

- (ii) the pricing of outputs;
- (iii) the financial viability of operating entities;
- (iv) the presence of appropriate policies and procedures to ensure continued funding for operation and maintenance of both public and private enterprises;
- (v) the application of appropriate policies to ensure the maintenance of required human resources;
- (vi) the adequacy of policies, institutions, markets, and regulatory conditions and the risks of change;
- (vii) the political will to ensure government ownership of and commitment to the project;
- (viii) the adequacy of incentives for continued stakeholder participation; and
- (ix) the environmental, social, technological, and natural resource risks.

67. The criterion rating for sustainability should be stated in the opening sentence of this section. A concise summary of the principal factors supporting the rating should be provided.

## **E. Chapter IV: Other Assessments**

68. This chapter covers three assessments: the impact of the project (a forward-looking assessment), the performance of ADB and the borrower, and the performance of TA.

### **1. Impact**

69. Project impact is assessed against the performance indicators and targets specified in the design and monitoring framework. As this is likely to be a forward-looking consideration, evaluators will need to make judgments based on achievements (including sustainability considerations) up to the time of the evaluation. Depending on the project, specific impacts on poverty, the environment, institutions, socioeconomic conditions, and economic growth may need to be assessed. The evaluation considers both intended and unintended development impacts, whether positive or negative. Unintended impacts are those not specifically included in the project impact statement, for example, a project intended to stimulate economic growth may not intend to affect the environment or institutions or to require resettlement beyond that envisaged, but may end up doing so. Such effects would be discussed here. By contrast, an environmental project would plan to have a specific outcome relating to the environment, and its environmental effects would be discussed in Chapter II. Note that for some projects, depending on the structure of the design and monitoring framework, the impact may already have already been evaluated to some extent under the four core criteria.

70. This section could include the subsections discussed in the following paragraphs, although actual content would depend on the nature of the project.<sup>16</sup> The criterion rating for impact, which should be stated as the opening sentence of this section, could be substantial, significant, moderate, or negligible. A concise summary of the principal factors supporting the rating should be provided.

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<sup>16</sup> These subsections discuss the appropriateness of and compliance with any relevant loan or project covenants.

### a. Impact on Institutions<sup>17</sup>

71. The extent to which a project is likely to improve or weaken a country's ability to make more efficient, equitable, and sustainable use of its human, financial, and natural resources is considered here. Both intended and unintended effects that may result from the project and associated TA are considered. In general, these are broader considerations or spillover effects that extend beyond the explicit institutional development outcomes that are included in many projects. A possible approach to the analysis could be based on the four dimensions of governance: transparency, accountability, predictability, and participation.<sup>18</sup>

72. Other issues to be considered could include the following:

- (i) Better definition, stability, transparency, enforceability, and predictability of institutional arrangements by such means as
  - (a) enhancement of laws, regulations, and procedures;
  - (b) improved coordination of external relationships; and
  - (c) norms and practices.
- (ii) Better alignment of the mission and capacity of an organization with its mandate through
  - (a) improved internal use of resources and improved efficiency of processes,
  - (b) enhanced skill levels, and
  - (c) enhanced reward systems and motivation.

### b. Socioeconomic Impact

73. Assessment of the socioeconomic impact focuses on the major impacts, the distribution of direct economic benefits and economic costs, and on both beneficial and adverse social impacts, including resettlement. The analysis should identify groups of beneficiaries by type and/or cost of impact and note when costs and benefits were incurred. The evaluators should emphasize the poor, gender mix, ethnic minorities and/or low castes, and other marginalized and/or vulnerable groups. If information is available, indirect or second-order impacts, such as the establishment of workshops and restaurants adjacent to new roads, should be described. To the extent that they are not discussed elsewhere, this section also covers such critical factors as participation by beneficiaries or other stakeholders that has influenced these impacts.<sup>19</sup> It examines impacts relevant to ADB's strategic objectives of poverty reduction, human development, gender equity, and inclusive social development. From a poverty reduction perspective, the generation of sustainable job opportunities is important. In addition, this section focuses on any specific measures included in a project to achieve beneficial social impacts or to mitigate the project's impacts on disadvantaged groups, for example, resettlement of families and businesses displaced by infrastructure projects. Other adverse social impacts could include an increase in the incidence of HIV/AIDS and sexually transmitted infections, human trafficking, and use of child labor. Where applicable, the project's impact on private sector development in terms of backward and/or forward linkages and opportunities created for or lost to the private sector should be discussed. As appropriate, the impact of the project or market based incentives and sociocultural conditions would be assessed.

<sup>17</sup> Institutions are defined as organizations and the people who work in them, laws, rules, regulations, and behavior norms.

<sup>18</sup> Explicit institutional development outputs and their contributions to outcome would already have been covered by discussion of the effectiveness criterion.

<sup>19</sup> Where socioeconomic outcomes, including resettlement, are an explicit element of the design and monitoring framework, they should be evaluated under core evaluation criteria.

### **c. Environmental Impact**

74. The review of environmental impact considers both significant impacts and remedial measures that have been taken or may be needed. Examples of adverse impacts include the denudation of upland slopes, the creation of health hazards related to industrial and urban pollution, the salinization of agricultural soils, the pollution of air and water resources, the depletion of fish resources by uncontrolled fishing, and the lowering of water tables because of unregulated use of groundwater. Some of these problems will be due to overexploitation of resources, urbanization, industrialization, and institutional weaknesses, but they are often exacerbated by policy and market failures. A careful analysis of the impact of the borrower's policies and laws on environmental protection is therefore essential, as is an assessment of the project's compliance with relevant environmental legislation and regulations. This section also assesses the adequacy of the environmental mitigation measures and of the environmental monitoring and management requirements adopted at appraisal, the extent to which these measures have been implemented, and the compliance with environment-related loan covenants.

75. Where environmental improvement was an explicit project output or outcome, then it should be evaluated under the effectiveness criterion.

## **2. Asian Development Bank and Borrower Performance**

76. This section presents an overall performance rating for each participant for the entire project cycle, based largely on the description and discussion earlier in the text. In rating ADB's performance, evaluators are encouraged to include an evaluation of the extent to which ADB complied with its governance, anticorruption, and other safeguard policies.

77. A possible checklist for assessing ADB performance includes the following:

- (i) degree to which ADB took ownership of the country's priorities in defining the project/program;
- (ii) quality of ADB supervision at the time of design and the resultant quality of entry;
- (iii) adequacy of the appraisal and the quality of the forecasts on which project approval was based;
- (iv) adequacy of beneficiary targeting and use of annual project planning and progress monitoring;
- (v) ADB support to the executing agency for developing procurement and audit systems;
- (vi) timeliness and quality of ADB's responses to the executing agency's requests for changes during implementation;
- (vii) adequacy of ADB supervision, including ADB staff continuity; frequency, composition, and length of inception and review missions; and use made of the project performance management system;
- (viii) timeliness and quality of midterm review and consultations, integration of findings into implementation plans for the remaining project period, and subsequent monitoring of any remedial measures;
- (ix) extent of ADB efforts to build and maintain good relationships with development partners for the project, including cofinanciers;
- (x) quality and timeliness of the PCR; and
- (xi) efforts made by ADB to reflect its anticorruption and other safeguard policies in project design and implementation.

78. A possible checklist for assessing borrower performance includes the following:
- (i) success in meeting loan effectiveness requirements;
  - (ii) degree of high-level support for the project;
  - (iii) staff quality and continuity in key executing and implementing agencies;
  - (iv) effectiveness of the project steering committee;
  - (v) commitment to complying with loan covenants;
  - (vi) adequacy and timeliness of the provision of counterpart funding;
  - (vii) timeliness of the submission of financial statements and the quality and timeliness of the audit process;
  - (viii) extent of participation at the design stage and of subsequent support for the ADB supervision, review, and performance evaluation process; and
  - (ix) degree and quality of the implementing agencies' engagement with stakeholders.
79. Criterion ratings, which should be stated as the opening sentence for the evaluation of each agency, could be highly satisfactory, satisfactory, less than satisfactory, or unsatisfactory.

### **3. Technical Assistance**

80. A summary of the evaluation of pertinent TA is presented in this section.

## **F. Chapter V: Issues, Lessons, and Follow-Up Actions**

### **A. Issues**

81. This subsection covers project-related issues that either remain unresolved or are crucial for sustainability. Evaluators should review other ongoing projects in the same sector to determine whether their design and implementation addressed lessons identified from earlier evaluations. Broader conclusions emerging from the evaluation that need to be addressed on a longer-term basis by either the developing member country or ADB are discussed. Issues relevant to OED's future work program are also considered. Normally the number of issues discussed is limited to four.

### **B. Lessons**

82. This subsection focuses on general conclusions, both positive and negative, arising from the review of the entire project cycle that are relevant to the future operations and policies of ADB, to the borrower, or to the executing agency, especially operations in the particular sector.<sup>20</sup> This section normally confines lessons regarding any ADB-wide issues—for instance, selection of consultants, participation of beneficiaries, and delays in implementation—to those with particular relevance to the sector or the project being evaluated. The evaluation should briefly examine follow-on operations in the country to determine whether the design of those operations reflected the lessons of the project being evaluated.

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<sup>20</sup> The evaluator should be familiar with lessons raised in previous evaluation reports concerning this sector. This subsection should indicate whether the current project reinforced, supplemented, or failed to consider earlier lessons and whether the lessons of the current project were reflected in the design of subsequent operations.