

OPERATIONS MANUAL BANK POLICIES (BP)

These policies were prepared for use by Asian Development Bank (ADB) staff and are not necessarily a complete treatment of the subject.

INDEPENDENT EVALUATION

A. Introduction

1. Originally known as the Post-Evaluation Office, the Operations Evaluation Department (OED) was established in 1978 to evaluate ADB operations. Over the years, OED has undergone several organizational changes, culminating in the establishment, on 1 January 2004, of an independent department reporting to the Board of Directors through the Development Effectiveness Committee (DEC).¹ In 2008, about 5 years after OED became independent, a further review of OED's independence and effectiveness was undertaken. Following the 2008 review, OED was renamed the Independent Evaluation Department (IED) to reflect its enhanced independent status. IED's current functions, priorities, and procedures are embodied in the provisions of the 2008 Board paper on the review of the independence and effectiveness of OED.²

2. Evaluation covers all aspects of sovereign and sovereign-guaranteed operations (public sector operations); nonsovereign operations;³ and the policies and strategies, practices, and procedures that govern them. The evaluation of ADB operations emphasizes effective feedback on performance and use of lessons identified to improve the development effectiveness of ongoing ADB operations and to enhance their contribution to the development of developing member countries (DMCs).

B. Definitions

3. As used in this section of the Operations Manual (OM),

- (i) "Project performance management system" (PPMS)⁴ refers to ADB's results-based approach to monitoring and evaluating implementation performance and development impact during the planning, implementation, completion, and evaluation stages of the project cycle. PPMS is part of an ADB accountability framework aimed at improving project performance.
- (ii) "Self-evaluation" refers to evaluation of ADB operations by the departments responsible for the concerned public sector operations, nonsovereign operations, technical assistance (TA) operations, other operations (including grants),

¹ ADB. 2003. *Enhancing the Independence and Effectiveness of the Operations Evaluation Department*. Manila.

² ADB. 2008. *Review of the Independence and Effectiveness of the Operations Evaluation Department*. Manila.

³ Nonsovereign operations include any loan, guarantee, equity investment, or similar financing arrangement that is (i) without government guarantee; or (ii) if with government guarantee, under terms that do not allow ADB to accelerate, suspend, or cancel, upon default by the government of such guarantee, any other loan or guarantee between ADB and the related sovereign.

⁴ OM Section J1/BP (Project Performance Management System) provides detailed information on PPMS.

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policies, and procedures, and includes the preparation of completion and performance reports on country partnership strategies, public sector operations, nonsovereign operations, and TA activities.

- (iii) “Independent evaluation” refers to an evaluation of ADB operations by IED through the preparation of (a) project or program and nonsovereign operation completion validation reports, performance evaluation reports, and TA performance evaluation reports; (b) evaluation reports on an ongoing portfolio; (c) broadly based evaluation reports, including country and sector assistance evaluation, impact evaluation, and special evaluation studies; and (d) annual evaluation reports on portfolio performance and summaries of evaluation activities and findings over a specific time span.

C. ADB Independent Evaluation System

4. Within the PPMS’s broad framework, ADB’s evaluation system follows a two-tier approach to evaluating implementation performance and development effectiveness. The first tier comprises self-evaluation at completion or, in the case of nonsovereign operations, at the relevant stage of the operations as set out in para. 6 of the Operational Procedures of this OM. The second tier constitutes independent evaluation, which includes (i) meeting the global demand for more rigorous impact evaluation, as well as (ii) earlier feedback through validation of the self-evaluation at completion and evaluation of ongoing operations. This OM section focuses on independent evaluation.

D. Policy on Independent Evaluation

5. The objective of evaluation is to assess development effectiveness and the long-term impact of (i) ADB assistance on DMCs, (ii) country partnership strategies, and (iii) ADB policies, practices, and procedures. Independent evaluation is carried out at a distance from those responsible for project or program design and implementation to provide an objective performance assessment. The essential functions of every evaluation include (i) deriving lessons and best practices to promote sustainability and the development impact of ADB assistance; (ii) recommending appropriate measures for the design of future operations, country partnership strategies, and sector policy or strategy, as well as changes in ADB policies, practices, and procedures; (iii) assessing the development effectiveness of the use of resources; and (iv) following up on evaluation recommendations. In carrying out such functions, IED operates in line with internationally accepted principles for evaluation of development assistance. Among these guiding principles are impartiality and independence, credibility, usefulness, and partnership.⁵

6. The review of ADB policy on the independence and effectiveness of IED in 2008 (footnote 2) made several changes to the 2003 policy (footnote 1) to strengthen the extent and perception of IED’s independence and effectiveness. Among them, interactions between IED staff and

⁵ Development Assistance Committee. 1991. *Principles for Evaluation of Development Assistance*. Organisation for Economic Co-operation and Development. Paris.

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operations staff as well as consultation with DMCs have intensified. To ensure ownership of evaluation results and to accelerate the application of lessons learned, a more rigorous system for monitoring progress on implementing IED's recommendations has been put in place.

E. Scope and Outputs of Independent Evaluation

7. IED independently and systematically evaluates policies, strategies, country and sector assistance, modalities, public sector operations, nonsovereign operations, and TA operations, including their design, implementation, results, and associated business processes to determine their relevance, effectiveness, efficiency, sustainability, and impact.

8. Key outputs from the independent evaluation include:

- (i) evaluation reports and publications, including the validation of country partnership strategy completion reports and project or program completion reports prepared by operations departments; and evaluation of (a) the performance of completed ADB operations, the ongoing portfolio, and broader thematic issues; and (b) the effectiveness of ADB policies, practices, procedures, and modalities;
- (ii) feedback on operations, including (a) comments on operational documents and participation in management review meetings; and (b) periodic monitoring and validation of progress on implementation of IED recommendations;
- (iii) support for ADB policies and operations through evaluations of policies, procedures, and modalities;
- (iv) dissemination of evaluation results, lessons, recommendations, and related knowledge management both internally and externally;
- (v) external coordination, including conducting joint evaluations as well as coordinating evaluation practices and activities through the Evaluation Cooperation Group of the multilateral development banks, with the Evaluation Network of the Organisation for Economic Co-operation and Development-Development Assistance Committee and the Evaluation Group of the United Nations agencies;
- (vi) assistance in measuring, monitoring, and managing for development results; and
- (vii) supporting evaluation capacity development in DMCs.

9. ADB uses feedback obtained from its evaluation activities to improve the design and execution of its future operations and to revise its policies and business processes. It also seeks to provide timely feedback to DMC central governments and executing and implementing agencies to help them follow up on recommendations to sustain the benefits of activities

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supported by ADB. ADB continues to strengthen and reinforce the self-evaluation component of the evaluation process through efforts aimed at shortening the feedback loop.

F. Oversight of ADB Independent Evaluation

10. The Board's DEC oversees the evaluation program and its results to strengthen the institutional focus on evaluation. The DEC assists the full Board in ensuring that ADB programs and activities achieve their desired development objectives and make efficient use of ADB resources.

Basis: This OM section is based on:

ADB. 2008. Review of the Independence and Effectiveness of the Operations Evaluation Department. Manila.

ADB. 2003. Enhancing the Independence and Effectiveness of the Operations Evaluation Department. Manila.

This OM section is to be read with OM sections K1/OP, J1/BP, and J1/OP.

Compliance: This OM section is subject to compliance review only in relation to evaluation activities up to and including publication of a project completion report.

For inquiries: Questions may be directed to the Independent Evaluation Department.

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INDEPENDENT EVALUATION

A. Introduction

1. ADB, through the Independent Evaluation Department (IED), (i) independently evaluates completed sovereign guaranteed operations (i.e., public sector operations), nonsovereign operations, and grant and technical assistance (TA) operations through project or program completion report (PCR) validation reports, project or program performance evaluation reports (PPERs), and technical assistance performance evaluation reports (TPERs); (ii) prepares broader evaluation studies that assess the development effectiveness of ADB's operations at the sector, thematic, country, and subregional levels; (iii) evaluates portfolio performance annually; (iv) provides feedback on ongoing operations; (v) evaluates the effectiveness of ADB's policies and strategies, practices, procedures, and modalities; (vi) coordinates evaluation practices and activities with other multilateral development banks (MDBs); (vii) assists in developing evaluation capacity in developing member countries (DMCs); and (viii) disseminates the results and lessons of its evaluations.

B. Application of the Policy

2. IED reports directly to ADB's Board of Directors through the Board's Development Effectiveness Committee (DEC). The DEC reviews IED's proposed evaluation work program, annual evaluation reports (AERs) relating to IED activities as a whole, its *Annual Report on Loan and TA Portfolio Performance*, its *Annual Report on Acting on Recommendations*, and selected evaluation reports.

3. IED's evaluation activities are discussed in the following sections.

C. Preparation of Evaluation Reports

1. Completion Reports and Performance Reports

4. ADB uses a two-tier approach to evaluate individual operations. The first tier involves self-evaluation through the preparation of PCRs for public sector operations and expanded annual review reports (XARRs) for nonsovereign operations by the responsible operations departments.¹ These self-evaluation reports provide a concise description and assessment of public sector operations and nonsovereign operations from identification to completion, and evaluate the adequacy of preparation, design, appraisal, implementation arrangements, and the performance of the client, borrower, executing agency (as applicable), and ADB. PCRs and XARRs provide a preliminary evaluation of the operation, achievements, and sustainability of benefits; the extent of achievement of outcomes; and the contribution to the achievement of

¹ ADB. 2008. Project Completion Report. *Project Administration Instruction 6.07*. Manila.

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impacts. Following the IED rating methodologies for public sector operations and nonsovereign operations, these reports provide an overall performance assessment of individual operations. PCRs and XARRs suggest follow-up actions; make recommendations to improve ADB's operations, policies, and procedures; and identify issues and lessons drawn during the self-evaluation.

5. PCRs are prepared for all completed public sector operations generally within 12–24 months after completion.

6. XARRs are prepared for nonsovereign operation investments after early operating maturity, defined as occurring when a direct investment project is materially completed, has at least 18 months of operating revenues, and has at least 12 months of audited reports. For nonsovereign investments via financial intermediaries, early operating maturity occurs when at least 30 months have elapsed from the final material subproject disbursement. From 2008, XARRs are prepared for all nonsovereign operations.

7. The second tier in evaluating individual operations consists of an independent evaluation by IED comprising (i) independent validation of all PCRs and XARRs, and (ii) in-depth evaluation of selected completed individual operations through PPERs.

8. IED validates PCRs and XARRs in order to improve (i) achievement of results, (ii) the quality of the PCRs and XARRs so they can provide a more robust basis for higher level evaluations and future operations, and (iii) more independent project or program ratings in which the IED rating will stand as the official project or program rating. The validation of PCRs and XARRs follows the *Guidelines for the Preparation of Project Completion Report Validation Reports*,² which prescribe principles, processes, and criteria for the validation of project or program rating as well as for rating the quality of the PCR or XARR. The final validation report with the operations department's final response attached, i.e., concurrence or disagreement with the validation assessment, is circulated to the Board and Management and is posted on the IED website in compliance with ADB's public communications policy.³ This completion report validation replaces the in-depth review of PCRs and IED no longer comments on draft PCRs.

9. PPERs are prepared for selected public sector operations (following the *Guidelines for Preparing Project Performance Evaluation Reports for Public Sector Operations*⁴) and for nonsovereign operations (following the *Guidelines for Preparing Project Performance Evaluation Reports for Nonsovereign Operations*⁵). Selection of completed public sector operations for in-depth evaluation is based on purposive sampling. Selection triggers may include disputes over a rating during the validation process, upcoming country and sector assistance program evaluations, and special interests.

² ADB. 2007. *Guidelines for the Preparation of Project Completion Report Validation Reports*. Manila.

³ ADB. 2005. *The Public Communications Policy of the Asian Development Bank: Disclosure and Exchange of Information*. Manila, paras. 96–98. See also OM Section L3/OP (Public Communications).

⁴ ADB. 2006. *Guidelines for Preparing Project Performance Evaluation Reports for Public Sector Operations*. Manila.

⁵ ADB. 2007. *Guidelines for Preparing Project Performance Evaluation Reports for Nonsovereign Operations*. Manila.

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10. A PPER is generally self-contained and, to the extent possible, avoids repeating the contents of the PCR or XARR. The PPER focuses on important issues affecting implementation performance and assesses the individual operation according to a consistent set of criteria. Public sector operations rating criteria include relevance, effectiveness, efficiency, and sustainability. An assessment of the impact and performance of ADB and the executing agency is also conducted but not taken into account in the performance rating. Nonsovereign operations are evaluated in accordance with their development impacts and outcomes, as well as ADB's profitability, work quality, and additionality. Performance evaluations and ratings in PPERs and other IED evaluation reports are part of ADB's accountability to its stakeholders and support performance comparisons across multilateral development institutions. Other major considerations when preparing PPERs are identifying key issues, highlighting remedial measures, and drawing meaningful lessons that can improve ADB's future policies and operations.

11. Evaluated public sector operations and nonsovereign operations are rated as highly successful, successful, partly successful, or unsuccessful.

2. Technical Assistance

12. ADB also evaluates TA operations to provide feedback to improve its future TA activities. Following a similar two-tier evaluation approach to that used for public sector operations and nonsovereign operations, a TA completion report is prepared (excluding small-scale TA) by the department or office in charge of implementing the TA.⁶ A TA completion report is generally prepared within 6–12 months of TA completion. IED neither comments on nor validates these reports.

13. Independent evaluation of TA is carried out by IED and is generally undertaken as part of the preparation for a broader evaluation study or a stand-alone TPER. TPERs are prepared on a highly selective basis, generally based on ADB-wide priorities, including strategic planning considerations and the relevance and appropriateness of lessons identified for future design and implementation of TA operations in a particular sector or country. TPERs evaluate the design, implementation, and performance of TA activities according to an agreed upon set of criteria, including relevance, efficacy, efficiency, and sustainability. Specifically, TPERs draw lessons to improve ADB's future TA activities. Usually, several TA operations are covered in the same TPER to optimize evaluation resources.

14. Evaluated TA operations are rated highly successful, successful, partly successful, or unsuccessful.

3. Real-Time Evaluation

15. Real-time evaluation assesses ongoing portfolios in the same sector or country, processes, and procedures related to the implementation of individual operations. It aims to provide earlier feedback on selected topics to improve ADB's development effectiveness.

⁶ ADB. 2006. Technical Assistance Completion Report. *Project Administration Instruction 6.08*. Manila.

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4. Impact Evaluation

16. Previously, impact evaluation studies (IESs) evaluated the longer-term impact of selected programs or projects. IESs covered groups of completed and ongoing projects in the same sector or country, and focused on the relevance to and impact on the development process. In line with the global agenda for more rigorous impact evaluation, the term “IES” is now reserved for those studies that deploy rigorous impact evaluation techniques, including counterfactual assessments. The topics for IESs are proposed following consultation with the DEC and operations departments.

5. Special Evaluation

17. Special evaluation studies focus on selected sector or thematic issues across countries or a subregion, or evaluate an ADB policy or process relevant to ADB operations. The topics for special evaluation studies are proposed following consultation with the DEC and operations departments.

6. Country and Sector Assistance Program Evaluation

18. Country and sector assistance program evaluations assess ADB’s strategy and assistance to a country or sector.⁷ Examining experience over a longer time period, such evaluations assess the development impact of ADB assistance. IED selects the country or sector for such evaluations in consultation with the operations departments. A country assistance program evaluation (CAPE) is normally done prior to preparation of the relevant country partnership strategy (CPS). IED can also validate a CPS completion report if a CAPE is not prepared. IED can undertake similar studies at a subregional level.

7. Annual Evaluation Reports

19. The IED *Annual Evaluation Report* summarizes IED’s performance evaluation activities, findings, and lessons over a specific time span, and addresses a particular theme. The *Annual Evaluation Report* also provides information on IED’s evaluation activities and key evaluation findings of the year. IED evaluates portfolio performance through the *Annual Report on Portfolio Performance*. The Central Operations Services Office is responsible for most of the compilation of statistics on portfolio performance for the review. The *Annual Report on Acting on Recommendations* provides information on summary progress of management actions on IED recommendations. These three annual reports are discussed with the DEC every year.

D. Feedback on Operations

20. Along with other departments and offices, IED comments on major draft project and policy operations documents for public sector operations and nonsovereign operations, including concept papers, reports and recommendations of the President, project preparatory

⁷ ADB. 2006. *Guidelines for the Preparation of Country Assistance Program Evaluation Reports*. Manila.

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TA papers, CPS documents, and policy and strategy papers.

21. After an evaluation mission IED holds a workshop selectively to which representatives from concerned operations departments are invited. The workshop's purpose is to present the mission's preliminary findings and provide operations departments with an opportunity to give immediate feedback that could be useful in the preparation or implementation of new projects, programs, and TA.

22. For major studies, IED holds a meeting with the relevant directors general to discuss and, ideally, reach consensus on corresponding conclusions and recommendations.

23. To facilitate more rigorous monitoring of the cumulative progress of actions on IED recommendations, a management action record system has been established. IED inputs recommendations into the system from its evaluation studies. Management, in collaboration with the concerned departments, is responsible for monitoring actions taken in response to IED recommendations and for recording implementation progress in the system at least twice a year. The results are consolidated and analyzed, forming IED's *Annual Report on Acting on Recommendations*.

E. Support to ADB's Policies and Procedures

24. IED strives to mainstream evaluation experience in ADB policies and the decision-making process through (i) use of follow-up action reports, (ii) assessments of how new operations can be evaluated, and (iii) participation in selected networks and working groups.

F. External Coordination

25. IED evaluation procedures continue to be strengthened through rigorous evaluation standards and practices in order to generate more operationally useful results as sources of learning. The methods for evaluating individual operations and broader evaluation studies are being harmonized among MDBs. IED coordinates evaluation practices and activities with other MDBs through the Evaluation Cooperation Group and its working groups on public and private sector evaluation. IED also participates in the evaluation activities of multilateral and bilateral agencies through the Working Party on Aid Evaluation of the Development Assistance Committee of the Organisation for Economic Co-operation and Development and the Evaluation Group of the United Nations agencies.

G. Assistance in Measuring, Monitoring, and Managing Development Results

26. IED and the Central Operations Services Office have separate but complementary responsibility for the development and oversight of the project performance management system, a results-based approach to design, monitoring, and evaluation at various stages of the project cycle. IED may undertake or facilitate the independent evaluation of ADB's system of managing for development results.

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H. Evaluation Capacity Development

27. At the request of a DMC and when included in the CPS, IED may process a TA grant for building or strengthening the DMC's evaluation capacity. Such a TA grant is expected to improve the effectiveness of government development expenditures by providing feedback on project impact that can then be used in the planning and management process. In countries where such TA has been provided and a project or program is to be evaluated by IED, the concerned government agency is invited to send a representative, at the DMC's expense, to join the evaluation mission. Involvement in such a mission provides on-the-job training. IED may also process regional TA in support of broader efforts aimed at developing evaluation capacity.

28. IED may organize seminars or workshops with ADB staff for the preparation of PCRs and XARRs.

I. Dissemination of Results

29. IED maintains a high degree of transparency and openness in reporting and disclosing its evaluation findings. Since 1995, IED has made all reports on public sector operations and TA available to both internal and external stakeholders. Since January 2006, IED has prepared versions of private sector PPERs that have been redacted to remove commercially sensitive information. These reports are also widely disseminated, without restriction, to the development community through the IED website. Since January 2004, the final reports include, as attachments, any Management response and any IED comments on it, and the summary of DEC discussions by the DEC chair, where applicable.⁸

30. In addition, IED promotes and disseminates its evaluation products through the Evaluation Information System—a database of evaluation lessons, recommendations, and actions, and of management responses to recommendations—which provides users with an easily accessible source of searchable evaluation information and employs various parameters to refine a search. IED evaluation products are also disseminated through (i) *Success Rates* brochures, dedicated to raising awareness of highly successful and successful projects or programs; (ii) *Learning Curves* summaries, which bring findings and recommendations of ADB evaluations to a broader range of readers; (iii) *Sector Summation* series, which provides a synthesis of evaluation findings by sector; (iv) *Case Studies*, designed to expose specialized material from evaluations; and (v) IED's Inquiry Desk, which responds to internal and external queries about evaluation products and services.

⁸ Nonsovereign operation evaluation reports may include business-sensitive information that may jeopardize legitimate business interests and proprietary rights of private sector clients. Therefore, prior to disclosure, commercially confidential information is deleted from the version made publicly available in accordance with the procedures defined in the *Guidelines for Preparation of Project Performance Evaluation Reports for Nonsovereign Operations* (see footnote 5).

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Basis: This Operations Manual (OM) section is based on OM Section K1/BP and the documents cited therein.

This OM section is to be read with OM Sections K1/BP, J1/BP, and J1/OP, and the documents cited therein.

For other background information and references, see:

ADB. 2007. Guidelines for the Preparation of Project Completion Report Validation Reports. Manila.

ADB. 2007. Guidelines for Preparing a Design and Monitoring Framework. Manila.

ADB. 2007. Guidelines for Preparing Project Performance Evaluation Reports on Nonsovereign Operations. Manila.

ADB. 2006. Guidelines for the Preparation of Country Assistance Program Evaluation Reports. Manila.

ADB. 2006. Guidelines for Preparing Project Performance Evaluation Reports for Public Sector Operations. Manila.

Compliance: This OM is subject to compliance review only in relation to evaluation activities up to and including publication of a PCR.

For inquiries: Questions may be directed to the Independent Evaluation Department.