonga	4	75.0	4	66.5	8	75.0	22	67.7	2	50.0	13	74.3	1	0.0	11	0.0	15	66.7	50	54.2
Tuvalu									1	100.0	4	100.0					1	100.0	4	100.0
Vanuatu					5	20.0	18	50.4	3	66.7	31	35.4					8	37.5	49	40.9
Subtotal	51	56.9	369	58.5	85	51.8	1,106	58.0	123	70.7	2,516	79.2	29	82.8	768	92.9	288	63.9	4,759	74.9
Group B																				
Azerbaijan													1	100.0	23	100.0	1	100.0	23	100.0
Bangladesh	28	32.1	405	29.7	42	57.1	2,050	62.0	36	77.8	1,922	85.3	1	100.0	137	100.0	107	57.9	4,514	70.2
India					17	58.8	2,177	65.6	22	72.7	4,086	77.1	4	50.0	895	72.0	43	65.1	7,157	72.9
Marshall Islands					1	0.0	4	0.0	6	33.3	46	36.0	2	0.0	13	0.0	9	22.2	63	26.6
Micronesia, Fed. States of									3	66.7	32	83.9					3	66.7	32	83.9
Pakistan	31	61.3	861	70.9	60	53.3	4,325	51.2	33	60.6	2,573	72.6	18	33.3	2,984	37.2	142	54.2	10,743	54.0
Papua New Guinea	9	44.4	89	60.0	16	25.0	309	19.2	10	50.0	166	24.6	3	0.0	40	0.0	38	34.2	605	25.4
Sri Lanka	16	43.8	199	27.5	30	46.7	837	40.0	26	73.1	1,009	82.7	2	100.0	86	100.0	74	56.8	2,130	61.5
Uzbekistan									7	42.9	302	56.5	1	100.0	70	100.0	8	50.0	372	64.7
Viet Nam	5	0.0	23	0.0					27	92.6	1,623	98.3	7	100.0	269	100.0	39	82.1	1,914	97.4
Subtotal	89	43.8	1,577	53.2	166	50.6	9,700	54.7	170	70.6	11,759	79.4	39	51.3	4,517	51.8	464	56.7	27,553	64.7
Group C																				
China, People's Rep. of					12	75.0	860	78.0	63	87.3	7,616	88.7	7	100.0	781	100.0	82	86.6	9,258	88.6
Cook Islands					3	33.3	9	53.9	6	66.7	12	84.8	1	100.0	2	100.0	10	60.0	24	74.2
Fiji Islands	4	100.0	30	100.0	6	33.3	64	44.3	1	100.0	18	100.0	2	50.0	17	97.0	13	61.5	129	71.8
Indonesia	49	57.1	916	59.1	63	65.1	4,655	68.4	70	62.9	7,162	77.3	6	83.3	1,256	99.5	188	62.8	13,989	75.1
Kazakhstan									8	62.5	427	75.0					8	62.5	427	75.0
Malaysia	29	65.5	439	59.7	22	59.1	496	70.7	6	83.3	236	86.1					57	64.9	1,172	69.7
Philippines	37	48.6	740	54.6	43	41.9	2,261	39.2	35	45.7	1,919	50.8	4	100.0	376	100.0	119	47.1	5,296	49.9
Thailand	28	85.7	746	92.5	13	92.3	475	90.1	23	91.3	2,373	72.6					64	89.1	3,594	79.0
Subtotal	147	63.3	2,870	67.1	162	59.3	8,821	63.0	212	71.2	19,763	78.6	20	90.0	2,433	99.7	541	66.2	33,888	75.1
Graduate Economies	53	86.8	1,081	87.7	7	85.7	204	75.4	1	100.0	3,700	100.0					61	86.9	4,985	96.3
Total	340	60.9	5,897	66.6	420	54.8	19,832	58.8	506	70.9	37,739	81.0	88	70.5	7,717	71.0	1,354	63.4	71,185	72.5

^a Results are very preliminary as they represent about 18% of total projects approved during this period. Source: Independent Evaluation Department database.

Table A 3.2 Performance of Evaluated Sovereign Operations in terms of Number and Net Loan Amount, by Sector and by Approval Period

Sector/Subsector ^a	Approval Period: 1968-1980				Approval Period: 1981-1991				Approval Period: 1992-2000				Approval Period: 2001-2007				Overall (1968-2007)			
	Total Number	Success Rate (%)	Total Amount (\$Million)	Success Rate (%)	Total Number	Success Rate (%)	Total Amount (\$Million)	Success Rate (%)	Total Number	Success Rate (%)	Total Amount (\$Million)	Success Rate (%)	Total Number	Success Rate (%) ^b	Total Amount (\$Million)	Success Rate (%) ^b	Total Number	Success Rate (%)	Total Amount (\$Million)	Success Rate (%)
Agriculture and Natural Resources	96	36.5	1,208	33.1	149	41.6	5,506	41.4	92	56.5	3,024	64.7	10	60.0	681	45.4	347	44.7	10,419	47.4
Education	16	81.3	241	84.0	27	51.9	995	59.6	54	81.5	2,139	89.3	4	75.0	135	93.5	101	73.3	3,510	80.6
Energy	59	81.4	1,383	87.1	64	75.0	4,484	72.4	66	83.3	7,067	80.0	5	80.0	436	99.9	194	79.9	13,371	78.8
Finance	54	50.0	893	65.5	35	37.1	1,758	45.1	44	61.4	8,343	90.4	11	72.7	1,347	74.3	144	52.1	12,341	80.4
Health and Social Protection	3	66.7	50	76.4	15	33.3	423	51.9	25	64.0	1,812	48.6	1	0.0	6	0.0	44	52.3	2,291	49.7
Industry and Trade	21	66.7	484	60.6	19	68.4	1,189	71.0	14	35.7	1,052	50.3	7	71.4	290	44.4	61	60.7	3,016	59.6
Multisector	1	100.0	1	100.0	15	66.7	202	86.9	31	77.4	1,405	90.7	14	78.6	1,219	77.3	61	75.4	2,827	84.6
Public Sector Management									16	50.0	1,137	67.3	19	52.6	2,675	63.2	35	51.4	3,812	64.4
Transport and ICT	55	85.5	948	82.0	61	73.8	3,715	68.9	104	86.5	9,131	89.7	11	81.8	740	88.8	231	82.7	14,533	83.8
Water and Other Municipal Infrastructure and Services	35	57.1	688	62.2	35	57.1	1,560	60.6	60	63.3	2,628	71.0	6	100.0	189	100.0	136	61.8	5,065	67.7
Total	340	60.9	5,897	66.6	420	54.8	19,832	58.8	506	70.9	37,739	81.0	88	70.5	7,717	71.0	1,354	63.4	71,185	72.5

^a Based on revised sector classification system adopted in early 2009.

^b Results are very preliminary as the figures represent about 20% of total projects and programs approved during this period.

Source: Independent Evaluation Department database.

DETAILED DESCRIPTION OF EVALUATION CRITERIA AND PERFORMANCE OF EVALUATED SOVEREIGN PROJECTS AND PROGRAMS AND NONSOVEREIGN OPERATIONS

A. Evaluation Criteria

1. Sovereign Projects and Programs

1. The performance of sovereign lending and grant operations is assessed through the rating of project (program) completion reports (PCRs) prepared by regional departments, and through PCR validation reports and project (program) performance evaluation report (PPERs) prepared by IED.¹ PCRs are prepared for all sovereign projects and programs 1–2 years after their completion,² but have contained ratings only since 1995. PCR validation reports, which IED initiated in 2007, are prepared immediately after a PCR's circulation. PPERs are typically prepared 3 years after project (program) completion. A three-category rating system—*generally successful, partly successful, unsuccessful*—was used to assess performance before 2000. To closely harmonize ADB's evaluation methodology with the methodology of other Evaluation Cooperation Group (ECG) members,³ a four-category system—*highly successful* (90% and above score), *successful* (53% and above), *partly successful* (27–52% score), and *unsuccessful* (below 27% score)—has been used since 2000. The overall project rating is derived on the basis of four evaluation criteria: relevance, effectiveness, efficiency, and sustainability.

2. Projects and programs are considered “successful” when their rating is *highly successful, successful, or generally successful*.⁴ Projects and programs rated *unsuccessful* are clearly failures, while those rated *partly successful* achieve some development results, but fall short of their objectives. Success rates are usually presented against approval year, sector, and country. The periods covered for success rates are approval years 1968–2005 for projects, and 1978–2007 for programs.⁵

2. Nonsovereign Operations

3. Before mid-2006, sovereign projects and programs and nonsovereign operations were assessed in the same way. In 2006, following broadly the ECG's good practice standards for evaluation of private sector investment operations,⁶ ADB changed the evaluation criteria for nonsovereign operations, focusing on development impacts and outcomes, ADB investment

¹ PCRs, PCR validation reports, and PPERs follow the same rating methodology specified in the PPER guidelines (ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila). Available: <http://www.adb.org/Documents/Guidelines/Evaluation/PPER-PSO/default.asp>

² For nonsovereign operations, extended annual review reports are prepared by the Private Sector Operations Department or relevant RD once they have reached early operating maturity.

³ ECG membership includes the heads of the evaluation offices in ADB, African Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Monetary Fund, and the World Bank Group (including the World Bank, International Finance Corporation, and the Multilateral Investment Guarantee Agency).

⁴ Performance ratings by PCRs, PCVRs, and PPERs are aggregated using the PCVR or PPER ratings when both PCR and PCVR or PPER report ratings are available.

⁵ It takes about 7–10 years from approval to evaluation (project/program implementation: 4–7 years; PCR: 1–2 years after completion; and PPER: 3 or more years after completion).

⁶ Following the release of the third edition of *Good Practice Standards for Evaluation of Private Sector Investment Operations* by the ECG in April 2006, IED released its *Guidelines for Preparing Performance Evaluation Reports on Nonsovereign Operations* in February 2007. Subsequently, IED issued the *Revised Guidelines for the Validation of Project Completion Reports and Extended Annual Review Reports* on 27 March 2008.

profitability, ADB work quality, and ADB additionality.⁷ ADB also changed the name of the self-evaluation reports from project completion reports (PCRs) to extended annual review reports (XARRs) and required that all NSO projects reaching early operating maturity be subjected to self-evaluation and IED validation starting in August 2007. From 1991 to 2009, self-evaluations (PCRs or XARRs) and/or independent evaluations (PPERs or PCR validation reports) had been prepared for 60 nonsovereign projects, of which 38 were rated. However, the ratings of the 38 projects are not comparable because before mid-2006 different sets of criteria were used to evaluate nonsovereign operations.

B. Performance of Sovereign Projects and Programs

4. **Sovereign Projects.** Sovereign project lending has constituted the majority of ADB's assistance. Up to 2009, 1,339 projects amounting to \$55.5 billion were completed and subsequently evaluated, of which 1,211 (with total net loan amount of \$51.1 billion) were rated through PCRs, PCR validation reports and/or PPERs. Of the 1,211 rated projects, 65% were rated successful, 27% partly successful, and 8% unsuccessful. In terms of net loan amount, 75% were rated successful, 22% partly successful and 3% unsuccessful.

5. The performance of evaluated sovereign projects by sector and subsector is broken down in Table A4.2. ADB's experience in infrastructure has been favorable. The success rates for projects in transport and information and communication technology (84%) were the highest among all major sectors over the three decades. Road transport dominated the transport portfolio, with an overall success rate of 89%. The success rate of projects in the small rail transport portfolio was 90% for projects approved during 1992–2000. Likewise, the performance of evaluated projects in the energy sector has been strong (81%) over the three decades. Energy projects experienced high success rates, especially the three subsectors that accounted for the lion's share of ADB support in the sector: conventional energy (with a 92% success rate); electricity transmission and distribution (81% success rate), and large hydropower (79% success rate). However, a declining trend has been observed for infrastructure projects approved in 2001–2005. Evaluation results over the three decades found that, generally, designs of infrastructure projects were adequate. The key concerns with infrastructure projects are adequacy of operations and maintenance after completion. For road transport projects, improving road safety is an additional concern.

6. Social sector projects, which did not perform well during the 1980s, showed marked improvements in success rates in the 1990s. The success rate of education projects approved during 1992–2000 reached 81%. Positive gains were achieved in pre-primary and basic education, technical and vocational education and training, and tertiary and higher education. The health and social protection sector also posted an improved success rate, mainly because health programs and health systems subsectors performed well. The improved rate of success in social sector projects partly reflects ADB's shifting priorities during the 1990s, when major efforts were made to correct weaknesses found in education, health and population projects.

7. The performance of evaluated projects in the water supply and other municipal infrastructure and services sector improved modestly. Water supply and sanitation projects approved in 1992–2000 saw improved success rates, while the success rate of urban sector development projects approved during that period declined. Successful water supply and sanitation projects approved in 1992–2000 were found to be generally highly relevant or

⁷ The *Guidelines for Preparing Performance Evaluation Reports on Nonsovereign Operations* include descriptions of the ratings criteria and benchmarks. <http://www.adb.org/Documents/Guidelines/Evaluation/PPER-NSO/default.asp>

relevant, effective, efficient, and likely sustainable. The less-than-satisfactory performance of the urban sector development subsector was partly due to the poor performance of urban development projects in Indonesia and the Philippines.

8. Agriculture and natural resources projects are by nature complex and difficult to prepare, implement, and evaluate. The sector includes many different types of projects distributed among eight subsectors. Projects in all eight subsectors performed poorly before 1992. For projects approved in 1992–2000, five subsectors (agricultural production and markets, agriculture and rural sector development, land-based natural resources management, livestock, and water-based natural resources management) showed improved success rates. This has resulted in an increase in the overall success rate for the sector to 57% for projects approved during 1992–2005, even as the success rate of projects in irrigation and drainage—one of the dominant subsectors of the agriculture sector—declined.

9. Lessons identified in the evaluations of successful projects highlight several important factors that lead to positive ratings. Within ADB's influence, successful projects involved (i) thorough project preparation (including economic and financial analyses based on accurate and realistic cost assumptions, capacity building and training in ADB procedures and systems, formulation of projects based on the needs or demands of beneficiaries, flexibility in the timing of implementation for ongoing and evolving projects, and provision of a financial framework to sustain projects); (ii) close coordination among funding agencies assisting the same sector or institution; and (iii) a proactive role by resident missions in project administration (because of their close proximity to executing agencies and, in some cases, their language skills).

10. Common weaknesses that detract from project success include design flaws (often triggered by limited consultation with end-users and stakeholders leading to a lack of understanding of local cultures and conditions in the target area); weaknesses in implementation; and insufficient risk analysis. In addition, project supervision sometimes lacks continuity because of frequent staff changes at ADB and insufficient involvement of experienced and specialized ADB staff for project administration. ADB also needs to focus more on ensuring that positive outcomes are sustained post-project. Mechanisms to strengthen sustainability include: (i) involving beneficiaries and stakeholders early on in project preparation and implementation planning; (ii) facilitating the establishment of financial management systems that provide adequate revenue streams for operations and maintenance costs, debt service, and planned expansions and upgrades of infrastructure; (iii) reinforcing links and networks with beneficiary institutions; (iv) implementation of overlapping projects with consistent core objectives and (if possible) geographical focus; and (v) comprehensive phase-out or project closure plans that cover formal transfer of facilities, staff, and technologies to the mandated responsible institutions.

11. External factors that improve the chances of achieving successful project outcomes include: (i) strong ownership by the government coupled with strong institutional capacity of the executing agency; and (ii) a strong sense of ownership by beneficiaries, fostered through extensive participation in project preparation and implementation planning. External factors that commonly compromise project success include (i) unavailability or shortage of counterpart funds, (ii) institutional weaknesses, (iii) a weak policy environment, (iv) commodity price fluctuations, (v) financial crises, (vi) natural disasters, and (vii) conflicts.

12. **Sovereign Programs.** Of the 216 program loans approved from 1978 to 2007, 143 have been evaluated. The performance of program loans has improved gradually since 1992. The success rate was 50% during 1978–80, when program loans were merely quick-disbursing

balance of payment (BOP) support facilities with little policy content. The success rate fell drastically after policy content was introduced in 1987. This was partly due to the sector composition of lending (19 of 31 loans were in agriculture and natural resources), and partly because policy-based lending was a new modality and clear staff guidelines on design and administration of these loans were not introduced until 1991. Only 19.4% of program loans approved during 1981–1991 had successful outcomes (Table A4.1).

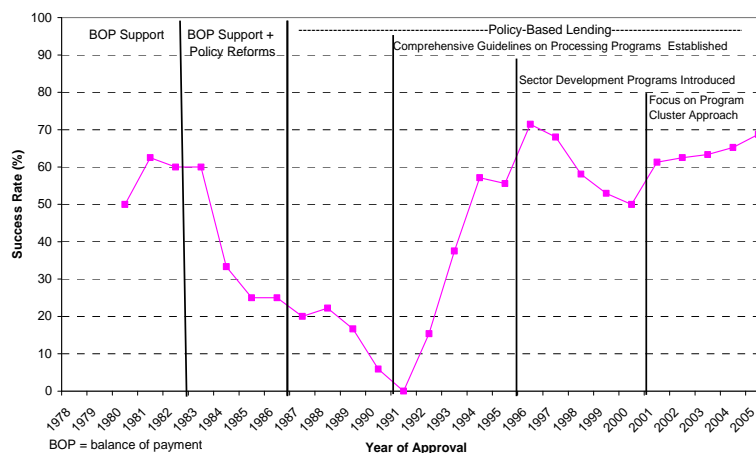
Table A4.1: Performance of Evaluated Programs by Approval Period

Approval Period	Number of rated programs	Proportion (%)		
		Successful	PS	US
1978-1980	6	50.0	50.0	
1981-1991	31	19.4	77.4	3.2
1992-2000	61	59.0	36.1	4.9
2001-2007	45	68.9	28.9	2.2
Total	143	53.1	43.4	3.5

PS= partly successful, US = unsuccessful.

13. Following a review of program lending in 1990 guidelines for processing program were developed.⁸ In 1997, ADB revised the guidelines and staff instructions⁹ for program loans and introduced guidelines for sector development loans based on a 1996 review of program lending.¹⁰ Evidently, these changes helped significantly improve the success rate of program loans during 1992–2000, which increased to 59%. In 2003 ADB again revised the guidelines and staff instructions for preparing and administering program loans, incorporating the findings and recommendation of a 2001 special evaluation study of program lending.¹¹ These guidelines focused on greater country ownership, flexible approaches, and accurate determination of costs. They also encouraged greater reliance on a program cluster approach, whereby several logically linked single-tranche subprograms are provided to address a complex policy agenda. This helped improve the program success rate considerably, to close to 69% during 2001–2007. Figure A4 illustrates the effects of various initiatives on program performance.

Figure A4: Trends in Program Ratings
(% Success Rate Based on 3-Year Moving Average)



14. The success rates of programs vary significantly across sectors, and show different patterns compared with the success rates of projects (Table A4.4). The transport and agriculture sectors performed poorly. Typically, reforms in agriculture are difficult because of weak institutional capacities in rural areas and because positive outcomes often depend on individual and group behaviors. Education loans were the most successful, followed by financial sector reform programs and multi-sector programs. Success has been modest in recently introduced sectors such as health and social protection and public sector management. Reforms in public

⁸ ADB. 1990. *A Review of the Bank's Program Lending Policy*. Manila.

⁹ ADB. 1997. *GP 6: Program Lending*. Manila.

¹⁰ ADB. 1996. *Review of the Bank's Program-Lending Policies*. Manila.

¹¹ ADB. 2003. *Program Lending. Operations Manual*. Manila.

sector management tend to be complex because of the politically sensitive nature of raising nontax revenues, restructuring public enterprises, and reducing subsidies. The success rate of energy sector programs was also modest because of the political difficulty of carrying out reforms that involve raising energy tariffs.

15. **Sovereign program performance by country** varies significantly, as shown in Table A4.5. For countries with five or more evaluated programs, success rates were above average for India (63%), Indonesia (79%), the Kyrgyz Republic (83%), and Viet Nam (100%). Program success rates were poor in Bangladesh (17%), the Lao People's Democratic Republic (20%), Nepal (38%), Pakistan (45%), the Philippines (36%), and Sri Lanka (20%). The program evaluation experience suggests that policy-based lending can be an effective instrument to induce policy and institutional reforms, provided that the proposed reforms are practical and attainable and that governments fully own the policy reform agenda. Factors that contribute to success of program lending, identified in evaluation reports and studies, include (i) consistency of reform outcomes with the government reform agenda and priorities; (ii) sufficiency of analysis and dialogue; (iii) well-targeted reforms; (iv) policy change consensus among decision makers and stakeholders; (v) coherence of the program design and policy matrix; (vi) focused and manageable policy actions that were acted upon before program startup; (vii) strong implementing agency capacity, and (viii) direct and indirect reform costs were identified and met by the program or counterpart funding. Factors identified that detract from program performance include (i) insufficient consideration of macroeconomic and wider sector policies; (ii) reform outcomes not matching government priorities; (iii) lack of counterfactual analysis and poorly understood outcome and policy alternatives; (iv) complex, overly ambitious reforms; (v) poor decision-maker and stakeholder support and awareness; (vi) overly complex design and/or too many tranche release conditions specified in the policy matrix; (vii) back-loading of conditions to second and subsequent tranches; (viii) weak capacity of implementing agencies; (ix) failure to identify or meet key direct and indirect costs.

C. Performance of Nonsovereign Operations

16. Nineteen nonsovereign projects were evaluated using the new criteria—seven were subjected to self-evaluations only (XARR), four were subjected to independent evaluations only (PPER), and eight were subjected to both self and independent evaluation. Of the 12 projects with PPERs and validated XARRs, one was *highly successful* (8%), nine were *successful* (75%), one was *partly successful* (8%), and one was *unsuccessful* (8%). In contrast, all seven projects that underwent self-evaluation only were either *successful* (57%) or *highly successful* (43%). However, it should be emphasized that self-evaluation ratings are only temporary. All seven self-evaluated projects are being independently evaluated, and final ratings for these projects will be available in the next annual evaluation review. From experience, some of these ratings are likely to be downgraded. For instance, of the eight projects that were subjected to both self and independent evaluation from 2006 to 2009, half received overall rating downgrades—three from *highly successful* to *successful*, and one from *highly successful* to *partly successful*. The main reasons for the ratings downgrade were as follows: (i) the XARRs of all four projects with downgraded ratings exaggerated the achievements of the projects in terms of their development impacts and outcomes (specifically, their contributions to private sector development); (ii) related to the first reason, some XARRs failed to provide sufficient evidence to support their claims; (iii) the assessment of ADB's investment profitability was incorrect in one XARR; and (iv) independent evaluation identified some issues with ADB work quality—particularly in screening, appraisal, structuring, monitoring, and supervision—that were not accurately reflected in a couple of XARRs.

Table A4.2: Proportion of Successful Projects by Sector and Subsector

Sector/Subsector ^a	Approval Period								Overall	
	1968-1980		1981-1991		1992-2000		2001-2005		Total Number	Success Rate (%)
	Total Number	Success Rate (%)	Total Number	Success Rate (%)	Total Number	Success Rate (%)	Total Number	Success Rate (%) ^b		
Agriculture and Natural Resources										
Agricultural Production and Markets	22	36.4	30	33.3	18	72.2	2	0.0	72	43.1
Agriculture and Rural Sector Development	6	33.3	11	45.5	6	83.3	1	100.0	24	54.2
Fishery	18	22.2	17	41.2	6	16.7	1	0.0	42	28.6
Forestry	4	50.0	13	46.2	8	37.5			25	44.0
Irrigation, Drainage, and Flood Protection	26	46.2	35	65.7	21	52.4	1	100.0	83	56.6
Land-Based Natural Resources Management	7	57.1	12	33.3	9	55.6			28	46.4
Livestock	7	0.0	7	28.6	2	100.0			16	25.0
Water-Based Natural Resources Management	3	33.3	1	100.0	12	58.3	2	100.0	18	61.1
Subtotal	93	35.5	126	46.0	82	57.3	7	57.1	308	46.1
Education										
Education Sector Development	1	0.0	2	50.0	2	50.0	1	100.0	6	50.0
Non-formal Education			2	50.0	4	50.0			6	50.0
Pre-primary and Basic Education			7	28.6	23	87.0	1	0.0	31	71.0
Technical Education and Vocational Skills Training	10	90.0	11	63.6	11	81.8			32	78.1
Tertiary and Higher Education	5	80.0	4	75.0	7	100.0			16	87.5
Upper Secondary Education			1	0.0	5	60.0			6	50.0
Subtotal	16	81.3	27	51.9	52	80.8	2	50.0	97	72.2
Energy										
Conventional Energy	11	90.9	22	90.9	6	100.0			39	92.3
Electricity Transmission and Distribution	29	79.3	26	76.9	29	86.2	2	100.0	86	81.4
Energy Efficiency and Conservation					6	50.0	1	100.0	7	57.1
Energy Sector Development	4	75.0	5	40.0	5	80.0			14	64.3
Energy Utility Services					2	100.0			2	100.0
Large Hydropower	13	76.9	5	80.0	9	88.9	1	0.0	28	78.6
Pipelines	2	100.0	3	66.7	4	100.0			9	88.9
Renewable Energy			2	0.0	1	100.0			3	33.3
Subtotal	59	81.4	63	76.2	62	85.5	4	75.0	188	80.9
Finance										
Banking Systems	46	47.8	24	29.2	10	60.0			80	43.8
Finance Sector Development					2	100.0			2	100.0
Housing Finance			2	0.0	2	50.0	1	100.0	5	40.0
Investment Funds	1	0.0	2	50.0					3	33.3
Microfinance			3	100.0	10	40.0	1	0.0	14	50.0
SME Finance and Leasing	7	71.4	2	100.0	1	0.0			10	70.0
Subtotal	54	50.0	33	39.4	25	52.0	2	50.0	114	47.4
Health and Social Protection										
Early Childhood Development					1	100.0			1	100.0
Health Programs			6	16.7	8	75.0	1	0.0	15	46.7
Health Systems	2	100.0	9	44.4	7	71.4			18	61.1
Nutrition					1	0.0			1	0.0
Social Protection					2	0.0			2	0.0
Subtotal	2	100.0	15	33.3	19	63.2	1	0.0	37	51.4
Industry and Trade										
Larger Industries	17	64.7	8	62.5	4	50.0			29	62.1
Small and Medium Enterprise Development	2	100.0	6	83.3	2	0.0	1	0.0	11	63.6
Trade and Services			1	100.0	4	25.0			5	40.0
Subtotal	19	68.4	15	73.3	10	30.0	1	0.0	45	60.0
Multisector										
	1	100.0	15	66.7	30	80.0	9	77.8	55	76.4
Public Sector Management										
Decentralization					1	0.0	1	100.0	2	50.0
Economic and Public Affairs Management					1	100.0			1	100.0
Public Expenditure and Fiscal Management					1	0.0			1	0.0
Subtotal					3	33.3	1	100.0	4	50.0
Transport and ICT										
Air Transport	5	100.0			8	50.0			13	69.2
ICT	3	100.0	9	77.8	7	100.0			19	89.5
Rail Transport	2	0.0	4	25.0	10	90.0	1	100.0	17	64.7
Road Transport	25	92.0	33	81.8	70	91.4	6	83.3	134	88.8
Water Transport	20	80.0	14	71.4	7	85.7	3	66.7	44	77.3
Subtotal	55	85.5	60	75.0	102	88.2	10	80.0	227	83.7
Water and Other Municipal Infrastructure and Services										
Slum Upgrading and Housing	2	100.0	2	100.0					4	100.0
Urban Sector Development	4	50.0	12	75.0	27	51.9	1	100.0	44	59.1
Waste Management and Sewage	1	100.0	3	33.3	3	66.7	1	100.0	8	62.5
Water Supply and Sanitation	28	53.6	18	44.4	30	73.3	4	100.0	80	61.3
Subtotal	35	57.1	35	57.1	60	63.3	6	100.0	136	61.8
Total	334	61.1	389	57.6	445	72.6	43	72.1	1,211	64.6

^a Based on revised sector classification system adopted in early 2009.

^b Results are very preliminary as they represent about 18% of total projects approved during this period.

Source: Independent Evaluation Department database.

Table A4.3: Proportion of Successful Projects by Group and Country

Country Group	Approval Period								Overall	
	1968-1980		1981-1991		1992-2000		2001-2005			
	Total Number	Success Rate (%)	Total Number	Success Rate (%)	Total Number	Success Rate (%)	Total Number	Success Rate (%) ^a	Total Number	Success Rate (%)
Group A										
Afghanistan							1	100.0	1	100.0
Bhutan			5	60.0	5	100.0	1	100.0	11	81.8
Cambodia					15	80.0	2	100.0	17	82.4
Kiribati			3	33.3	1	0.0			4	25.0
Kyrgyz Republic					9	77.8	2	100.0	11	81.8
Lao People's Democratic Rep.	5	40.0	10	80.0	21	81.0	1	100.0	37	75.7
Maldives			5	80.0	4	75.0	1	100.0	10	80.0
Mongolia			1	100.0	10	80.0	3	66.7	14	78.6
Myanmar	5	60.0	3	66.7					8	62.5
Nepal	19	78.9	31	41.9	17	70.6			67	59.7
Samoa	10	40.0	4	50.0	3	0.0	1	0.0	18	33.3
Solomon Islands	6	16.7	2	50.0	2	100.0			10	40.0
Tajikistan					4	100.0	2	100.0	6	100.0
Timor Leste					3	0.0	2	100.0	5	40.0
Tonga	4	75.0	8	75.0	2	50.0			14	71.4
Vanuatu			5	20.0	2	100.0			7	42.9
Subtotal	49	57.1	77	54.5	98	74.5	16	87.5	240	65.4
Group B										
Azerbaijan							1	100.0	1	100.0
Bangladesh	25	32.0	35	65.7	34	82.4	1	100.0	95	63.2
India			16	62.5	17	70.6	2	50.0	35	65.7
Marshall Islands			1	0.0	5	40.0	1	0.0	7	28.6
Micronesia, Fed. States of					2	50.0			2	50.0
Pakistan	30	60.0	57	54.4	29	58.6	6	33.3	122	55.7
Papua New Guinea	9	44.4	15	26.7	9	55.6	2	0.0	35	37.1
Sri Lanka	16	43.8	26	53.8	25	72.0	2	100.0	69	59.4
Uzbekistan					7	42.9			7	42.9
Viet Nam	5	0.0			24	91.7			29	75.9
Subtotal	85	43.5	150	54.7	152	71.1	15	46.7	402	58.2
Group C										
China, People's Rep. of			12	75.0	63	87.3	7	100.0	82	86.6
Cook Islands			3	33.3	5	60.0	1	100.0	9	55.6
Fiji Islands	4	100.0	5	40.0	1	100.0	2	50.0	12	66.7
Indonesia	49	57.1	61	65.6	63	61.9	1	0.0	174	61.5
Kazakhstan					6	50.0			6	50.0
Malaysia	29	65.5	22	59.1	6	83.3			57	64.9
Philippines	37	48.6	39	43.6	31	51.6	1	100.0	108	48.1
Thailand	28	85.7	13	92.3	20	100.0			61	91.8
Subtotal	147	63.3	155	60.6	195	72.8	12	83.3	509	66.6
Graduate Economies	53	86.8	7	85.7					60	86.7
Total	334	61.1	389	57.6	445	72.6	43	72.1	1,211	64.6

^a Results are very preliminary as they represent about 18% of total projects approved during this period.

Source: Independent Evaluation Department database.

Table A4.4: Proportion of Successful Programs by Sector and by Approval Period

Sector ^a	1978-1980		1981-1991		1992-2000		2001-2007		Overall	
	Total No.	Success	Total No.	Success	Total No.	Success	Total No.	Success	Total No.	Success
		Rate (%)		Rate (%)		Rate (%)		Rate (%) ^b		Rate (%)
Agriculture and Natural Resources	3	66.7	23	17.4	10	50.0	3	66.7	39	33.3
Education					2	100.0	2	100.0	4	100.0
Energy			1	0.0	4	50.0	1	100.0	6	50.0
Finance			2	0.0	19	73.7	9	77.8	30	70.0
Health and Social Protection	1	0.0			6	66.7			7	57.1
Industry and Trade	2	50.0	4	50.0	4	50.0	6	83.3	16	62.5
Multisector					1	0.0	5	80.0	6	66.7
Public Sector Management					13	53.8	18	50.0	31	51.6
Transport and ICT			1	0.0	2	0.0	1	100.0	4	25.0
Total	6	50.0	31	19.4	61	59.0	45	68.9	143	53.1

^a Based on revised sector classification system adopted in early 2009.

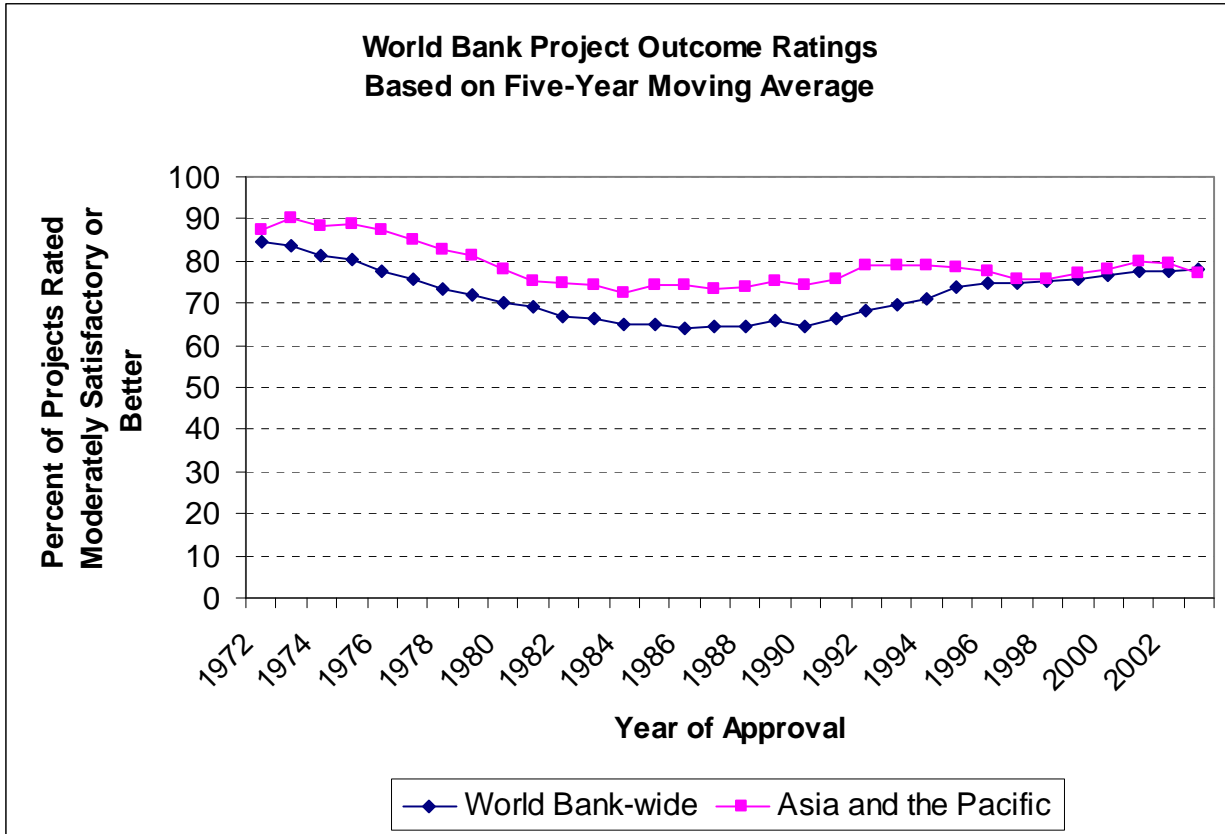
^b Results represent about 48% of total programs approved during this period.

Table A4.5: Proportion of Successful Programs by Country and by Approval Period

Country	1978-1980		1981-1991		1992-2000		2001-2007		Overall	
	Total No.	Success	Total No.	Success	Total No.	Success	Total No.	Success	Total No.	Success
		Rate (%)		Rate (%)		Rate (%)		Rate (%) ^a		Rate (%)
Afghanistan							2	100.0	2	100.0
Bangladesh	3	33.3	7	14.3	2	0.0			12	16.7
Bhutan					2	100.0			2	100.0
Cambodia					1	100.0	3	100.0	4	100.0
India			1	0.0	5	80.0	2	50.0	8	62.5
Indonesia			2	50.0	7	71.4	5	100.0	14	78.6
Kazakhstan					2	100.0			2	100.0
Kyrgyz Republic					4	75.0	2	100.0	6	83.3
Lao People's Democratic Republic			2	0.0	2	0.0	1	100.0	5	20.0
Mongolia					8	50.0			8	50.0
Myanmar	2	50.0	1	100.0					3	66.7
Nepal			4	25.0	2	100.0	2	0.0	8	37.5
Pacific DMCs			2	0.0	8	50.0	2	0.0	12	33.3
Pakistan	1	100.0	3	33.3	4	75.0	12	33.3	20	45.0
Papua New Guinea			1	0.0	1	0.0	1	0.0	3	0.0
Philippines			4	25.0	4	0.0	3	100.0	11	36.4
Sri Lanka			4	0.0	1	100.0			5	20.0
Tajikistan					1	0.0	2	100.0	3	66.7
Thailand					3	33.3			3	33.3
Uzbekistan							1	100.0	1	100.0
Viet Nam					3	100.0	7	100.0	10	100.0
Graduate Economies					1	100.0			1	100.0
Total	6	50.0	31	19.4	61	59.0	45	68.9	143	53.1

^a Results represent about 48% of total programs approved during this period.

Source: Independent Evaluation Department database.



The World Bank's Independent Evaluation Group's Implementation Completion Report Reviews assess World Bank-supported projects on multiple dimensions. The primary rating is on an operation's outcome (or the extent to which its major relevant objectives were, or are expected to be, achieved efficiently). These outcomes are rated on a six-point scale, as shown in the table below.

Outcome: the extent to which the operation's major relevant objectives were, or are expected to be, achieved efficiently	
There were _____ in the operation's achievement of its objectives, in its efficiency, or in its relevance.	Rating
... no shortcomings ...	Highly satisfactory
... minor shortcomings ...	Satisfactory
... moderate shortcomings ...	Moderately satisfactory
... significant shortcomings ...	Moderately unsatisfactory
... major shortcomings ...	Unsatisfactory
... severe shortcomings ...	Highly unsatisfactory

Source: The World Bank

MANAGEMENT RESPONSE TO THE 2010 ANNUAL EVALUATION REVIEW: STRENGTHENING REAL-TIME EVALUATION FOR DEVELOPMENT EFFECTIVENESS

On 18 October 2010, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. Management appreciates this comprehensive report on the accomplishments of the Independent Evaluation Department (IED) in 2009. The Review contains valuable findings and lessons and notes that important progress has been made in (i) improvements in the performance of program loans; (ii) positive evaluations for the country assistance program evaluations for Viet Nam, Cambodia and Bangladesh; and (iii) positive sector-level evaluations for the urban, transport, agriculture, and infrastructure (public-private partnerships) sectors, among others. We appreciate IED's ongoing efforts with respect to staff learning programs and the establishment of the automated Management Action Record System, which is helping Management to monitor implementation of actions in response to accepted IED recommendations.

II. Specific Comments

2. The Report does not present recommendations, but provides findings and issues relevant to our operations. We would like to provide the following comments on key findings and issues.

3. **Declining Project Success Rates.** We note that success rates, in particular for sovereign projects, have declined slightly compared to rates in the past. We agree that we need to provide additional attention to project implementation. As the lending volume has doubled compared to that of the recent past, additional administrative responsibilities for effective project administration need to be addressed. This year, we commenced implementation of the Streamlined Business Processes (SBP), which were approved last year. The SBP calls for more effective and efficient procedures for country partnerships, loans and technical assistance, as well as stronger harmonization with developing member countries on necessary procedures. We believe that the SBP will lead to higher success rates, especially as the Review reports that implementation delays have been a key reason behind the lower success rates.

4. The Report confirms trends highlighted in ADB's Management report, i.e., the Development Effectiveness Report. As elaborated in this and previous years' Development Effectiveness Reports, ADB is taking a range of actions to combat the declining success rates.

5. We believe IED's carrying out further analysis regarding the deterioration in ratings of ADB's Group B countries for projects approved in 2001-2007 (i.e., from 70% for projects approved in 1992-2000 to 51%) would be informative. This trend could be compared with the improvement in ratings for Group A countries for the same periods (from 71% to 83%).

6. **Supervising Project Implementation.** As mentioned in the Review, we are making serious efforts to overcome weaknesses. With respect to improving the quality of

design and monitoring frameworks (DMFs), the Central Operations and Services Office has been and will continue to carry out its quarterly quality assessments of DMFs and support the DMF focal points and other relevant staff in the regional departments to address quality issues through its regular “clinics”. The regional departments will continue to implement their revised internal quality assurance mechanisms complemented by targeted DMF training and clinics. In addition, improvements in the project and program performance reports (PPRs) to enhance their reliability – including addition of a “traffic light” warning system – will be rolled out before year end. The ongoing quality-at-entry assessment of country partnership strategies and sovereign and nonsovereign operations will also result in valuable findings and recommendations for improving project implementation.

7. **Real-time Evaluation of Ongoing Projects.** We agree that enhancing real-time evaluations will allow ADB to make more quickly any necessary adjustments to project design and implementation arrangements. This effort will complement our actions to enhance quality-at-entry and managing for development results. Training staff and enhancing the capacity of developing member countries will continue to be necessary. Real-time evaluation will be meaningful and constructive only if the project has devoted resources for the establishment of the baseline database and the benchmarks. In delineating its role in real-time evaluation, IED will need to provide more guidance on real-time evaluation for further discussion, in particular with respect to distinctions from real-time monitoring and project midterm reviews.

8. **Midterm Project Reviews.** We agree that the midterm review process should be strengthened. Regarding evaluative midterm reviews, they can provide real-time feedback on project implementation issues, but we caution that there may not be enough information or data for us to conduct the in-depth evaluation of the likelihood of the project's achieving its expected outputs and, in particular, its outcome. This differs from the results-oriented country portfolio reviews where the entire active country portfolio, including projects at different stages (e.g., start-up, midterm, approach completion, and physically completed but financially open), is considered.

9. **Ensuring Project Sustainability.** We will continue to focus on sustainability during the formulation of country strategies and in collaboration with other development partners. Problems with the financial and institutional sustainability of projects cannot simply be mitigated through project-level remedial measures. Much more is required from the country systems, e.g., ownership of operations and maintenance by both central and local governments, budgetary frameworks for maintenance, and continuity of development policies. Sector results frameworks can be used to strengthen financial and institutional sustainability and to achieve consensus among development partners.

DEVELOPMENT EFFECTIVENESS COMMITTEE OF THE BOARD (DEC)

Chair's Summary of the Committee's Discussion on 19 October 2010

2010 Annual Evaluation Review (DOC.IN.235-10)

1. Director General, IED emphasized that the annual evaluation review (AER) is a collection of IED's findings in 2009, and does not present any new recommendations. DEC hoped that the report would be simultaneously disseminated to stakeholders who would benefit from the richness of the report.

2. DEC noted IED's finding that the Bank should engage more in real-time studies, particularly on evaluative aspects of the reviews as different from normal reviews. DEC found it reasonable for IED to delineate its role in real-time evaluation that does not unduly overlap with the responsibilities of either the regional departments or the executing agencies. Such approach would avoid conflicts of interest. IED would do real-time evaluation of ongoing operations only when requested by the Board or Management. Deputy Director General, SPD explained that midterm reviews are a normal practice in ADB which involves a full review of project designs, with emphasis on inputs. There is a working group looking at strengthening the midterm reviews that could also address issues of implementation delays, and cost overruns, among others. Principal Director, COSO added that project administration instructions required staff to carry out comprehensive midterm reviews. IED staff stated that according to evaluation findings only a small proportion of mid-term reviews were comprehensive.

3. DEC members, while noting the importance of evaluating the results of governments' commitments to ADB's assistance, agreed that there should be adequate involvement of the governments in the inclusive evaluation process. Director General, IED explained that evaluations are based on adequate consultations with governments. For major evaluations, there were workshops and consultations in the field, while for project-level evaluations, drafts were sent to governments for their comments. There were also no particular recommendations to governments, but some follow-on actions for regional departments (RDs) could require follow-up with governments.

4. DEC noted ongoing efforts by Management to address issues in ADB's assistance to justice reforms, resettlement, water supply and sanitation, and technical assistance (TA) operations, including the quality of consulting services. On justice reforms, Principal Director, COSO explained that law and policy reforms were considered in the context of Strategy 2020 and resource availability. On TA operations, he acknowledged difficulties faced in delegating TA administration to executing agencies, and noted that very few countries were receptive to the delegation, partly due to anticipated difficulties in managing consultants. On the same note, he emphasized that compensation for consultants were market-based, and remuneration may not be a factor for low quality of consulting services. It may be worthwhile to look at the terms of reference, supervision of consultants, and capacity of executing agencies.

5. Director General, SPD mentioned ADB's efforts to address resettlement issues, including creating new safeguards policy statement, strengthening safeguards activities, with more emphasis on addressing safeguards issues during projects implementation, and hiring more safeguards experts. He also assured that there were ongoing efforts to integrate water supply with sanitation.

6. DEC members and some Board members noted the declining success rates of portfolio. One Board member suggested disaggregating the analyses to get a better picture of the quality of consulting services engaged by ADB, particularly for urban development, and to get insights into how procurement processes contributed to implementation delays.

Conclusions

7. DEC noted that the 2010 AER provided an opportunity for an annual stocktaking of lessons learned from IED's activities in the past year. DEC welcomed the increased volume of work done by IED in terms of project completion report validation, high level evaluation of priority topics to ADB, and new knowledge products.

8. DEC noted the decline in the projects' success rate, which could have been partly due to the increased volume. Nevertheless, DEC emphasized the importance of improving the success rate of loans, particularly, program loans.

9. DEC welcomed the Management Action Record System (MARS) introduced in the year, and some members emphasized that apart from explicit recommendations given by IED, it was for consideration whether more could be distilled from the reports. Some members suggested that the title of the tables on detailed performance indicators in Appendix 2 could be changed from "ADB and Borrower Performance" to "ADB and Executive Agency Performance". DEC welcome the inclusive nature of the IED reports where many stakeholders were consulted.

10. DEC members reiterated the need for improving the quality of consultancy inputs in ADB work. DEC also requested IED to consider whether there was merit in doing further analysis regarding the deterioration in rating of ADB Group B countries' projects approved in 2001-2007, including in particular, projects in the Pacific DMCs.

Ashok K. Lahiri
Chair, Development Effectiveness Committee