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Evaluation of Asian Development Fund VIII and IX

Selected Findings

**by
Operations Evaluation Department**

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CAPE	–	country assistance program evaluation
CBO	–	community-based organization
CPA	–	country performance assessment
DEC	–	Development Effectiveness Committee
DMC	–	developing member country
GDP	–	gross domestic product
IDA	–	International Development Association
Lao PDR	–	Lao People's Democratic Republic
MDG	–	Millennium Development Goal
MfDR	–	managing for development results
NGO	–	nongovernment organization
OCR	–	ordinary capital resources
ODA	–	official development assistance
OECD	–	Organisation for Economic Co-operation and Development
OED	–	Operations Evaluation Department
PBA	–	performance-based allocation
PCR	–	project completion report
PPER	–	project performance evaluation report
TA	–	technical assistance

NOTE

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

CONTENTS

	Page
EXECUTIVE SUMMARY	II
I. INTRODUCTION	1
II. OVERVIEW OF ADF FINANCING	2
III. DEVELOPMENT EFFECTIVENESS	5
IV. TARGETING POVERTY AND GOVERNANCE	8
V. OTHER COMMITMENTS OF ADF VIII AND ADF IX	10
VI. DONOR HARMONIZATION, COORDINATION, AND COFINANCING	13
VII. PERFORMANCE-BASED ALLOCATION AND GRANT ALLOCATION SYSTEMS	14
VIII. CLIENT SATISFACTION SURVEYS OF EXECUTING AGENCIES	16
IX. CONCLUSIONS AND RECOMMENDATIONS	16
APPENDIX	20

EXECUTIVE SUMMARY

This paper discusses the preliminary findings of an ongoing special evaluation study of the Asian Development Fund (ADF) VIII and IX operations during 2001–2008. ADF VIII (2001–2004) made available about \$5.6 billion for 193 project and program loans in 26 developing member countries. ADF IX (2005–2008) is making available \$7 billion in loans and grants to 27 countries, and technical assistance to all developing member countries. The evaluation covers 327 approved ADF loans and grants, or 437 if the pipeline is included. No more than 7% of these have been closed.

Allocation Patterns. The study notes that (i) ADF resources have not expanded significantly in real terms since the early 1990s and are modest given the huge remaining challenges in reaching the Millennium Development Goals, (ii) the ADF covers countries with only about 113 million of the 620 million poor in Asia, (iii) the ADF, beyond being a source of finance, provides policy leverage in at least 13 countries, (iv) ADF VIII and to a smaller extent ADF IX funded a large number of poverty interventions over the period, and (vi) ADF VIII achieved the desired focus on governance operations.

Development Effectiveness. ADF operations have become more successful over the decades. Of the operations approved in the 1990s, 67% were rated successful. The success rates of individual ADF and ordinary capital resources operations are converging. On the other hand, 11 country assistance program evaluations were less positive, mainly because of inefficiencies and lack of sustainability. The upward trend of success rates might have stalled, at least temporarily, according to 25 case studies of ongoing ADF VIII projects and programs. This trend, if confirmed, could be caused in part by increased goal congestion in projects. Management and the Board put much pressure on staff to prepare inclusive project designs in the early years, given the drive for operations that benefit the poor disproportionately. Other reasons for the dip in success rates might have been staff constraints in project administration during reorganizations and reforms, detailed country strategies, safeguards, anticorruption, and added agendas. About half of the special components targeting the poor and governance in the sampled projects were unlikely to be successful. Nevertheless, some good results also were observed, and these were partly the result of staff intensity. Poverty targeting declined in ADF IX, but not governance targeting.

Other ADF Commitments. The following achievements were noted: (i) increased use of program loans with higher success rates than in previous decades; (ii) more attention to capacity development, although ADB has had mixed results in this area in the past; (iii) greater involvement of civil society organizations in ADF operations; and (iv) high success rates of private sector operations, with the number approved in ADF countries small but growing. The study noted progress in terms of anticorruption operations and managing for development results. ADB has gained more experience with social safeguards. Donor coordination and harmonization have increased, although there might be limits to what these can achieve. The study was critical of ADB's performance-based allocation policy and raised questions regarding the grant mechanism.

Recommendations. The study makes 10 recommendations. The most important are: (i) ADF X must avoid goal congestion; (ii) the ADF's graduation policy should be reconsidered, i.e., more countries should get access; (iii) the ADF's size should increase for the sake of achieving the Millennium Development Goals; (iv) targeting the poor narrowly in all operations is not an appropriate goal for ADF operations; and (v) an ADF geared to poverty reduction would benefit from an increase in ADB staff for project preparation and administration.

I. INTRODUCTION

1. This paper summarizes the preliminary findings of a special evaluation study that was included in the 2007 work plan of the Operations Evaluation Department (OED) at the request of the Development Effectiveness Committee (DEC) of the Asian Development Bank (ADB) Board of Directors. Although the final report of the main study is still being drafted, all fieldwork and primary research has been completed. The final report will be finished before the end of 2007. The paper serves as an input for the preparation of the Asian Development Fund (ADF) X replenishment (the ninth replenishment), which is to fund new operations in 2009–2012. The evaluation covers projects and programs (also called operations in this paper) approved under ADF VIII (2001–2004) and ADF IX (2005–2008). Less than 7% of the 327 loans and grants approved during this period are closed; 93% are in various stages of implementation or preparation.

2. **Objectives and Approach.** The evaluation examined the relevance, likely effectiveness, efficiency, and likely sustainability of the ADF as an instrument of development aid in Asia and the Pacific. Suggestions and recommendations made in the ADF VIII and IX donor reports¹ were important markers. Also important were ADB's 1999 poverty reduction strategy, which was the basis for ADF VIII, and the 2004 enhanced poverty reduction strategy, the foundation for ADF IX. Due to the many priorities and targets emphasized, and their lack of prioritization or quantification, rigorous evaluation was not always possible. The study paid special attention to some of the new directions endorsed by ADF donors at the time of the donors' reports: (i) targeting of the poor in all ADB operations, (ii) adding a governance dimension to ADB's operations, (iii) introducing the performance-based allocation (PBA) mechanism in ADF VIII, (iv) introducing a grant mechanism under ADF IX, and (v) increasing donor coordination and harmonization. It also reviewed commitments on capacity development, participation of community-based organizations (CBO), private sector development, anticorruption, and managing for development results.² The evaluation focuses less on the business process changes and internal ADB reforms that donors recommended during the ADF VIII and ADF IX negotiations. Other papers prepared for the ADF X negotiations discuss these issues.³

3. **Evaluation Methodology.** The study analyzed ADB databases regarding allocation and expenditure patterns of ADF VIII and ADF IX, as well as pipeline data to assess likely developments in the portfolio up to the end of 2008. The evaluation used the success ratings of completed ADF operations and programs in ADB project completion reports (PCR) and, where available, OED project performance evaluation reports (PPER). This was done as one way of approximating the effectiveness of ongoing operations. Material was drawn from a range of OED studies, such as evaluations of ADF country assistance programs, and special theme and sector evaluations. Two recent OED questionnaire surveys of senior project staff in executing agencies were reanalyzed. The study reviewed 80 project documents—40 approved in 1992–2000, 40 in 2001–2007—to analyze changes in approach and components over time. The study team visited five ADF countries⁴ (Bangladesh, Lao People's Democratic Republic [Lao PDR], Nepal, Pakistan, and Viet Nam), and interviewed staff in central agencies, executing agencies,

¹ ADB. 2000. *ADF VIII's Donors' Report: Fighting Poverty in Asia*. Manila (November); ADB. 2004. *ADF IX Donors' Report: Development Effectiveness for Poverty Reduction*. Manila (June).

² OED has not yet assessed operations promoting regional cooperation and integration, another ADF priority. An evaluation is scheduled to start in 2008.

³ The following has an overview: ADB. 2007. *Effectiveness of Asian Development Fund Operations*. Manila (August).

⁴ The term "ADF countries" in this paper refers to countries that are eligible for loans on concessional terms and grants from the Asian Development Fund.

donor agencies, and civil society organizations. In each country, a case study was conducted of ongoing ADF VIII-supported projects and programs in different sectors, approved in 2001–2004, to allow an approximate comparison with success rates of earlier ADF operations. This also enabled the study team to judge how special pro-poor and governance components—i.e., components that the study assessed as being additional to the main orientation of the operations—were working out. Within ADB, many country economists were interviewed regarding the PBA and the grant framework.

II. OVERVIEW OF ADF FINANCING

4. **ADF Allocation Patterns.** ADF VIII and ADF IX resources have been allocated to 27 of the 31 eligible countries,⁵ 14 of which were countries which did not have access to ADB's ordinary capital resources (OCR). ADF VIII made available about \$5.6 billion for 193 project and program loans in 26 developing member countries (DMC). ADF IX, which is ongoing, makes available \$7 billion in loans and grants to 27 countries, and technical assistance (TA) to all DMCs. By August 2007, 93 loans and 41 grants had been approved under ADF IX; the pipeline until the end of 2008 includes 92 loans and 18 grants. ADF VIII and ADF IX have funded 327 loans and grants, and will fund 437 if the current pipeline materializes. No more than 7% of the approved loans have been closed. Loans or grants to larger clients, such as Bangladesh, Pakistan, Viet Nam, and Afghanistan, account for 60% of ADF allocations (Figure 1). India and the People's Republic of China have not been receiving ADF funding, although they have by far the largest poor populations in Asia (i.e., people with incomes below \$1 per capita per day in purchasing power parity). Further, due to economic growth, ADB's graduation policy has rendered (or is rendering) some other populous ADF countries ineligible for ADF, although their poor populations remain sizeable. The Philippines became ineligible for ADF in 1999, and Indonesia most likely will reach this stage by 2008. Only 113 million of the estimated 620 million poor people in the Asia and Pacific region are in ADF countries. When Indonesia graduates, this number will fall below 100 million. However, about 500 million people in current ADF countries still are living on less than \$2 per capita per day in purchasing power parity.

5. The resources available through the ADF have not expanded significantly since the early 1990s when expressed in 2005 prices (Appendix, Figure A.1). Meanwhile, population of the Asia Pacific region has become much larger, and repayments of earlier loans increasingly are reducing the net ADF resource transfers. ADF allocations per capita vary significantly by country (Appendix, Figure A.2), and their importance also varies (Appendix, Table A.1). Annual ADF approvals were equivalent to about 1.4% of gross domestic product (GDP) on average in Group A countries (with Bhutan the highest at 2.3% of 2005 GDP), 0.4% in Group B1 countries, and 0.1% in Group B2 countries.⁶ In purely financial terms, this suggests that the ADF might not be expected to make much difference even in Group A countries. Nevertheless, although annual ADF approvals constitute only 0.2%–2.4% of government expenditure in eight countries (not including Pacific island economies), they are equivalent to 5%–8% of such expenditure in six smaller countries. Average annual ADF approvals in 2001–2008 accounted for more than 10% of development assistance in 12 countries in 2005, among them Bangladesh (20%) and Pakistan (18%).⁷ The study assumes that a high ratio of ADF to government expenditure or overall development assistance will enable the ADF to exert significant policy leverage in at

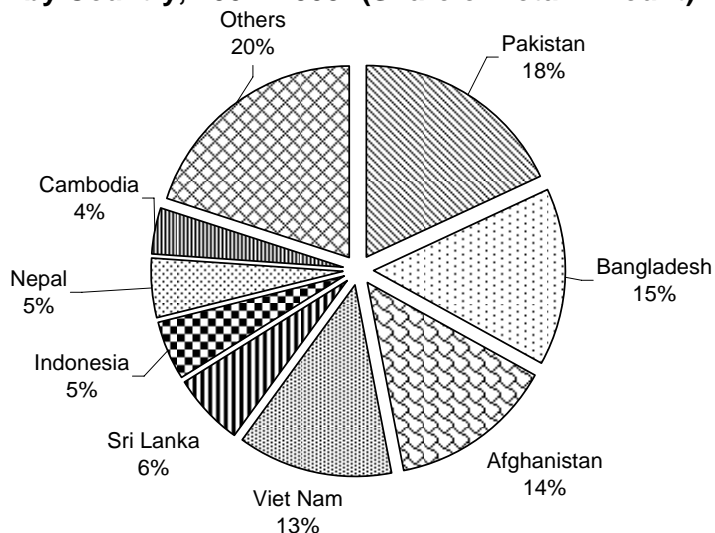
⁵ Four countries will most likely not receive resources under ADF VIII and IX: Georgia, Nauru, Palau, and Vanuatu.

⁶ Group A includes developing member countries with access to ADF only; Group B1 includes countries with access to ADF and limited access to OCR; Group B2 includes countries with access to OCR and limited access to ADF.

⁷ Pakistan received large ADF resources to address the reconstruction after the 2005 earthquake; official development aid figures for 2005 most likely did not include most funds for the earthquake emergency.

least 13 Asian countries and in some more Pacific island economies.⁸ The ADF is a major source of financing for Afghanistan, which might absorb a sixth of total ADF VIII and ADF IX resources if the current pipeline of operations materializes. Thus, while the ADF's financial flows are generally small—about half the size of those of the International Development Association (IDA) for Asia—and reflows into ADF are rising due to repayment schedules, ADF still has the potential to leverage significant policy influence in some countries. Thus, ADB has the potential to be more effective in achieving broader development results than would be expected from the level of ADF financing alone.

Figure 1: ADF VIII and IX Loans and Grants by Country, 2001–2008* (Share of Total Amount)



*Includes pipeline 2007–2008 as of 10 August 2007.

Source: ADB's Loan, TA, Grant and Equity Approvals database and Project Processing Information System.

6. Distribution of ADF Resources Across Sectors and Thematic Priorities. Compared with 1992–2000, more ADF resources were allocated during 2001–2008 for multisector operations, and operations in water supply; education; and law, economic management and public policy (Appendix, Table A.2). A smaller proportion was allocated to transport, energy, finance, health, and agriculture sector operations. However, the lending volume of OCR for transport operations has grown in the same countries. Thus, there was a shift, not an absolute decrease, in the importance of the transport sector overall. Apparently, transport operations are perceived to be sufficiently important to economic growth and sufficiently low risk to merit borrowing against OCR conditions. The reduced proportion of funds flowing to agriculture and health operations is not in line with the spirit of the poverty reduction strategy, which aimed to increase attention to rural development and human development. The reasons for this aggregate outcome might include: (i) more country-led planning processes instituted during this period, (ii) relatively low project success rates in the past due to the then-inappropriate structure of financing modes for operations comprising multiple subprojects,⁹ and (iii) ADB possibly slowly gravitating back to infrastructure sectors since 2004. The changing thematic priorities of the ADF have translated into more support for operations addressing governance, environment,

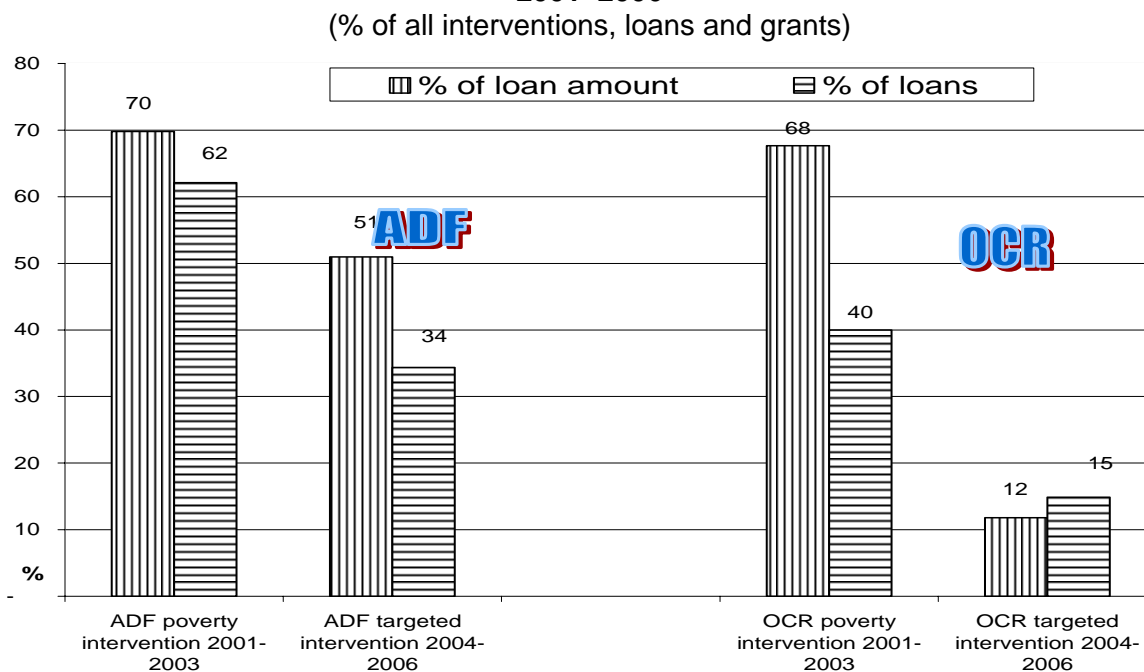
⁸ Afghanistan, Bangladesh, Bhutan, Cambodia, Lao PDR, Maldives, Mongolia, Nepal, Pakistan, Tajikistan, Uzbekistan, and Viet Nam.

⁹ See recent OED's Annual Evaluation Reviews. Available: <http://www.adb.org/Evaluation/arealist.asp>

gender development, and regional cooperation (although much less so for topics other than governance lending) (Appendix, Figure A3). The ADF's attention to HIV and AIDS led to a large increase in operations in these fields. While ADF themes were addressed in line with the poverty reduction strategy and ADF donor suggestions, the number of thematic priorities has grown. The proliferation of themes might create its own disadvantages in terms of coherence and corporate focus. The ADF has responded to the suggestions of donors to increase program approaches. ADF-financed project lending declined from 89% in ADF VI–VII to 76% in ADF VIII–IX, while ADF-financed program lending increased from 11% to 24%.

7. The poverty reduction strategy's main tenet—to increase lending directly targeting poverty reduction to 40% of all lending and to integrate components targeting the poor in other types of operations—was more than achieved during 2001–2004, according to data from ADB's classification system. For ADF VIII operations, 70% of the funds approved could be classified as poverty interventions (Figure 2). However, a review of the strategy in 2004¹⁰ pointed out the inefficiencies in pursuing such a target, as well as ADF staff incentives to pursue household-targeted operations at the expense of operations with indirect but larger impact. As a result, ADB abandoned the target of 40% of operations directly addressing poverty, and issued the enhanced poverty reduction strategy in December 2004.

Figure 2: ADF and OCR Trends in Poverty Interventions and Targeted Interventions, 2001–2006



ADF = Asian Development Fund, OCR = Ordinary Capital Resources
Source: ADB databases

8. The abandonment of the poverty intervention approach probably led to a less generous interpretation of projects being pro-poor than before, as well as a real decrease in the number of operations having special pro-poor components in ADF IX, particularly in infrastructure projects. The percentage of ADF resources classified as targeted interventions in 2005–2007 (essentially

¹⁰ ADB. 2004. *Review of the Poverty Reduction Strategy*. Manila.

poverty interventions, but following a wider set of criteria) was still 51%—higher than the poverty reduction strategy’s target. However, OCR’s focus on poverty-targeted lending disappeared.

9. While operations approved after 2004 had fewer special poverty components, there was increased blending of ADF resources with OCR and use of donor trust funds administered by ADB to help ADB-supported operations in ADF countries. The percentage of blended ADF loans rose from 5% under ADF VIII to 13% under ADF IX, while the amount of trust funds attached to ADF loans increased from 6% to 9%. The trust funds often were used to complement ADF operations in terms of TA and projects targeting the poor, governance reforms, or capacity development. The study assumes that this kind of blending of related but different operations will be successful to the extent that each is managed by a different project officer and executing agency. If not, then blending and use of trust funds to complement ADF operations can be seen as a continuation of the practice of holistic, comprehensive poverty reduction planning by other means, and the same warnings will apply.

III. DEVELOPMENT EFFECTIVENESS

10. **Much Work Remains on Millennium Development Goals (MDGs).** The ADF IX donor report justified the increase in resources relative to ADF VIII by highlighting the need to accelerate progress toward achieving the MDGs. Are most ADF countries on track to achieve the MDGs by 2015? After reviewing the data, this study corroborates the findings of another ADB paper prepared for the ADF X donor meetings (footnote 3) that half of the ADF countries will not achieve many poverty and non-poverty MDGs by 2001. This suggests that the special effort started under ADF IX needs to be continued to increase the probability that the MDGs are achieved in ADF countries.¹¹

11. **Project Success Rates Improving Over the Long Term.** ADB does not systematically track and classify typical outputs at the sector level, such as kilometers of road constructed and megawatts of electricity generated.¹² The same applies to outcomes such as traffic densities, traffic time and costs saved, and megawatts used for household and business purposes. In the absence of this type of aggregated data, it is difficult to develop an overview of the expected outputs and outcomes of the 378 loans and 59 grants (including the pipeline) funded under ADF VIII and ADF IX.¹³ Given this situation, the study uses proxies. The first proxy used was the success rates of individual operations given by operational departments in PCRs and by OED in PPERs. OED’s method for assessing the effectiveness of ADB operations has changed over the years. Because fewer PPERs are being undertaken, success rates now are based on ratings in PPERs supplemented by ratings in PCRs for projects that did not (yet) get a PPER assigned. As the proportion of PCRs relative to PPERs is increasing, the robustness of the trend line of success rates observed might be lost, especially in the most recent period (Appendix,

¹¹ MDG 8 calls for more generous official development assistance for countries committed to poverty reduction.

¹² ADB. 2005. *2005 Annual Evaluation Review*. Manila. June. The Report recommended that ADB monitor the production of outputs by standard output classes. (IDA 14 already does this for a selection of outputs.) The DEC strongly endorsed the recommendation. In 2004, upon reviewing the annual report on loan and TA portfolio performance as of December 2003, DEC recommended that “Management give very high priority to the report’s principal recommendation to pilot-test annual reporting on the production of outputs against projections in selected sectors as a better alternative (to relatively unreliable ratings in project performance reports) to measure portfolio performance” and as a first step in measuring and reporting on ADB’s development results. DEC’s Annual Report 2005–2006, issued in May 2007, stated: “To date, no action has been taken on this 2004 recommendation, a condition that DEC considers highly unsatisfactory.”

¹³ ADF. 2007. *Demand for ADF X Assistance and Its Proposed Financing*. Manila. ADB has provided a limited overview based on ADF VI and ADF VII outputs reported in project completion reports in 2001–2006.

Figure A.4). OED, which has documented the reasons for this,¹⁴ is addressing the loss of robustness through a new system for independent validations of PCRs. Although the success rates of completed operations are most likely higher than they would be if they also covered all ongoing operations, OED concludes that the trend must be upward.¹⁵ The upward curve is steeper for ADF operations than for OCR operations. ADF success rates were 47% for operations approved in the 1970s, 51% for the 1980s, and 67% for the 1990s. The proportion of operations rated unsuccessful has remained stable at 8%, meaning operations rated partly successful have progressively declined. For projects approved after the mid-1990s, success rates have been about the same for ADF and OCR operations. Project design has improved over the decades. ADB has taken many steps internally to improve project quality at entry and during implementation. Project preparation and implementation capacity in the executing agencies in ADF countries has also improved. Many executing agencies are implementing their second or third ADF-supported project. Given the generally more challenging policy and institutional contexts, the rise in the success rates for ADF operations is a significant accomplishment.

12. Mixed Signals in CAPEs. Some provisos are needed regarding the upward trend in the success rates of ADF projects and programs. OED's 11 country assistance program evaluations (CAPE) completed in 2002–2007 for ADF-only countries and countries with access to ADF and OCR have produced a more mixed picture of the success of ADB operations (Appendix, Table A.3). For some of the larger ADF clients, the country program was rated partly successful. This was the case for Bangladesh, Indonesia, Pakistan, and Sri Lanka, which together received 44% of ADF VIII and ADF IX resources. While OED has not evaluated the country strategy and program in Viet Nam since 2000, and the program in Afghanistan is still too new to evaluate, larger clients do not seem to have had better ratings overall—despite the often better country performance assessments (CPA) prepared for the annual PBA exercise. Many country strategies are assessed as relevant, and operations are assessed as effective. Of the 11 ADF countries evaluated, six had at least 70% of ADF operations rated successful and eight had at least 60% rated successful. However, the country evaluations often highlighted the inefficiencies in country operations. Many past country programs also were rated less likely sustainable. ADB's large reform agenda implemented in 2004–2006 was intended to improve ADB's efficiency and effectiveness, and to consolidate country-led planning. It is too early for OED to register the effects of these changes on country program implementation. Common lessons that emerged from the CAPEs include the following: (i) country offices provide better service to clients than headquarters, (ii) ADB should delegate more authority and accountability to country offices and increase their staffing, (iii) ADB should make business processes more efficient, (iv) the achievement of development results often requires ADB to engage in a sector for a decade or more, which underscores the importance of focus and selectivity, and (v) the necessary human and financial resources must support ADB's program.

13. Projects and Programs Successful and Country Programs Partly Successful. The main reason for the discrepancy between more positive ratings of individual operations and more mixed ratings of the country strategy and programs is that the impact of ADB's intervention in a country's development covers more than the aggregate outcomes of its individual projects and programs. CAPEs need an answer not only to the question of whether ADB is doing things right, but also whether ADB is doing the right things. The CAPEs found that ADB did not always position itself well enough in countries such as Nepal, Papua New Guinea,

¹⁴ ADB. 2006. *2006 Annual Evaluation Review*. Manila.

¹⁵ In-depth reviews of half of all PCRs issued since 2004 has validated the increasing convergence in ratings of PCRs and PPERs.

and Sri Lanka. CAPEs in Pakistan and Uzbekistan found that ADB had not always exploited opportunities for policy dialogue in all sectors. CAPEs often questioned the sustainability of interventions, although many individual operations could be judged as effective. A lack of focus sometimes undermined the strategic impact of TA projects. The objectives of some country strategies were too ambitious. In CAPEs, a partly successful rating means that not all objectives of the country program were relevant, achieved efficiently, or sustainable. Many ADF countries present challenges and risks that are more intractable than those of an individual operation. Country strategies and programs covering conflict-affected countries (e.g., Afghanistan, Nepal, Sri Lanka, and Timor-Leste), as well as other types of weakly performing countries, need to be realistic and must identify potential risks and mitigation factors. This would facilitate the success all ADB operations in the country.

14. Project and Program Success Rates Are Sector Dependent. The success rates of ADB's transport and energy operations were generally high, even in weakly performing countries (Appendix, Table A.4). Success rates varied more, but were still reasonably high, for education, multisector, and (urban) water supply and sanitation operations. However, outcomes were less frequently successful (below 60% of operations initiated in the 1990s) for operations in finance, health, industry and trade, and agriculture and natural resources. Overall, they showed that the success of operations in all sectors other than perhaps transport and energy are highly vulnerable to country context factors. Three more points should be made. First, the sector is not always suitable as a unit of analysis. While projects in the agriculture sector approved in the 1990s had a 45% success rate, some subsectors achieved a much better rate, such as water resource management (100%) and irrigation (67%). Second, even when the overall success rates are low in a sector, the performance may be good in some countries and in individual operations when the design has been appropriate and the context conducive to good results. For instance, while ADF's finance sector operations had a success rate of 59% in the 1990s, the two projects completed in Viet Nam were successful, and three of four finance sector operations in Sri Lanka were successful. Third, projects and programs assessed as partly successful overall might have some major impacts, even when not all of the intended outcomes were achieved (the success rate is based on the stated objectives). For example, Pakistan's hugely ambitious Access to Justice Program¹⁶ achieved much with the judiciary but little with the police. Fourth, much depends on staff supervision. When significantly more resources are assigned for supervision of more complex operations, which are appropriate for certain sectors, their performance might improve.

15. Project Success Rates Vary by Country. Project performance depends on more than the sector, project design, executing agencies, and supervision. Country factors, such as good capacity in the government service and political stability, also play a role. An earlier OED analysis (footnote 14) assessed political and economic stability as the most significant governance variables related to project success. Although ADB might have chosen complicated multisector and multi-province designs for many operations in Pakistan, the country context was probably a factor in the limited success of ADB's portfolio in that country over the past 15 years.

16. Trend of ADF's Project and Program Success Likely to Decline Temporarily? The study assessed whether the upward trend in project success is likely to continue for ADF operations approved since 2001. This was done by drawing a sample of 25 ongoing operations in Bangladesh, Lao PDR, Nepal, Pakistan, and Viet Nam; all approved under

¹⁶ ADB. 2001. *Report and Recommendation of the President to the Board of Directors on Proposed Loans and Technical Assistance Grant to the Islamic Republic of Pakistan for the Access to Justice Program*. Manila.

ADF VIII, mostly in 2001–2002 (Appendix, Table A.5).¹⁷ The progress of these operations was examined, and interviews were conducted with senior staff of all executing agencies involved, as well as the project officers in ADB country offices and headquarters. Summaries were prepared and the potential for success of the operations was rated. The ratings reflected the status at the time of case study and the likely success of operations that were not yet completed (Appendix, Table A.6). As the sample was small, a 95% confidence level of the findings provided a wide band around the average—the actual success rate of the portfolio could be up to 17% higher or lower than that measured by the sample. Nevertheless, based on the evidence gathered, the study concluded that the rates for completed operations approved mostly in 2001 and 2002 might be lower than those for operations approved in the 1990s. In the sample, 56% of operations were assessed as likely successful. This reflected, in part, the design complexities introduced as ADB tried to respond to the 1999 decision to make poverty reduction its overarching objective. Staff tried to process projects that focused directly on poor beneficiaries, and to add poverty reduction components to projects. This resulted in complex designs for an increasing number of projects. Even if the confidence interval allows the conclusion that perhaps 73% of all operations will be successful, this rate is only marginally higher than ADF success rate of 67% for the completed operations approved in the 1990s. Moreover, it is below ADB's new corporate target of an 80% success rate for projects and programs in 2008–2010.¹⁸ In 72% of the case studies, project design problems were noted, some of which subsequently were corrected through changes in scope. A conspicuous feature of many of the operations studied were implementation delays, the result of insufficient follow-up by ADB staff in the early years and frequent transfer of project administration responsibilities—either between successive project officers for the same project, or between headquarters and country office. ADB's reorganizations in 2002 and 2006, as well as the heavy reform agenda particularly in 2004–2006, might have been responsible for the frequent transfers of responsibilities for projects. Furthermore, many staff changes resulted from the accommodation of new ADB interests in areas other than direct loan preparation and administration, such as knowledge management, inspection and accountability, regional economic integration, managing for development results, and risk management. Delays also might have been related to stricter enforcement of social, environmental, and anticorruption safeguards, and increased disclosure requirements. The internalization of these changes took time. The number of poverty-targeted interventions declined significantly after 2004, and a review of recent project documents points to fewer special components and somewhat simpler design. This, together with the internalization process, might remove some constraints to the achievement of higher success rates for operations approved under ADF IX, more in line with the long-term trend of increasing success documented by OED. Nevertheless, OED has noted in several recent policy evaluations that new responsibilities taken on since the mid 1990s have required more staff and resources dedicated to ensuring adequate compliance. Some OED studies have identified a gap between aspirations and the resources required to meet them.

IV. TARGETING POVERTY AND GOVERNANCE

17. Poverty Reduction Operations Approved Under ADF VI and ADF VII Were Generally Successful. ADB adhered to a different classification system of its operations in the 1990s. Although not completely comparable with the poverty and targeted interventions undertaken in the 2000s, operations classified in the 1990s with a poverty reduction theme

¹⁷ At the start of this evaluation, in April 2007, 22 operations financed under ADF VIII and ADF IX had been completed; 10 project completion reports were available as of August 2007.

¹⁸ ADB. 2006. *2005 Annual Poverty Reduction Report: Progress in Implementing the Poverty Reduction Strategy*. Manila.

provide clues about the likely effectiveness of projects focused directly on the poor. Such projects accounted for about 34% of all projects and programs approved in 1992–2000. The completed projects have been surprisingly successful, considering their complexity. The 77% success rate was as high as that of projects supporting economic growth, was slightly higher than environment and human development (i.e., social sector) operations, and was much higher than gender development operations. These outcomes demonstrate that poverty reduction operations can be successful when properly designed, i.e., when they are not under pressure from ADB-wide targets, and not overly inclusive and hence complex to implement. The difficulty experienced early in the implementation phase of the poverty interventions under ADF VIII (70% of all interventions) might reflect the incentives for staff to include additional pro-poor objectives and components in the project design. Staff responded to signals in ADB's poverty reduction strategy, the ADF replenishment exercises, and comments made by executive directors, Management, and senior staff.

18. Mixed Effectiveness of Special Components Targeting the Poor in ADF VIII.

Specific components targeting the poor were identified in 17 (68%) of the 25 ongoing ADF VIII operations covered in the case studies: (i) six special components (35%) were assessed as likely to be successful, (ii) six were assessed as likely to be partly successful, and (iii) five were considered too new to assess their likely success. Some of the poverty components were relatively less difficult to organize, such as rural roads in highway projects, fellowships for poor students, and pro-poor or community-based ecotourism. Others proved more difficult, such as community infrastructure in the hinterlands of highways, special outreach extension activities for poor farmers in a water management project, village development revolving funds in agriculture projects, and microcredit for productive investments in urban infrastructure projects. Some had to rely on consultants for design and implementation, as the components were outside the executing agency's mandate and capacity. Examples included requiring local government departments to organize health and education campaigns in slums, and asking road departments to construct water supply systems in villages along highways or to set up a revolving fund and training for income-generating activities of villagers. Such special components have higher risks of failure, as they are not the central focus of the project and are outside the core competency of the executing agency. Thus, the executing agency felt little ownership of such components. Such ownership is generally a prerequisite for success. Many of the special components constituted projects within projects, and could only be successful when treated as such. However, the concerned ADB division did not always have a suitably qualified staff available to prepare or supervise these labor-intensive components well. They often needed to involve nongovernment organizations (NGOs) and CBOs, but this was not always recognized or planned. In several cases, implementation modes for the special components needed to be developed after the loan became effective.

19. ADB has recognized the inappropriate incentives given to staff in the 1999 policy, and has adopted a different model of implementing poverty-targeted components in country programs. Projects and programs are now far less likely to include special poverty components if such issues are addressed by government programs or other donor-funded projects. ADB more frequently complements projects with smaller ADB-administered and externally funded projects targeting the poor. ADB may fund such small projects through the Japan Fund for Poverty Reduction or other ADB trust funds. The separate funding streams and different fund classification of such projects allows them to be managed by different executing agencies and administered by more specialized staff in ADB. Overall, this is a welcome development that should reduce the risk of poor outcomes. However, ADB continues to face the challenge of making sufficient staff available to adequately supervise design and implementation of more

labor-intensive poverty reduction components or operations. Another challenge for ADB is to work out new approaches to partnerships.

20. **Success Rate of Program Loans Approved Under ADF VI and ADF VII Improves.** A positive finding of the evaluation was that the success rates of ADF program loans have improved significantly over the years. Only 27% of all program loans approved before 1996 were rated successful. The success rate for ADF-financed program loans approved in 1996–2000 was 70%, and for those approved since then was 67%. Since only a few of the program loans approved after 2000 have been rated in PCRs or PPERs, some caution should be used in identifying a trend after 2000. Nevertheless, this is a positive finding, particularly since the number of program loans and government interventions approved under ADF VIII and ADF IX increased. The demand for program loans is likely to continue, because the ADF is needed to help strengthen the policy and institutional frameworks in ADF-eligible countries. A recent OED study¹⁹ has suggested that program lending can improve further with more clarification of its purpose and use. Balance of payments support requires a focus on imports, budget support a focus on public finances, and development policy support a focus on the processes and, occasionally, adjustment costs.

21. **Mixed Effectiveness of Special Governance Components in 25 ADF VIII-Supported Operations.** Of the 25 ongoing operations reviewed during the fieldwork, 20 (80%) had special governance covenants or components, or were program loans designed to introduce governance-related reforms. The governance components included support for the preparation of a comprehensive sector strategy or policy, civil service reforms, corporatization, privatization of government enterprises, PBA of funds to municipalities, performance-based contracts for the operation and maintenance of government infrastructure, reduction of arrears in tariff collection, creation of an urban municipality, and cross-border agreements. Nine of the 20 were provisionally rated successful (45%), eight (40%) were assessed as likely to be partly successful, and three were considered too new to assess (15%) as the likelihood of success was unclear at this stage. As with poverty targeting, there are higher risks of failure for such ambitions. While much depends on the quality of project preparation, many projects carry insufficient weight to be able to set in motion changes with countrywide implications. This was particularly true for small components and loan covenants that, in some cases, seem to have been driven more by ADB's corporate objectives and had little real ownership by the executing agency. ADB's shift to increased program lending is likely to yield better development results in promoting fundamental governance reforms than adding small components to project loans. Program loans, particularly large ones, typically involve policy dialogue with very senior officials over an extended period—an essential element of building government ownership for challenging reforms. However, the study also documented cases of well-prepared and well-administered governance components that promoted useful changes. Overall, when well-designed governance components and covenants are clearly owned by the executing agency, their inclusion in investment projects can be justified, even if the risk of nonperformance is high.

V. OTHER COMMITMENTS OF ADF VIII AND ADF IX

22. **Capacity Development: Mixed Experience.** Capacity development was endorsed as an additional ADB thematic priority in the 2005 ADF IX donor report (footnote 1) on the recommendation of the 2004 enhanced poverty reduction strategy. Based on the evidence, OED generally has found that operations supporting capacity development have produced

¹⁹ ADB. 2007. Special Evaluation Study. *Policy-Based Lending: Emerging Practices in Supporting Reforms in Developing Member Countries*. Manila.

mixed results. In certain countries and sectors, the efforts have been more successful than in others.²⁰ One lesson was that continuity of focused interventions and a long-term perspective are crucial. This, however, was not always achieved. OED recently assessed the performance of TA, ADB's main mode to support capacity development, as similarly mixed.²¹ The 63% success rate was below the 70% target that ADB set recently for 2010 (footnote 18). ADB is revising the TA policy and administrative frameworks, but questions remain regarding whether ADB can improve its approach to the long-term, labor-intensive, and process-oriented operations that are needed to achieve the desired results. Some have suggested that ADB's delivery model for loan-based operations that do not have capacity development as their major objective might erode project management capacity or other capacity in the long run. An OED study on the role of project implementation units²² in DMCs found that such a risk exists, and some operations might have led to such an erosion. More frequently, however, operations and project implementation units have strengthened project management capacity and other types of capacity. One reason was that most units consisted fully of designated agency staff, or of a mix of internal and external staff. The OED study found that such a mix was conducive to capacity creation. Although about 20% of the managers of such units acknowledged that their work overlapped with that of the parent organizations, the creation of temporary and externally staffed special units was well justified. With the observance of special safeguards—such as assessments of the risk of erosion of agency capacity—and exit strategies, the possible ill effects could be mitigated further as a matter of standard practice.

23. More Involvement of Nongovernment and Civil Society Organizations. An OED study²³ found evidence of increased involvement of NGOs over their years. However, in areas such as governance, their involvement has remained limited. The involvement of NGOs in the implementation of gender and development policies and plans was found to be particularly effective. OED has studied the application of participatory approaches in operations various times over the past 10 years. Such approaches are increasingly being applied. While the earlier studies assessed the effects as positive, at least one more recent OED study²⁴ was critical of their more mechanical application. It highlighted the limits of the approach, which is not always compatible with government-driven operations and operations with a tight loan closure schedule.

24. Private Sector Operations Have Higher Success Rates. Private sector development was a priority for ADF donors. A recent OED study found a 71% success rate for private sector operations in ADF countries, higher than for public sector-financed operations (67% in the 1990s). However, the number of such operations grew only modestly in ADF countries (Appendix, Table A.7). Further, the study noted less-than-optimal collaboration between the Private Sector Operations Department and the regional departments. The latter were responsible for private sector development, i.e. operations dealing with the enabling environment for the private sector. The less-than-optimal collaboration resulted in fewer clear successes in private sector development.

25. Evidence of More Efforts to Address Corruption. The ADF IX donor report emphasized taking action to address the pernicious effects of corruption on development.

²⁰ ADB. 2007. *Annual Evaluation Review 2007*. Manila. (Theme chapter on capacity development.)

²¹ ADB. 2007. *Special Evaluation Study on Performance of Technical Assistance Operations*. Manila. The study did not focus exclusively on ADF countries.

²² ADB. 2005. *Special Evaluation Study on the Role of Project Implementation Units*. Manila.

²³ ADB. 2006. *Special Evaluation Study on Involvement of Civil Society Organizations in ADB Operations*. Manila.

²⁴ ADB. 2004. *Special Evaluation Study on Effectiveness of Participatory Approaches: Do the New Approaches Offer an Effective Solution to the Conventional Problems in Rural Development Projects?* Manila.

Especially since 2005, ADB has become more aware of the need to combat corruption. The Anticorruption Unit was upgraded to the Integrity Division in 2000. According to its annual reports, the division has investigated an increasing number of cases.²⁵ In 2005, ADB adopted a new and comprehensive *Public Communications Policy*, which gives stakeholders greater and quicker access to ADB documents. Anticorruption approaches now are discussed more openly in country strategies and programs. Anticorruption is one of the three focal areas in ADB's 2006 second governance and anticorruption action plan, and this plan intends to increase the anticorruption efforts at the sector level. Of the 474 TA projects categorized as addressing governance in 2001–2007, 18 were launched with an anticorruption subtheme; five more are in the pipeline. CAPEs reported progress in ADB's efforts to address corruption in ADF countries such as Cambodia, Indonesia, and Sri Lanka. Fourteen ADF countries²⁶ have joined the ADB OECD Anti-Corruption Initiative for Asia and the Pacific, and six more²⁷ have expressed interest in becoming a member.

26. Better Enforcement of Social Safeguards. During ADF VIII and ADF IX, ADB's safeguards have been enforced more strictly to try to ensure that affected people (including indigenous peoples) and the environment are not harmed by ADB projects. Recent OED studies have found that ADB's safeguard efforts during implementation were weak until the end of the 1990s.²⁸ Application of the *Involuntary Resettlement Policy* (1995) has been more consistent since 2000, and the outcomes have improved. However, the transition period was marked by inefficiencies and high transaction costs. The *Policy on Indigenous Peoples* (1998) has been applied somewhat mechanically, but the evaluation could not establish serious negative outcomes for indigenous peoples except in a few cases related to resettlement or the environment. As such, they could have been mitigated by the other two safeguards policies. The social safeguard policies have evolved to focus on preventing harm and impoverishment of affected people with a mandated special attention to the poor. Current concerns relate to balancing the aspirations of ADB's safeguard policies with available resources, as well as strengthening country systems to the point where they can be used by ADB. ADB is updating the safeguard policies. When the policies are appropriately fine-tuned, their proper application will be an important component of ADB's evolving approach to poverty reduction and inclusive growth.

27. Managing for Development Results (MfDR). In 2004, ADB made a formal commitment to introducing MfDR following strong expressions of support by ADF IX donors. The donor report stressed that ADB should nurture a strong results-oriented culture across the organization. OED is undertaking a preliminary evaluation of the implementation of ADB's MfDR agenda. A more comprehensive evaluation of MfDR outcomes is planned for 2009. The first report (currently in draft form) found that ADB's progress on MfDR was comparable to that of other multilateral development banks. ADB has developed some policies, procedures, and tools to support staff and the organization as it works towards the full implementation of MfDR. The quality of ADB's design and monitoring frameworks improved significantly in 2005, although quality retreated slightly in 2006. The results of the large staff survey and focus group discussions conducted during the MfDR study suggested that ADB staff are not fully engaged and committed to MfDR. The report attributed this to ADB's adoption of MfDR being in a

²⁵ Available: <http://www.adb.org/Integrity/annual-reports.asp>

²⁶ Bangladesh, Bhutan, Cambodia, Cook Islands, Indonesia, Kyrgyz Republic, Mongolia, Nepal, Pakistan, Papua New Guinea, Samoa, Sri Lanka, Vanuatu, and Viet Nam.

²⁷ Afghanistan, Lao PDR, Tajikistan, Tonga, Solomon Islands, and Timor-Leste.

²⁸ ADB. 2006. *Special Evaluation Study on Involuntary Resettlement Safeguards*. Manila; and ADB. 2007. *Special Evaluation Study. Indigenous Peoples Safeguards*. Manila.

transitional stage.²⁹ Nevertheless, the occasionally weak commitment from professional staff, particularly directors, was a concern. ADB must make more progress in implementing MfDR. This will require strong support and leadership by senior Management, as well as changes in ADB's human resource management practices to align the incentives that govern ADB staff behavior with MfDR.

VI. DONOR HARMONIZATION, COORDINATION, AND COFINANCING

28. The donor reports for ADF VIII and ADF IX highlighted need for increased donor coordination and harmonization. The issue received added weight in the Paris Declaration on Aid Effectiveness of 2005, to which ADB is committed. Cofinancing is one practical way of developing coordination and forging partnerships. The share of ADF loans that were supplemented by funds from other donors rose from 17% under ADF VIII to 29% under ADF IX (2005–2007). Cofinancing by other donors was equivalent to 16% of the ADF funding under ADF VIII and 22% under ADF IX. This increase occurred even though the funds available under ADF IX were larger than those under ADF VIII.

29. An OED study completed at the end of 2007³⁰ found that ADB has made progress in forging partnerships and harmonizing with other donors, as well as in meeting its commitments to the Paris Declaration. That study noted extensive practical coordination and partnerships between ADB and other donors—more than is officially recorded in ADB's management information systems. The study found an average of seven to eight such activities per country, not including the many cofinanced projects and TA. Most were related to harmonization policy (e.g., harmonization action plans), joint analytical work for country strategies, program reviews, common arrangements, and program-based approaches. Of these activities, 85% included the World Bank, 39% aid from the Government of Japan, 34% the Department for International Development of the United Kingdom, and 54% other bilateral agencies. By March 2007, ADB had signed 34 memorandums of understanding and letters of intent with aid agencies. The study concluded that ADB's involvement in national poverty reduction strategies and harmonization action plans has helped ADB to define its comparative advantage and clarify the rationale for its strategic partnerships. Numerous CAPEs have reported that ADB participates in local donor coordination mechanisms through its country offices. OED is contributing to the OECD-DAC joint evaluation of the Paris Declaration.

30. This evaluation reviewed some general discussion papers on the utility of donor harmonization and coordination. It found that, although most saw the need, some also saw limitations. The study cautiously supports the view that the pursuit of harmonization and coordination has merit, but expectations should be realistic. As Michael Clemens of the Center for Global Development argues,³¹ the lack of harmonization and coordination might not be the most serious binding constraint to aid effectiveness. The primary determinants of aid effectiveness may lie elsewhere. Beyond a certain point, the transaction costs of aid harmonization might be high and the gains modest. This view was confirmed through a questionnaire survey of ADB country office staff for the 2007 OED study (footnote 30). The staff reported inefficiencies and felt that some of the harmonization work was an added burden.

²⁹ The stages identified by the Treasury Board of Canada Secretariat (*The Managing for Results Self-Assessment Tool*) are: (i) awareness, (ii) exploration, (iii), transition, (iv) full implementation, and (v) continuous learning. Available: www.tbs-sct.gc.ca/rma/account/transmod/tm02_e.asap

³⁰ ADB. 2007. Special Evaluation Study. *The Asian Development Bank's Approaches to Partnering and Harmonization in the Context of the Paris Declaration on Aid Effectiveness*. Manila.

³¹ Clemens, Michael. 2005. *Comment on: Arne Bigsten, "Donor coordination and the uses of aid"*. Available: http://www.afd.fr/jahia/webdav/site/myjahiasite/users/administrateur/public/eudn2005/Bigsten_Clemens.pdf

31. The medium-term strategy 2006–2008 expressed for the first time ADB’s intention to focus on fewer priority sectors, thereby leaving non-priority sectors to other donors and reducing aid fragmentation. This was a notable shift from the earlier primacy of the country focus, which can lead to a scattered program at the corporate level. The choice of sectors is under discussion as part of the review of ADB’s long-term strategic framework (2001–2015). OED is contributing a study to this debate.

VII. PERFORMANCE-BASED ALLOCATION AND GRANT ALLOCATION SYSTEMS

32. **Introduction of a Performance-Based Allocation.** The allocation of scarce and highly concessional resources needs to follow a transparent system. ADB introduced a PBA system in 2001 at the request of ADF donors. ADB subsequently revised the system in 2004, making it more consistent with the one followed by the World Bank for its IDA funds. The system allocates the ADF resources that countries are eligible to receive according to their population, GDP, financial and economic performance, governance, and ADB portfolio performance. An allocation formula is intended to ensure that ADF resources are not wasted and opportunities are not lost, as well as to provide incentives to governments to improve each year. Since harmonization with the IDA increased in 2004, governance indicators have been weighted heavily in ADB’s formula, although not as high as in the IDA’s. One of the consequences has been that many weakly performing poorer ADF countries have seen their allocations reduced relative to other countries,³² while allocations to larger clients that are eligible for ADF and OCR have improved or stabilized. The two weakly performing countries visited for this study, Lao PDR and Nepal, questioned this decline. The Government of Nepal said the development could jeopardize ADB’s status and leverage as a main donor. Some donor representatives argued the same for Lao PDR, where ADB’s work was highly valued. ADB has taken note of the problem, and has proposed softening the effects of the PBA on weakly performing countries by adding a system of allocation caps for larger blend countries.³³ ADB also proposed reviewing the portfolio performance indicator, which has proved to be the most volatile indicator.³⁴

33. This study sees the policy leverage role of the ADF as important but is concerned that the positive adjustments that ADB is making regarding weakly performing countries make the actual working of the PBA less transparent to governments. Furthermore, OED has argued earlier (footnote 14) that the weight given to governance indicators in the PBA policy has a rationale that can be questioned. Although good governance must improve development effectiveness, little statistical evidence seems to be available that the effectiveness of aid or economic growth is related causally with many of the governance indicators used in the PBA. The debate over the use of governance indicators is growing, and some question the ability of agencies such as ADB and World Bank to define and measure these adequately. A recent report by the OECD’s Development Center³⁵ concluded that even the most carefully constructed governance indicators (i) lack transparency and comparability over time, (ii) suffer from selection bias, (iii) should not be used to compare governance across countries, and (iv) do not identify how to improve governance. This evaluation notes the differences in the rating and weighting of

³² Examples are Cambodia, Kyrgyz Republic, Lao PDR, Nepal, Sri Lanka, and Tajikistan.

³³ ADB. 2007. *Refining Performance-Based Allocation*. Manila (August).

³⁴ OED has reported its concerns about this indicator, which is solely based on the at-risk status of the projects in its 2004 and 2005 annual reports on portfolio performance, and proposes in its 2006 report a much broader index of implementation progress as a proxy for progress towards impacts and outcomes.

³⁵ Arndt, Christiane and Charles Oman. 2006. *Uses and Abuses of Governance Indicators*. Paris: Development Center of OECD.

indicators in the ADB and IDA formulas. The evaluation also notes that the CPA is labor intensive for ADB staff due to its maintenance, and duplicates in large part the IDA assessment in the same countries. During the country visits, some government officers expressed their desire for ADB to commit resources for an action plan to follow up weak areas as identified by the CPA. However, few resources for this were usually available at that stage. Interviews showed that some ADB operational staff were ambivalent about the CPAs. Further, some responsible country economists interviewed were not confident about the governance assessments. Assessing one country's governance and comparing it with another's was viewed as hazardous. Government officers interviewed for the five country studies regarded the ADF CPA—on top of the IDA's assessment at a different time of the year—as time consuming and of questionable value. Clearly, the PBA formula and process do not have an unequivocal empirical underpinning or widespread stakeholder support.

34. Introduction of a Grants Framework. To harmonize with the IDA, ADF IX introduced a framework for providing project and program grants financed from the ADF. This new mode was introduced because several ADF countries were distressed by high debt. Up to 21% of ADF IX (about \$1.47 billion) could be used to finance grants, including 3% (\$210 million) for the replenishment of ADB's TA Special Fund. An assessment of the results of the grant operations or the effect on its main rationale—debt distress reduction—would be premature. A review of literature shows that there are proponents and opponents of providing loans and grants to heavily indebted countries, and both views have merits. Proponents of grants point to the direct relief of debt burdens, as well as some other advantages. Multilateral development banks no longer have to collect debt repayments, and the transparency on the net flow of resources to countries is improved. Grants might encourage countries to manage their financial resources more effectively because, by cross-financing grants with commercial loans, countries can choose the level of finance subsidization they receive. In addition, grants can encourage greater integration of the country into international financial markets, while concessional loans can sometimes crowd out private market lending. Opponents of grants point out that concessional loans make possible a larger flow of resources for investments, facilitating the financing of bigger projects. A major increase in the use of grants to debt-distressed countries might have drawbacks, as some research shows that grants have been used as substitutes for tax revenues (at least in African countries). Loans, on the other hand, might induce a drive to increase such revenues. Loans to sectors with revenue-generation capacity might provide an extra incentive for cost recovery. Loans provide more opportunities for multilateral banks such as ADB to be a major development partner, as the policy dialogue can continue over a longer period. Further, loans allow a higher level of engagement with central agencies such as ministries of finance and state banks. Some have argued that converting from loans to grants in debt-distressed countries might provide incentives for poor debt management. However, such effects, if they are likely at all, are not yet evident in ADB operations. Only a few ADF-approved grants since 2005 have reached the implementation stage, and ADB only recently approved the policy of providing grants exclusively to eight highly debt-distressed countries.³⁶ The evaluation notes that some government officials questioned the 20% volume discount applicable to the PBA when their debt-distressed country receives its allocation fully as grants. Some countries were concerned about the effect of the status of being a “grant-only country”. If governments informally disagree with the debt sustainability analysis conducted by the International Monetary Fund and World Bank, they are unlikely to reduce external debt because of more grants from ADB. Grants then will be ineffective as an instrument of debt relief. Hence, this paper concludes that ADB should use caution in turning to grants as a major instrument.

³⁶ ADB. 2007. *Revising the Framework for Asian Development Fund Grants*. Manila (September).

VIII. CLIENT SATISFACTION SURVEYS OF EXECUTING AGENCIES

35. Questionnaire surveys of executing agency staff conducted in the context of OED studies in 2004³⁷ and 2005³⁸ assessed the role ADB and the government played in ADF-supported projects. This data was reanalyzed for this evaluation. A summary of some relevant responses is presented in Tables A8 and A9 of the Appendix. One relevant aspect is the perception of ADB's level of efficiency compared with the government or its executing agencies. The surveys pointed to relatively more problems with government involvement and procedures than with ADB involvement and procedures. Three problems related to ADB's role were mentioned by more than half of the executing agency staff that responded: (i) difficult and onerous ADB procedures, (ii) less-than-expected results from the expenditures for consultants recruited for the project, and (iii) delays in ADB responses.³⁹ Five problems related to government procedures were identified by more than half of the executing agency respondents: (i) delays in government decisions, (ii) lack of coordination within the government bureaucracy, (iii) insufficient government budget made available to project (or late release), (iv) lack of qualified staff to implement the project, and (v) government policies or decisions delaying project activities. An advantage of ADB involvement seen by many clients in the urban sector was the assurance of a steady source of funds for the project. This was regarded as important due to shortages and irregular supply of other funds. Other frequently mentioned advantages related to ADB's involvement were: (i) better design of the project, (ii) intellectual and technical leadership, (iii) transparent procurement processes, (iv) access to technical advice or operational support, (v) external quality control and monitoring by ADB, and (vi) ADB's ability to persuade government decision makers. Overall, executing agencies in ADF countries acknowledged many advantages of ADB involvement. A survey of people affected adversely by a sample of ADB projects, which was conducted to evaluate ADB's safeguard policies, found that they felt better off than they would have been if ADB was not involved in the project (footnote 28).

IX. CONCLUSIONS AND RECOMMENDATIONS

36. More elaborate assessments of the ADF's relevance, likely effectiveness, efficiency, and likely sustainability are to be included in the main report of the study. This paper regards the ADF as relevant to many of the ADF countries and their poor populations, but less so to the poor in Asia and the Pacific overall, as an increasing proportion (currently 82%) lives in countries that are not eligible for ADF support. The redesign of operations to focus more on pro-poor elements and governance ambitions in regular projects did not always work out well in the context of limited operational staff—more human resources than ADB has been able to muster are needed to realize these aspirations. The paper regards the ADF as broadly effective, as demonstrated by continuing client demand and good satisfaction levels. However, project success rates might have experienced a dip in effectiveness in the period of ADF VIII due to more complex project designs and other reasons. The shift from sector to country primacy in organization and business processes occupied much of the staff's time up to 2006, and might have taken away time for effective project administration. The demands on project designs and country planning seem to have declined after 2004 and 2006, and some reforms in 2004–2006 are likely to improve efficiency and thereby enhance the sustainability of the ADF as an

³⁷ ADB. 2005. Special Evaluation Study. *The Role of Project Implementation Units*. Manila.

³⁸ ADB. 2006. Special Evaluation Study. *ADB's Urban Sector Strategy and Operations*. Manila.

³⁹ These factors have also been identified by other OED surveys in the past years, notably in CAPEs, and by the 2006 ADB Perceptions Survey. Available: <http://www.adb.org/Documents/Reports/ADB-Perceptions-Survey/2006/default.asp>

instrument of development aid. ADF recipients will benefit from more ADB staff being made available for project administration, as well as from a more concise development agenda. The expanding agenda that ADB has pursued since 2000 does not seem to have been accompanied by a commensurate growth in staff to support operations.

37. This paper makes the following 10 recommendations:

- (i) **ADF X should avoid goal congestion.** Although the main driver of change in ADF VIII can be traced to the 1999 poverty reduction strategy, the impression is that ADF VIII and ADF IX donor reports have broadened ADB's policy aspirations without sufficient incremental resources to meet these aspirations. The unintended effect of the ADF negotiations may be an excessively broad agenda of donor priorities, when DMCs are not involved to the same extent. New activities have implications for ADB staffing and human resources, and these are difficult to provide when ADB shareholders have placed strict limits on the increase in ADB budget. The report for the ADF X replenishment should include a small number of feasible priorities and targets that are achievable within available resources, measurable, and have clear baseline values. Goal congestion in projects and ADB, including the ADF, needs to be avoided. The ADF should support focused operations, and ADB should coordinate with governments and donors to make sure that its efforts are complemented appropriately to ensure achievement of MDGs and wider objectives of development.
- (ii) **More countries should get access to the ADF.** The ADF addresses a subset of countries with only 18% of the poor in Asia and the Pacific. If the broad purpose of the ADF is to help achieve the MDGs across the region, then its graduation policy may need to be revisited. The access to the ADF of some populous countries now excluded (or soon to be excluded) would enhance the credibility of the ADF as a leading instrument for reducing poverty in Asia and the Pacific. However, the increased eligibility of countries should not lead to a reduction in the ADF on per capita basis. Critical mass in poor countries is needed.
- (iii) **The ADF's size should increase if it is to help address the MDGs.** A good size of ADF will be even more imperative if more countries are given access to the ADF. Despite its modest size relative to the massive task of development, the ADF can be an effective instrument in targeting the poorest countries and achieving the MDGs in these countries—if the congested agenda and project administration issues are addressed. The size of the ADF is important, not only for the acceleration of economic growth and poverty reduction, but also for the leverage needed to achieve policy change and governance objectives.
- (iv) **An ADF geared to poverty reduction needs a staff intensive approach and specialized skills.** Poverty reduction is a challenging goal. Increased demands from stakeholders on development effectiveness, due diligence and safeguards, governance, gender, and targeting of the poor require a staff-intensive approach to project preparation and administration. Evaluations indicate that ADB has not always been able to provide sufficient numbers of technically qualified staff for project processing and administration. Several of the case study projects studied were delayed for years due to insufficient follow-up, change of project officers,

late transfer of administration to country offices, insufficient project officers at these country offices, and insufficient authority of country offices. These issues will need to be addressed if ADF is to become significantly more effective. ADB should continue to expand its regular staff contingent in country offices, rather than relying increasingly on loan or TA consultants, as the latter often lack authority (and possibly credibility) vis-à-vis executing agencies. If this is impossible, more reliance on long-term ADB staff consultants to assist directly with project administration could be an improvement over the present situation, although it would be a suboptimal solution in the long run.

- (v) **ADF might need more sector focus.** ADB should continue reviewing sector focus. While past success need to be studied carefully, low historical success should not automatically lead to dropping sectors with greater challenges. Rather, ADB needs to assess more thoroughly binding constraints and to look for synergies with other development partners in these sectors. OED's CAPE for Pakistan recommended the following with respect to sector selectivity: "Decisions on which sectors or subsectors to include in a more focused (country) portfolio depend on factors such as (i) client demand and preferences, (ii) staff and TA resource availability, (iii) analytical work that identifies binding constraints, (iv) ADB's strategic priorities, (v) the programs of other development partners, and (vi) experience showing what has worked and what has not."⁴⁰
- (vi) **Poverty reduction is an appropriate goal for ADF operations, and requires more than direct targeting of the poor in each country.** Poverty reduction, when driven by an appropriate mix of operations addressing inclusive growth and social development, remains an appropriate goal for the ADF and for ADB—not only in the low-income countries, but in many middle-income countries that have large populations living in poverty. Many countries in the Asia and Pacific region, including the current ADF countries, are struggling to improve the lives of the people living on incomes below \$2 a day. More success also is needed in addressing non-income dimensions of poverty embodied in the MDGs, as well as in improving access to services, resources, financing, and knowledge. For economic growth operations, a safeguards approach that ensures that vulnerable groups adversely affected are adequately compensated is appropriate. A household or geographical approach sometimes might be appropriate, but earlier OED observations⁴¹ need to be taken into account. These include the following: (i) many of the poor live marginalized lives in less-poor regions, (ii) generating "solutions" predominantly in remote poor regions might not guarantee the most significant impact on national poverty reduction, and (iii) solutions to persistent rural poverty might require some located outside rural areas, such as urban projects and energy or transport projects. The underlying lesson is that binding constraints in a given context must be fully understood and solutions must be customized.
- (vii) **Macro-governance issues should be addressed mainly through program lending and program-based approaches.** By and large, ADB has achieved the ADF ambitions for more focus on governance in DMCs, and is improving the

⁴⁰ ADB. 2007. *Country Assistance Program Evaluation Pakistan*. Manila.

⁴¹ ADB. 2006. Special Evaluation Study. *Pathways out of Rural Poverty and the Effectiveness of Poverty Targeting*. Manila.

outcomes of program loans.⁴² ADB's second governance and anticorruption action plan offers appropriate guidance. Governance components in investment projects have had a higher risk of failure, but some notable successes have been achieved at low cost. A risk of failure of governance ambitions has to be accepted in programs and projects. ADB needs to focus its approach on macro-governance issues at the country and sector level, while continuing to address governance in projects and programs. More constant support for ongoing policy dialogue is essential, as is the ability to adjust quickly as the context changes and results emerge—a reality that requires sufficient staff with the right skills located close to the client.

- (viii) **Donor harmonization and coordination remain necessary.** ADB should continue to pursue the harmonization of donor processes and procedures, taking into account the marginal costs and benefits of such efforts in each case. Coordination of country programs among major donors is a priority. Attempts to advance the harmonization agenda through increased sector or country selectivity should be accompanied by country-led agreements regarding the division of labor among major donors. The views of countries that do not wish to deal with a single provider of development aid need to be taken into account. ADF donors can improve overall donor harmonization by increasing their contribution, as the ADF and IDA are set up in part to ensure this among otherwise more fragmented aid systems.
- (ix) **ADB should undertake a rigorous analysis to test the validity of the various governance indicators in the PBA.** This exercise is to analyze which elements of good governance are binding constraints for development, as well as causal factors for good economic performance, poverty reduction, achievement of other development results, good portfolio performance, or project success. OED recommended such an analysis earlier (footnote 14), and DEC later endorsed it.⁴³ The study could be done in partnership with World Bank.
- (x) **An evaluation regarding the advantages and disadvantages of grants versus loans should be conducted.** This evaluation should be carried out after ADB has gained more experience with large ADF grants for investment projects and the results are more evident.

⁴² ADB. 2007. Special Evaluation Study. *Policy-Based Lending: Emerging Practices in Supporting Reforms in Developing Member Countries*. Manila.

⁴³ ADB. 2007. *Annual Report of the Development Effectiveness Committee*. Manila (May).

Figure A.1: ADF Replenishments in Nominal and Real Terms

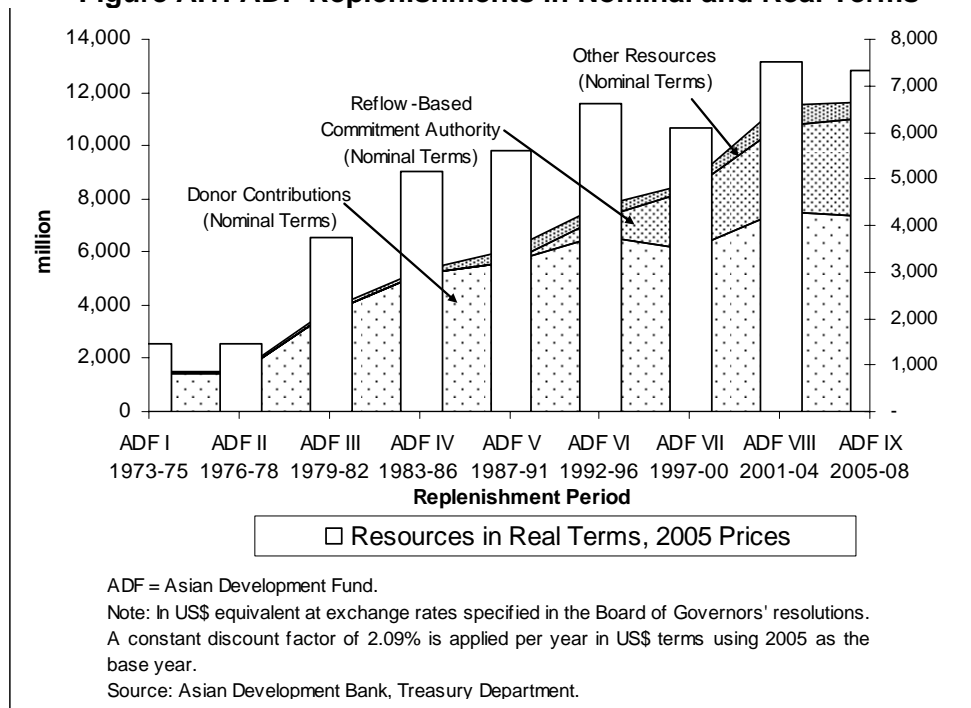
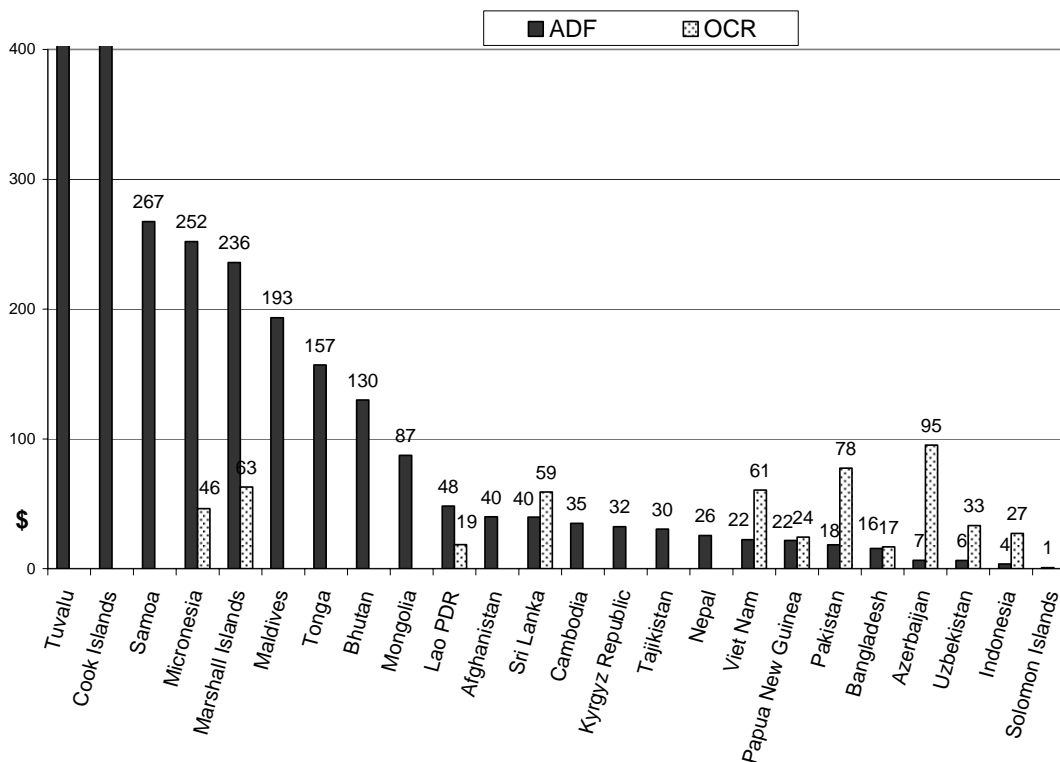
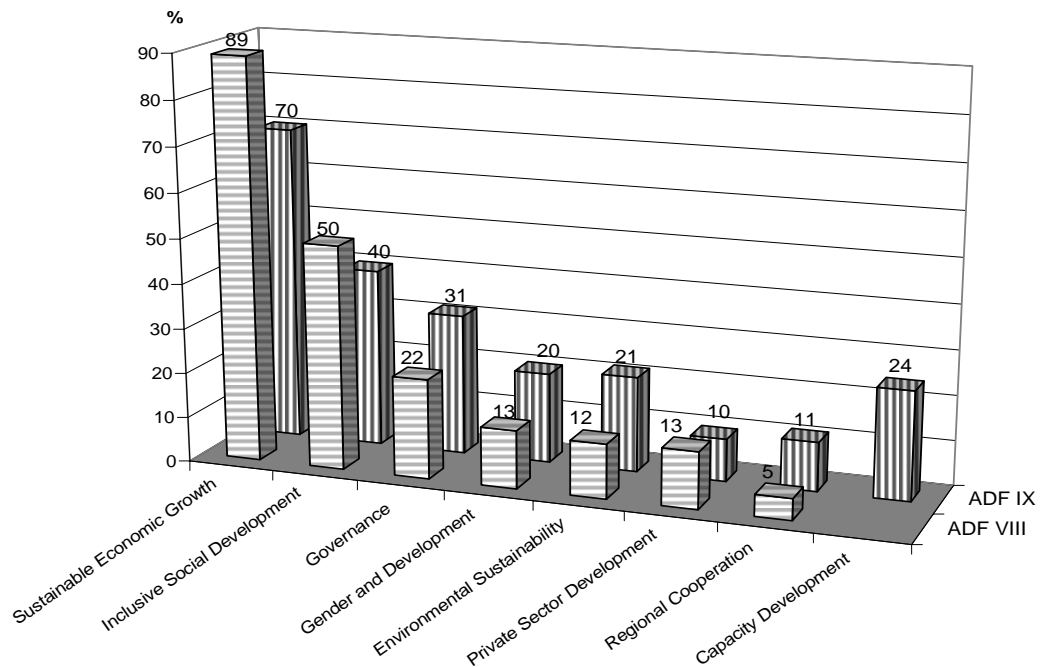


Figure A.2: Approved Amounts of Asian Development Fund and Ordinary Capital Resources on Per Capita Basis, 2001–2008 (\$)



ADF = Asian Development Fund, OCR = ordinary capital resources.
 Note: Values for Tuvalu: \$4,808; Cook Islands: \$4,455 per capita.
 Source: Asian Development Bank Development databases.

Figure A.3: ADF VIII and ADF IX Loans and Grants by Thematic Classification

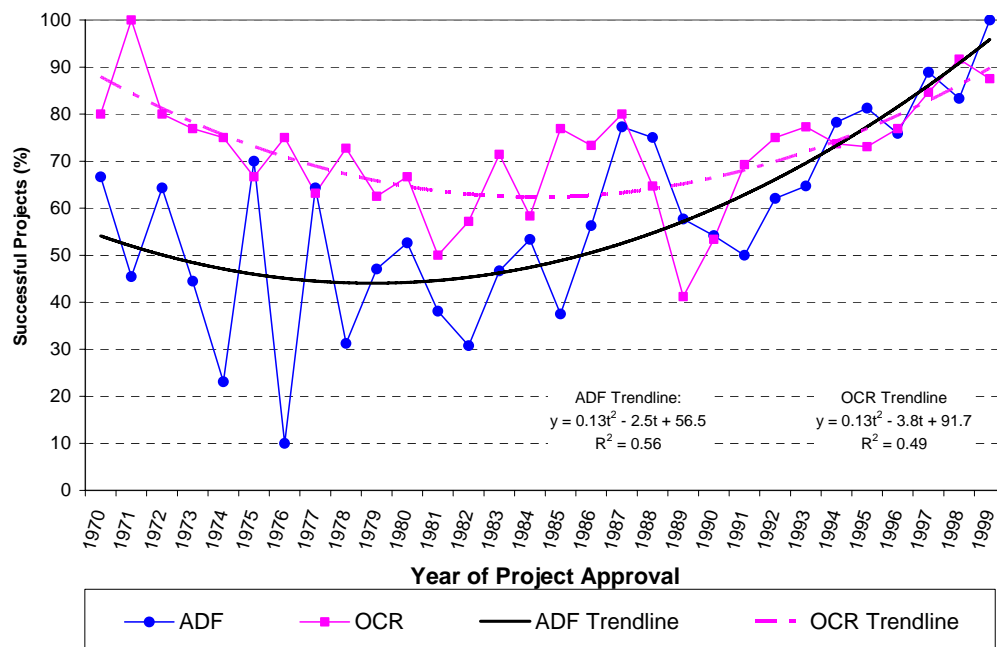


ADB = Asian Development Bank, ADF = Asian Development Fund.

Note: Includes ADF loans and grants in the pipeline until the end of 2008, as of 7 September 2007.

Source: Project Processing Information System as of 7 September 2007. Different databases within ADB may cause minor discrepancies in figures presented.

Figure A.4: Proportion of Successful Projects/Programs, by Source of Funding



ADF = Asian Development Fund, OCR = Ordinary Capital Resources.

Source: Operations Evaluation Department databases of success ratings as based on project completion reports and project performance evaluation reports.

Table A.1: Average ADF VIII and ADF IX Approvals per Capita per Year (Loans and Grants), Compared with GDP, Government Expenditure, and Official Development Assistance per Capita 2005

Country	Per Capita (\$)					ADF as % of			
	Annualized ADF VIII & IX Loans and Grants	GDP	Government Expenditure	External Debt	ODA	GDP	Government Expenditure	External Debt	ODA
Pacific Islands	37	3,800	1,112	2,536	324	1	3	1	11
Maldives	22	2,585	1,504	1,227	223	1	1	2	10
Bhutan	15	798	355	811	113	2	4	2	13
Mongolia	11	475	217	510	81	2	5	2	14
Afghanistan	10	290	29	—	118	3	35	—	9
Lao PDR	7	419	88	480	53	2	8	2	14
Kyrgyz Republic	6	322	98	398	53	2	6	2	11
Sri Lanka	6	998	290	581	60	1	2	1	9
Cambodia	5	410	58	255	39	1	8	2	12
Tajikistan	4	224	64	148	35	2	6	3	12
Nepal	4	251	48	130	17	1	8	3	22
Vietnam	3	538	179	232	23	1	2	1	12
Papua New Guinea	3	638	287	312	45	0	1	1	6
Timor-Leste	2	356	63	—	195	1	3	—	1
Bangladesh	2	448	57	138	10	0	3	1	20
Pakistan	2	602	127	219	11	0	2	1	18
Solomon Islands	1	670	221	353	411	0	1	0	0
Uzbekistan	1	681	112	161	7	0	1	1	17
Azerbaijan	1	1,180	277	224	27	0	0	0	3
Indonesia	0	945	236	629	11	0	0	0	4

ADF = Asian Development Fund, GDP = gross domestic product, ODA = official development assistance, PDR = People's Democratic Republic.

Notes: ADF VIII and IX loans and grants approvals include pipeline as of 10 August 2007, annualized for 2001 to 2008; per capita GDP computed based on 2005 GDP at constant 2000 \$ and 2005 population.

Pacific Islands include: Cook Islands, Federated States of Micronesia, Kiribati, Republic of Marshall Islands, Samoa, Tuvalu, Tonga, and Vanuatu.

Source: Asian Development Bank Key Indicators 2007, World Bank World Development Indicators Online 2007, and the Organisation for Economic Co-operation and Development.

Table A.2: ADF and OCR Distribution by Sector in ADF Countries, 1992–2008
(%)

Sector	(Share in terms of amount)					
	ADF		OCR		ADF & OCR	
	1992-2000	2001-2008	1992-2000	2001-2008	1992-2000	2001-2008
Multisector	16.0	19.4	9.3	7.3	12.3	11.2
Transport and Communications	21.6	18.9	14.8	33.1	17.8	28.5
Agriculture and Natural Resources	18.9	15.7	10.1	3.3	14.0	7.3
Education	9.5	10.8	8.7	0.6	9.0	3.9
Water Supply, Sanitation, and Waste Management	7.4	10.3	2.5	11.4	4.7	11.1
Energy	11.7	9.1	24.3	21.6	18.7	17.6
Law, Economic Management, and Public Policy	2.6	6.0	2.9	13.8	2.8	11.2
Finance	6.7	3.9	16.8	7.4	12.3	6.3
Health, Nutrition, and Social Protection	4.7	3.5	5.5	0.4	5.1	1.4
Industry and Trade	0.9	2.4	5.2	1.2	3.3	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

ADF = Asian Development Fund, OCR = ordinary capital resources.

Source: Basic data from Asian Development Bank loans, grants, and equity approvals database. For pipeline data, the project processing information system was used, as of 10 August 2007. The table includes pipeline of operations up to end 2008 (end ADF IX). Figures are rounded.

Table A.3: Success Ratings of Country Programs and ADB Performance in CAPEs, and Proportion of Operations Approved in the 1990s Rated Successful

Criteria	BAN (2003)	BHU (2005)	CAM (2004)	INO (2005)	LAO (2006)	MON (2002)	NEP (2004)	PAK (2007)	PNG (2003)	SRI (2007)	UZB (2006)
Positioning	—	—	—	—	—	S	[PS]	S	S-PS	S-PS	—
Relevance	S	S	S	S	S	S	S	HS	S	S-PS	—
Effectiveness	PS	PS-S	S	PS	S	—	[S]	PS	[PS]	PS-S	—
Efficiency	[PS]	PS	S	PS	PS-S	[PS]	[PS]	[PS]	[PS]	PS-S	—
Likely Sustainability	PS-US	PS	PS	PS	S-PS	PS-US	[PS]	[PS]	[PS]	[S]	—
Institutional Impacts	[PS]	PS-S	S	PS	—	—	[PS]	—	—	[S]	—
ADB Performance	PS	S	S	PS	S	S-PS	[PS]	PS	[PS]	S	[S]
End Rating	—	—	S	PS	S	—	—	PS	—	PS	—
ADF operations approved in 1990s rated successful	39 (74%)	5 (100%)	10 (90%)	14 (64%)	21 (71%)	15 (73%)	22 (55%)	24 (54%)	9 (11%)	26 (62%)	1 (100%)

ADB = Asian Development Bank, ADF = Asian Development Fund, CAPE = Country Assistance Program Evaluation, — = no information available in CAPE on which to base rating.

Notes: CAPEs provide ratings as follows: HS = Highly Successful; S = Successful; PS = Partly Successful; US = Unsuccessful. Ratings in brackets were not provided by CAPEs but were generated by this study based on information in the CAPEs, and were added only when the CAPE gave no specific rating.

Sources: Asian Development Bank CAPEs; Operations Evaluation Department database of project completion reports and project/program performance evaluation reports; this study.

**Table A.4: ADB Project/Program Performance
by Sector, Decade of Approval, and Source of Financing**
(% of operations rated successful)

Sector (sorted by highest ADF success rate in 1990s)	ADF				OCR			
	1970s	1980s	1990s	Total	1970s	1980s	1990s	Total
Transport and Communications	79	74	91	83	86	76	88	85
Energy	68	83	87	79	89	77	84	83
Education	78	31	78	67	75	88	93	88
Multisector	50	62	70	66	55	82	62	65
Water Supply Sanitation and Waste Management	14	43	67	50	74	36	80	67
Finance	0	25	57	45	67	57	68	66
Health, Nutrition, and Social Protection		29	58	47	100	50	67	64
Industry and Trade	60	44	50	52	71	100	56	75
Agriculture and Natural Resources	35	43	45	41	37	36	44	39
Law, Economic Management, and Public Policy ^a			0 ^a	0 ^a			0 ^a	0 ^a
Total	47	51	67	57	72	63	74	70

ADF = Asian Development Fund, OCR = ordinary capital resources.

^a So far only two operations were evaluated (one each for ADF and OCR). The ADF-funded project was rated partly successful and the OCR-funded unsuccessful.

Source: Operations Evaluation Department databases combining ratings of project completion reports and project performance evaluation reports.

Table A.5: Basic Data on 25 Ongoing ADF Supported Operations in Five Countries

Project	Date of Approval	ADF Loan \$m	OCR Loan \$m	Cofinancing Amount \$m	Poverty Class.	Thematic Class.	Env. Class. ^a	IR Class. ^b	Presence of IPP
Bangladesh									
Post-Literacy and Continuing Education Project	13-Dec-2001	65.0	0.0	12.0	PI	HD/GD	C	C	NO
West Zone Power System Development Project	17-Dec-2001	198.9	138.7	40.0	PI	ECO/GG	B	A	NO
Road Network Improvement and Maintenance Project	10-Oct-2002	65.0	0.0	10.0	PI	ECO	B	A	NO
Jamuna-Meghna River Erosion Mitigation Project	25-Nov-2002	42.2	0.0	0.0	PI	ECO/ENV	A	B	NO
Urban Governance and Infrastructure Improvement Project	28-Nov-2002	60.0	0.0	0.0	PI	GD/GG	B	A	NO
Laos People's Democratic Republic									
Vientiane Urban Infrastructure and Services Project	23-Aug-2001	25.0	0.0	4.4	CPI	HD/GG	B	A	NO
Nam Ngum River Basin Development Sector Project	11-Nov-2002	15.0	0.0	3.8	PI	ECO	B	C	NO
GMS: Mekong Tourism Development Project	12-Dec-2002	10.9	0.0	0.0	PI	ECO/RC	B	A	NO
Northern Economic Corridor Project	20-Dec-2002	30.0	0.0	0.0	PI	ECO	A	A	YES
Northern Area Rural Power Distribution Project	18-Sep-2003	30.0	0.0	10.0	PI	ECO	B	B	NO
Nepal									
Community Groundwater Irrigation Sector Project	26-Feb-1998	30.0	0.0	2.8	PI	ECO/PR	B	C	NO
Small Towns Water Supply and Sanitation Sector Project	12-Sep-2000	35.0	0.0	0.0	PI	HD/PR	B	C	NO
Teacher Education Project	24-Sep-2001	19.6	0.0	0.0	PI	HD	C	C	NO
Governance Reform Program	27-Nov-2001	30.0	0.0	0.0	PI	ECO	C	C	NO
Road Network Development Project	13-Dec-2001	46.0	0.0	9.6	PI	ECO	A	A	YES
Pakistan									
North-West Frontier Province Urban Dev. Sector Program	8-Nov-2001	20.8	0.0	0.0	PI	PR/HD	B	C	NO
Agriculture Sector Program II	13-Dec-2001	125.0	225.0	0.0	O	ECO	B	C	NO
Access to Justice Program	20-Dec-2001	106.8	243.2	0.0	PI	GG/GD	C	C	NO
Reproductive Health Project	20-Dec-2001	36.0	0.0	0.0	CPI	GD	C	C	NO
NWFP Road Dev. Sector Program and Subreg. Connectivity	18-Nov-2004	5.0	296.2	0.0	GI	ECO	A	A	NO
Viet Nam									
Second Red River Basin Sector Project	13-Nov-2001	70.0	0.0	30.0	PI	GD	B	A	NO
Central Regions Livelihood Improvement Project	17-Dec-2001	43.1	0.0	16.5	CPI	GG	B	C	YES
Provincial Roads Improvement Sector Project.	18-Dec-2001	70.0	0.0	0.0	PI	ECO	B	A	NO
Upper Secondary Education Development Project	17-Dec-2002	55.0	0.0	0.0	PI	HD/GD	C	A/B	YES
Housing Finance Project	20-Dec-2002	30.0	0.0	0.0	PI	HD	C	A/B	NO

ADF = Asian Development Fund; Class. = classification; CPI = core poverty intervention; ECO = economic growth; ENV = environmental protection; GD = gender and development; GG = good governance; GI = general intervention; HD = human development; IPP = indigenous peoples development plan; IR = involuntary resettlement; NWFP = North-West Frontier Province; MS = multisector; O = other; OCR = ordinary capital resources; PI = poverty intervention; PR = poverty reduction; RC = regional cooperation.

^a A = operations have significant adverse environmental impacts, B = operations have some adverse environmental impacts, C = project has no significant environmental impact.

^b A = with full resettlement, B = with short resettlement, A/B = "to be determined" if with short or full resettlement, C = no resettlement.

Sources: Lotus notes database on loan, technical assistance, grant and equity approvals; Operations Evaluation Department's database used for special evaluation studies on indigenous peoples safeguards and involuntary resettlement safeguards; and project performance reports and reports and recommendations of the President.

Table A.6: Assessments of Case Studies on 25 Ongoing ADF VIII-Supported Operations

Loan No.	Project	Approval date	Original completion date	Delay has occurred?	Revised Completion date	Project likely successful?	Special poverty comp.??*	Component likely successful?	Good governance ambitions?	Component likely successful?	Design problem ?	Scope change ?
Bangladesh												
1881	Post-Literacy and Continuing Education Project	13-Dec-2001	30-Jun-08	2.5 years	31-Dec-11	PS	yes	unclear	yes	S	yes	yes
1884/85	West Zone Power System Development Project	17-Dec-2001	30-Mar-06	2 years	31-Dec-07***	S	no	na	yes	S	yes	no
1920	Road Network Improvement and Maintenance Project	10-Oct-2002	30-Jun-07	2 years	30-Jun-09	S	no	na	yes	Unclear	yes	no
1941	Jamuna-Meghna River Erosion Mitigation Project	25-Nov-2002	30-Jun-09	-	-	HS	yes	S	no	na	no	no
1947	Urban Governance and Infrastructure Improvement Project	28-Nov-2002	31-Dec-09	-	-	S	yes	S	yes	S	no	no
Lao People's Democratic Republic												
1834	Vientiane Urban Infrastructure and Services Project	23-Aug-2001	30-Aug-06	1 year	31-Jul-07	S	yes	S	yes	PS	yes	no
1933	Nam Ngum River Basin Development Sector Project	11-Nov-2002	30-Sep-08	1.5 year	31-Mar-10	S	yes	unclear	yes	S	yes	no
1970	GMV: Mekong Tourism Development Project	12-Dec-2002	31-Dec-07	4 months	30-Apr-08	HS	yes	S	yes	S	no	no
1989	Northern Economic Corridor Project	20-Dec-2002	31-Dec-06	2 years	31-Dec-08	S	yes	unclear	yes	unclear	yes	yes
2005	Northern Area Rural Power Distribution Project	18-Sep-2003	31-Mar-08	4 months	31-Jul-08	S	no	na	yes	PS	no	no
Nepal												
1609	Community Groundwater Irrigation Sector Project	26-Feb-1998	31-Dec-04	2 years	31-Dec-06	S	yes	S	no	na	no	no
1755	Small Towns Water Supply and Sanitation Sector Project	12-Sep-2000	30-Jun-06	2 years	31-Mar-08	PS	yes	unclear	yes	PS	yes	no
1840	Teacher Education Project	24-Sep-2001	30-Jun-08	-	-	S	yes	S	yes	PS	yes	no
1861	Governance Reform Program	27-Nov-2001	31-Dec-05**	1.5 years	18-Jul-07**	PS	no	na	yes	PS	yes	yes
1876	Road Network Development Project	13-Dec-2001	30-Jun-07	1 year	30-Jun-08	PS	yes	PS	yes	PS	yes	no
Pakistan												
1854	North-West Frontier Province Urban Dev. Sector Program	8-Nov-2001	31-Dec-07	-	-	PS	no	na	yes	PS	no	no
1877-79	Agriculture Sector Program II	13-Dec-2001	30-Jun-07**	-	03-Jul-07**	S	no	na	yes	S	yes	no
1897-98-99	Access to Justice Program; Institutional Development for Access to Justice Project	20-Dec-2001	30-Jun-05**	2 years	30-Sep-07**; 30-Jun-08	PS	yes	unclear	yes	S	yes	no
1900	Reproductive Health Project	20-Dec-2001	31-Dec-07	-	-	US	yes	US	yes	PS	yes	no
2103/04	NWFP Road Dev. Sector Program and Subreg. Connectivity	18-Nov-2004	30-Jun-10	-	-	PS	no	na	yes	unclear	yes	yes
Viet Nam												
1855	Second Red River Basin Sector Project	13-Nov-2001	31-Dec-07	2 years	31-Dec-09	PS	yes	PS	no	na	yes	yes
1883	Central Regions Livelihood Improvement Project	17-Dec-2001	31-Mar-07	2.5 years	30-Sep-09	PS	yes	PS	no	na	yes	no
1888	Provincial Roads Improvement Sector Project.	18-Dec-2001	31-Dec-06	2 years	31-Dec-08	S	yes	PS	no	na	yes	no
1979	Upper Secondary Education Development Project	17-Dec-2002	30-Jun-09	-	-	HS	no	na	yes	S	no	no
1990	Housing Finance Project	20-Dec-2002	30-Jun-08	-	-	PS	yes	PS	yes	S	yes	yes

* special component for the poorest; ** Program's completion date based on Loan Closing.; *** HS=Highly Successful, PS=Partly Successful, S=Successful, US=Unsuccessful, na= not applicable

Source: Case studies conducted by the study team; Project Project Performance Reports

Table A.7: Private Sector Operations in ADF Countries, 2001–2007

Country Eligibility (ADF IX) ^a	Countries	Number of Investments	Amount (\$ million) ^b
Group A			
	Afghanistan	5	83.10
	Cambodia	1	8.00
	Lao People's Democratic Republic	1	50.00
	Maldives	1	4.50
	Mongolia	2	16.10
	Subtotal	10	161.70
Group B1			
	Azerbaijan	3	21.00
	Bangladesh	2	20.53
	Georgia	1	25.00
	Pakistan	5	210.10
	Sri Lanka	2	10.36
	Viet Nam	6	132.50
	Subtotal	19	419.39
Group B2			
	Indonesia	5	520.20
GRAND TOTAL		34	1101.29

ADF = Asian Development Fund. OCR=Ordinary Capital Resources

^a Group A = ADF only; Group B1 = ADF with limits amounts of OCR; Group B2 = OCR with limited amounts of ADF.. Data as of October 2007.

^b Excludes other complementary loans and guarantees and regional projects.

Source: Asian Development Bank records.

Table A.8: Client Satisfaction Survey Responses From Senior Staff of Executing Agencies of ADF-Supported Projects

	Weighted	%			Total
	Average*	Major	Minor	None	Valid
What are the current problems of the Project Office (PO)?					
Dependence on progress or decision making outside the PO and EA	51	31	42	28	118
Lack of staff inside PO	32	16	33	51	127
Defective design of the project	31	13	37	50	117
Other (please specify, e.g. project budget too late or not enough)	31	20	23	58	66
Reporting requirements (leaving insufficient time for work)	30	6	48	46	111
Interaction with ADB (complicated procedures, slow response, disputes)	29	14	31	55	118
Issues with the division of responsibilities between PO and EA/IA	27	15	24	60	111
Issues with the division of responsibilities between PO and other agencies	25	8	35	57	114
Insufficient budget for running costs in PO	21	12	19	69	120
No proper mandate or legal status	10	2	16	82	96

ADF = Asian Development Fund; EA = Executing Agency; IA = Implementing Agency; PO = Project Office

* "Major" responses were assigned 100 points, "minor" 50, and "none" 0. The weighted average is the average number of points.

Source: ADB. 2005. *Special Evaluation Study on The Role of Project Implementation Units*. Manila (April).

Table A.9: Client Satisfaction Survey Responses from Senior Staff of Executing Agencies of ADF-Supported Urban Sector Projects

	Weighted Average*	Major	% Minor	None	Total Valid
What are some of the problems of the project at this stage?					
a. ADB Involvement					
Difficult ADB forms and procedures and excessive paperwork	35	10	50	40	48
Improper staffing by consultants recruited for the project	34	13	44	44	48
Delays in ADB responses/decisions/approvals	31	8	46	46	48
Enforcement of ADB agenda (e.g. resettlement, environment, participation, etc)	31	19	25	56	48
Lack of suitability of ADB project officers for task at hand	14	0	27	73	48
Delays in ADB disbursements	11	0	23	77	48
Lack of staff continuity in ADB	10	0	21	79	48
b. Government Involvement					
Delays in government responses/decisions/approvals	50	25	50	25	48
Lack of effective coordination, or opposition from other agencies	36	15	44	42	48
Insufficient government budget made available to project (or late release)	34	13	44	44	48
Lack of (qualified and capable) staff to implement the project	31	10	42	48	48
Government policies or decisions obstruct/delay project activities	31	13	38	50	48
Difficult/unwieldy government systems and procedures	30	13	35	52	48
Lack of effective zoning/building regulations	20	6	27	67	48
Involvement of politicians in the administrative domain	18	2	31	67	48
Problematic division of responsibilities between project office and other agencies	20	10	19	71	48
What are the main advantages of ADB involvement in the project?					
Better design of project	75	60	30	10	50
Intellectual/technical leadership	75	62	26	12	50
External quality control/monitoring by ADB	68	48	40	12	50
More certain/steady supply of funds	81	76	10	14	50
Good and transparent procurement processes	75	64	22	14	50
Access to technical advice or operational support	68	50	36	14	50
ADB can persuade government decision makers	61	40	42	18	50
ADB can leverage additional financial resources	61	54	14	32	50
Large investment project has catalytic effect	55	44	22	34	50
Project admin/salaries funded thru loan	48	38	20	42	50
Other advantage/s	6	6	0	94	50

ADB = Asian Development Bank, ADF = Asian Development Fund.

* "Major" responses were assigned 100 points, "minor" 50, and "none" 0. The weighted average is the average number of points.

Source: ADB. 2006. *Special Evaluation Study on Urban Sector Strategy and Operations*. Manila (June).