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**ASIAN DEVELOPMENT BANK  
Operations Evaluation Department**

**ANNUAL REVIEW**

**OF EVALUATION ACTIVITIES**

**IN 2002**

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## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BR	–	Bangladesh Railway
DMC	–	developing member country
EA	–	executing agency
ECG	–	Evaluation Cooperation Group
GPS	–	good practice standards
IFO	–	investment fund operations
Lao PDR	–	Lao People's Democratic Republic
MDB	–	multilateral development bank
NGO	–	nongovernment organization
NPC	–	National Power Corporation in the Philippines
OED	–	Operations Evaluation Department
PCR	–	project/program completion report
PNG	–	Papua New Guinea
PPAR	–	project performance audit report
PRC	–	People's Republic of China
PSO	–	public service obligation
RAMS	–	road asset management system
SCC	–	savings and credit cooperative
SES	–	special evaluation study
TA	–	technical assistance
TPAR	–	technical assistance performance audit report

## NOTE

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

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## EXECUTIVE SUMMARY

The aims of all evaluation activities of the Asian Development Bank's (ADB's) Operations Evaluation Department (OED) are to provide accountability for use of resources, derive lessons for future operations, and recommend follow-up actions for sustaining the benefits of assisted activities. Projects, programs, and technical assistance (TA) are selected independently by OED for performance audits three years after completion. Thematic evaluation studies provide a broader assessment of development effectiveness. This review is the twenty-fifth in the annual series prepared by OED. It is based on 48 evaluation reports, an increase of almost 50% over 2001, and other activities in 2002.

In 2002, 27 public sector projects and 6 programs were evaluated. Four (12%) projects/programs were rated highly successful, 23 (70%) successful, and 6 (18%) partly successful. None was rated unsuccessful. Projects and programs rated successful or highly successful accounted for 93% of the total actual project and program cost of \$5.0 billion, and 89% of associated ADB loan disbursements of \$2.3 billion. In addition, one private sector operation was evaluated and rated successful.

Of the 27 public sector projects, 4 were rated highly successful, 19 successful, and 4 partly successful. There were differences in rating values across sectors: 93% of economic infrastructure projects were rated efficacious as compared to 67% for agriculture and social sector projects; 100% of the former were efficient or better as compared to 58% of the latter; 93% of the former are likely to sustain benefits over their full life as compared to 75% for the latter. Overall, the results highlight the difficulties of multifaceted design and implementation of agriculture and social sector projects.

Only 2 projects were completed within schedule. Four had minor delays of less than 1 year, 11 experienced delays of 1-3 years, while 10 suffered delays of more than 3 years. Nineteen projects (70%) were implemented with moderate to substantial cost underruns averaging 18%. Eight (30%) projects experienced an average cost overrun of 23%. There is little difference in success rates in relation to project delays and cost variations. The four partly successful projects experienced a below average 1.6-year delay. On the other hand, 10 successful projects experienced average delays of more than 3 years. Both highly successful and partly successful projects have resulted in moderate to substantial cost underruns or overruns.

Project design influences project success. Ten projects had minimal design issues, and seven moderate design issues. Major design flaws were identified in 10 projects of which 5 required key design changes during implementation, including major changes in scope, reformulation, or supplementary financing. All four partly successful projects involved key deficiencies in design. The use of a top-down and supply-driven approach resulted in less relevant components, and target groups receiving a limited share of benefits.

Five of 15 infrastructure projects promoted private sector participation through supporting policy, statutory, regulatory, and fiscal reforms; catalyzing external and domestic resources; and privatizing public sector enterprises. The financing of the Theun Hinboun Hydropower Project in the Lao People's Democratic Republic was a pioneering effort in effectively combining multilateral and bilateral funds and establishing a successful public-private partnership. The social sectors also continued to benefit from private sector involvement. Staff shortages and competition with the private sector are important considerations of any program to expand public health provision.

Five projects in the agriculture sector addressed poverty directly and six projects addressed human development either as a primary or secondary concern. Implementing a project in a poor region does not automatically result in significant impact on poverty reduction. Poverty impacts were found to be below expectations due to the lack of appropriate instruments and institutional arrangements to target the poor. Multiple interventions are needed for rural development and poverty reduction, projects are better implemented by local governments, and project monitoring should focus on project benefits rather than physical targets.

All four highly successful projects were growth projects that required less coordination among a limited number of stakeholders, mostly implementing agencies. They showed above-average performance in terms of sustainability, above-average ADB and Borrower performance, and clear project ownership. Three of the four partly successful projects in the agriculture sector involved numerous components to address the diverse needs of intended beneficiaries; direct measures to address social concerns; and increased coordination among a larger group of stakeholders. Weaknesses in design and implementation resulted in weak project ownership.

Four of the six programs evaluated in 2002 were rated successful, and two partly successful. They were all designed with two-tranche loans, and had an average of 53 program conditions, including 8 for second tranche release. Across all six programs, only 17 conditions were not met by program completion and only 2 conditions for second tranche release were waived. Three general issues arose. Any earmarking of loan proceeds should be consistent with the program objectives; some programs may have been improved if they had been combined with an investment component; and sector agencies generally do not have the authority or resources for social mitigation measures, which require resources directed to national or district social insurance schemes.

Six technical assistance audit reports were prepared in 2002 covering a total of 33 TAs. Overall, 6 (18%) TAs were rated highly successful, 18 (55%) successful, 8 (24%) partly successful, and 1 (3%) unsuccessful. Some of the lessons are relevant to TA operations in general. TA should be designed in relation to other relevant ongoing activities; sharply-focused TAs are more likely to achieve their objectives; and where appropriate expertise exists, the use of domestic consultants can be cost-effective with adequate TA administration.

Six impact and special evaluation studies were undertaken in 2002. Two concerned poverty reduction effects. Six case studies of rural road improvements from both road and rural development projects were used to assess the impact of rural roads on poverty, defined as a deprivation in relation to assets and essentials, and susceptibility to periodic shocks and seasonal crises. The rural poor inhabit a village, walking world; improvements to the primary network of paths, tracks, culverts, and basic access routes have, therefore, a larger initial impact than improved motorized transport services. Nevertheless, rural roads provide an important economic safety net. Road improvements provide jobs in the area; the poor benefit from access to services and better information; and rural roads provide access to alternative livelihood opportunities. Better rural roads are a necessary but not a sufficient condition for graduating from poverty. The poor need first to accumulate surpluses, for example, through reduced time for collecting water, prior to seizing new opportunities that motorized transport may bring. The study recommended that interventions initially concentrate on removing access and mobility constraints of the poor in their existing livelihoods, the criteria for selecting a particular road be participatory and transparent, labor-based technology be used, and transport be provided as a public service obligation for a time if competitive transport services are not present.

A special evaluation study based on a desk study of 92 completed projects, a field study covering 40 such projects, surveys of more than 10,000 beneficiaries, focus group discussions, and national workshops examined beneficiary perceptions of the poverty reduction impact of selected projects in agriculture and social infrastructure in six developing member countries (DMCs). Depending on the type of benefit, 24–50% of the target beneficiaries felt they effectively benefited in a sustained manner. The projects helped 27% of target beneficiaries improve their economic situation. There was little difference between economic growth and poverty reduction projects. However, human development and women in development projects were more effective, and projects approved in the 1990s were more effective than those approved in the 1980s. Differences in poverty reduction impact stemmed from the degree of social capital, institutional capacity of the executing agency, beneficiary trust in service delivery institutions, the policy environment and peace and order situation, and the quality of monitoring and evaluation. More time and resources should be invested in social capital for every poverty intervention project, but projects should be turned over to beneficiaries only if the latter are able and prepared to handle the responsibilities.

Investment fund operations account for about 19% of ADB's cumulative private sector operations and 59% of cumulative equity investment operations. Of 29 such operations examined, 18 had a high or medium catalytic impact at fund level, and four out of eight particular funds had a high catalytic impact at investee level. Overall, major development impacts have been produced in mobilizing large resources for infrastructure, industrial, and portfolio investments; supporting small and medium enterprises, new entrepreneurs, and technology development; helping develop capital markets; and generating employment. The effectiveness of the fund manager was a critical factor. The study recommended that formal procedures for selection and remuneration of fund managers and ADB's general exit policy be reviewed.

An impact evaluation study involved desk review of 50 loans and TAs for urban and rural water supply and sanitation, and an in-depth review of six such projects. The projects had various components but common objectives: improved water services, improved sanitation, improved living conditions and community health, reduced poverty, and increased economic growth. All projects substantially increased the consumption of water by households, with more than half the beneficiaries living below the poverty line, but sanitation received less attention. Quantity, accessibility, and reliability were satisfactory to most users, but water quality was an issue in some areas during the wet season. Although willingness to pay for piped water was established for the project areas reviewed, none of the water utilities had achieved full cost recovery. The study recommended that more projects include sanitation, hygiene, and health promotion components; water suppliers aim at full cost recovery, including reductions in nonrevenue water and demand-side management; and beneficiaries be involved at all stages especially of rural water supply projects.

The Asian Development Fund (ADF) operations during 1992-2000 (ADF VI-VII) were assessed in three key areas: projects, processes, and policies. There were 318 projects approved under ADF VI-VII for a total loan amount of \$12 billion, about 24% of ADB's total lending, and about 4% of the total net resource flow to ADF borrowing countries. ADF VI coincided with the introduction of the five strategic development objectives for project classification. A large number of new policies were successively introduced, such as for governance, resettlement, inspection, indigenous peoples, nongovernment organizations, and gender. While almost 60% of projects are still under implementation, there is evidence of uneven but satisfactory progress in meeting the ADF VI-VII objectives and commitments in a way that has affected all ADB operations. Changes in strategic planning and country-

programming processes have been found highly satisfactory. ADF project quality and performance has improved and is considered satisfactory. Economic growth projects show solid returns; poverty reduction investments have been improving with experience; practices on project-related issues that affect the poor, such as resettlement and environmental damage mitigation, have improved. While ADB's family planning activities have not been sustained, investments in human development have expanded. Improvements in environmental management have proceeded unevenly and are considered partly satisfactory. A substantial effect on environmental capacity building and mainstreaming had been combined with a less than expected number of projects. ADB's program lending has sometimes been overambitious and governments have lacked the capacity to implement difficult reforms. Finally, incorporating gender concerns remains a difficult area for ADB and is considered unsatisfactory. Project selection and design have not effectively supported this objective, and the impact of mainstreaming gender concerns has been limited.

Many governments have difficulty financing and managing primary education provision. A special evaluation study examined primary education provision in three DMCs with ADB operations and substantial private and nongovernment provision in this area. There has been a rapid expansion in primary education access and enrollment. However, disparities persist across groups, regions, and DMCs, and there is a common problem of quality in service delivery. For-profit private general schools perform better than public schools; they serve better-off families who contribute to costs. Non-profit private schools show similar performance to public schools. They can also mobilize some support from parents, communities, and foundations; however, some poorer parents end up paying more. A low proportion of qualified teachers, inadequate numbers of teachers and classrooms, and low contact hours are found in all school types. There is still low learning achievement. Some key issues have been identified. Several types of non-profit schools have evolved to extend access to the poor, but at a cost to poor families; governments need to continue providing financial support to well-run non-profit schools. Regardless of school type, quality and efficiency of primary education needs to be given greater attention; forms of public-private partnership could be explored. There is weak school-based management; financial and management capacity of local bodies should be enhanced. Finally, effective frameworks for monitoring the nongovernment provision of primary education need to be established.

Three country assistance program evaluations were undertaken in 2002. Bangladesh made significant economic and social progress in the last two decades. However, recent trends may be unsustainable. From 1989 to 2001, ADB lending was increasingly linked to institutional and policy reform, and first interventions in health, education, and urban and rural infrastructure placed a greater emphasis on human development and poverty reduction, together with expanded operations in urban and rural infrastructure, and education. The basic thrust of ADB's assistance program was relevant. Earlier slow progress in public sector reform was compensated by promotion of private sector participation, working with nongovernment organizations, and a greater appreciation of governance issues. There was a high proportion of projects rated partly successful, particularly in the agriculture and social sectors. However, project performance improved somewhat since 1986. Sector-specific lessons highlight the importance of identifying vested interests opposed to policy reforms, and further expanding infrastructure and ensuring its proper maintenance. Future assistance should include a more proactive approach to governance issues, more lending for small and medium enterprise development for employment generation, and support for the recurrent budget especially in education and health. Overall, there is a need to focus on fewer sectors, and to reduce support where sector performance is poor, the potential for catalyzing is limited, and ADB has no comparative advantage.

From the start of operations in Mongolia in 1991 through 2001, 25 loans and over 100 TAs were approved. The country was faced with the dual tasks of transition and development when external financial transfers were abruptly stopped, and there were harsh economic and climatic conditions. Three country strategies informed ADB's operations; they included a shift in sector focus from the early to the late 1990s. The country assistance program evaluation sought to assess program priorities and implementation, and what was ADB's contribution to the transition process. Capacity building mostly focused on inputs such as training and consulting services; the fragmented approach did not promote overall public sector resource management. There was a high proportion of program lending, and a high degree of consistency across reforms in different sectors. However, policy matrixes were overloaded, and policy-based lending to agriculture and industry was only partly successful. Economic reorientation and diversification was an explicit but not very well articulated goal. Projects for rehabilitation and diversification of infrastructure were successful in improving technical performance, and commercializing and corporatizing infrastructure services. Financial sector transformation had a large agenda. Improvements induced by a first program were set back by the Asian and Russian financial crises, but subsequent operations are now bearing fruit. Overall, ADB's country assistance program made significant contributions to the transition process. The Government had strong ownership of individual projects and reform initiatives; and ADB's responsiveness, timeliness, and budget support were appreciated. There was substantial cooperation and coordination with other funding agencies. The evaluation underscored the importance of providing strategic guidance to operations; undertaking economic sector, and thematic work, and poverty analysis prior to country strategy and program formulation; retaining an emphasis on both poverty reduction and private sector development; and setting specific monitorable targets for public resource management.

In the Philippines, ADB lent support to the country's overall development objectives of macroeconomic stabilization, poverty reduction, and social development. Since 1986, ADB lending totaled \$5.9 billion for 86 projects and programs; 210 TA operations were implemented. Although the Philippines was less affected by the Asian financial crisis, the economy has performed below the performance of ASEAN neighbors. Despite some progress in social indicators, high poverty incidence prevails. Project performance was disappointing; of 36 projects completed and postevaluated in 1986-2001, roughly one third each was rated generally successful, partly successful, and unsuccessful. Ten of the unsuccessful projects were completed in the 1980s; there was some improvement in ratings in the 1990s. Issues of sustainability arose in all lending and nonlending interventions stemming from lack of institutional capacity, inadequate budget allocations, and lack of political will. Overall, ADB's assistance program was assessed as relevant, but less efficacious, moderate in its institutional development and other impacts, and with question marks on the sustainability of benefits. The evaluation recommended that selectivity in operations be combined with maintaining a critical mass for ADB to remain relevant; project preparation and close monitoring, and stakeholder involvement be strengthened to improve project performance; emphasis be given to social and regional development, particularly in the southern Philippines; private sector participation be supported, particularly in small and medium enterprises, and infrastructure development; and policy-based lending be flexible, to allow for competing interests.

The proportion of projects and programs rated successful has been calculated by year of completion for all evaluated projects and programs since 1974. A downward trend in the proportion of projects/programs rated successful was halted and reversed by 1989. The reversal may be explained by changes in policies and processes from the 1980s onwards. There was a discernible improvement in ratings in the 1990s for South Asia; the generally high success rates for East and Central Asia reinforced the trend. Despite relatively low success rates, there was

an improvement in the 1990s for the social sectors, and some improvement for agriculture and natural resources. Combined with a higher proportion of energy, and transport and communications project completions in the 1990s, this helped improve the overall success rate. Over the whole period 1974-2001, the success rate for all projects and programs was 61%. The success rate by actual loan disbursements was 71%. It will not be easy to continue the upward trend. It is unlikely that the success rate in energy, and transport and communications, can be significantly improved. The social and agriculture sectors showed in the 1990s that improvement can be achieved, even at a slow pace. There must be continued improvement in these sectors, and in larger borrowers, and higher success rates in the financial sector and the Pacific region.

A total of 145 follow-up actions were recommended in evaluation reports prepared in 2001, 106 in evaluations of individual operations and 39 in special evaluation studies (SEs). Seventy-six (52%) actions were addressed to DMCs, and 69 (48%), including nearly all those from the SEs, were related to ADB's processes, guidelines, or strategies. The actions were specific with respect to who was to do what, but less specific on by when. As to the follow-up actions in performance audit reports, 73% were fully or partly implemented and 7% will be addressed in future operations. In 2% of the cases, no response was received and in 18%, no action was taken because concerned DMCs or ADB departments disagreed, or because substantial budgetary resource commitments, major legislation change, or institutional changes over multiple government agencies would have been required. As to the follow-up actions recommended in SEs, 77% were fully or partly taken and 23% will be addressed in future operations. Overall, follow-up actions were relevant to operations and reasonably well addressed. To improve applicability to operational needs, follow-up actions should be assessed for their practicality, with deeper involvement of executing agencies, DMC governments, and operational departments. Follow-up actions involving major resource commitments or policy changes should be separated, and facilitated in future operations.

In 2002, for the first time, OED undertook a review of portfolio performance in the previous year. As of 31 December 2001, the public sector loan portfolio comprised 501 loans for 443 projects in 31 DMCs, and increased to \$34.1 billion. The private sector portfolio included 99 projects. Additions over 1998-2001 were highly concentrated with the top ten borrowers accounting for 91% of new approvals. By end 2000, 28% of approvals had included a primary or secondary poverty reduction classification; the proportion of poverty interventions under the new loan classification system in 2001 was 29%, less than the targeted 40%. In July 2001, a further "at risk" category was introduced to include problem projects and those with a number of identified weaknesses; the proportion of "at risk" projects was 27% at the end of 2001. Although a significant proportion, problems were being addressed in a more timely fashion. In 2001, the contract awards ratio fell to only 15%, while the disbursement ratio remained at 21%. There was a sharp deterioration in the submission of audited accounts. Overall, the report on 2001 concluded that further understanding was required of the decline in contract awards and in the submission of audited accounts, and the persistent shortfalls in completion reporting for projects and TAs. It was recommended that the second phase of the portfolio management action plan be complemented by further delegation to resident missions, and strategic management of the TA portfolio.

The Evaluation Cooperation Group (ECG) of the multilateral development banks seeks to share lessons from evaluations, reduce the costs to DMCs of the evaluation procedures and criteria of different institutions, and enhance the comparability of results. Good practice standards for evaluation of public sector operations were finalized in 2002. They are followed by ADB in completion reports and performance audits. ADB has also a good record on disclosure; and reorganization in 2002 preserves a reporting line for OED independent of other

departments, and oversight by the Board's Development Effectiveness Committee. In 2002 also, a benchmarking study to assess different practice in relation to good practice standards for evaluation of private sector operations was undertaken. The standards require significant changes in ADB evaluation practice for private sector operations, which will be relatively resource intensive. The current ECG focus is on higher-level evaluations, including good practices for evaluation of policy-based lending, and for country assistance program evaluation. The ECG is cooperating with the community of practice dealing with results-based management, to specify an appropriate relationship between independent evaluation and managements.

Several conclusions arise from evaluation activities in 2002. The ratings for projects and programs showed a high success rate, with distinct differences between economic infrastructure operations and those in the social sectors and agriculture. Consistent with previous experience, 70% of projects experienced cost underruns and 30% cost overruns; however, delays and cost overruns did not detract from project success rates. Project success is related to project design; major design flaws were identified in 10 out of 27 projects, including all projects rated partly successful. Compared to projects rated highly successful, projects rated partly successful suffer from problems of coordination among a larger number of implementation agencies, less satisfactory ADB and borrower performance, and design weaknesses associated with weak country ownership. In program lending, most conditions were met although with significant delays in some cases; in one case, earmarking of loan proceeds contradicted program objectives; and sector agencies did not have the authority or resources for social mitigation measures, which are designed and funded at the national and district level. Country assistance program evaluations led to various conclusions: the importance of identifying vested interests around policy reforms, the importance of working with the private and nongovernment sectors, the need for greater selectivity in ADB operations, improvements that have taken place in the 1990s, the importance of strong government ownership particularly in a transition context, and the need to provide strategic guidance and to set monitorable targets. There was an upward trend in project and program success rates through the 1990s; a slow improvement in the social sectors and agriculture was reinforced by higher success rates in economic infrastructure projects and in newer borrowers; further improvement requires continued progress in results in the social sectors and agriculture, and in larger borrowers, and improvements for the financial sector and the Pacific region. An annual report on portfolio performance in 2001 showed most implementation-related problems were being addressed in a timely manner; however, the contract awards ratio fell, and the number of unsubmitted audited accounts rose; the second phase of the portfolio management action plan, including a TA performance reporting system and a better framework for country portfolio reviews, is under implementation. Harmonization of evaluation activities is shifting from individual operations to higher-level evaluations, including policy-based lending and country assistance programs.

## INTRODUCTION

1. The Operations Evaluation Department (OED) of the Asian Development Bank (ADB) provides independent evaluation of ADB's operations. This includes (i) evaluating the performance of individual operations in the form of projects, programs, and technical assistance (TA); (ii) reviewing and selectively validating completion reports and other self-evaluation activities of operations departments; (iii) assessing the design and evaluability of new operations; (iv) monitoring and reporting on actions taken by ADB and its executing agencies (EAs) in response to OED evaluation report recommendations; (v) evaluating the effectiveness of ADB's policies, practices, and procedures; (vi) conducting thematic evaluations such as impact, special, and country assistance program evaluation studies; (vii) building evaluation capacity within developing member countries (DMCs); and (viii) coordinating evaluation practices with other multilateral development banks (MDBs) and bilateral agencies.

2. The primary aims of all ADB's evaluation activities are to provide accountability for use of resources, derive lessons for future operations, and recommend follow-up actions for sustaining the benefits of activities supported by ADB. Projects, programs, and TA are selected independently by OED three years after completion for performance audits that assess how well resources have been used. Lessons from performance audits and other activities are disseminated for incorporation in new operations. Thematic evaluations provide a broader assessment of development effectiveness. The subjects of special and impact evaluation studies are chosen in cooperation with operations departments. DMCs for country assistance program evaluation are selected to precede the preparation of country strategies and programs. Put together, the evaluation of specific activities and the results of thematic evaluation studies allow an assessment of the development effectiveness of ADB's operations.

3. This review is the twenty-fifth in the annual series prepared by OED. It is based on 48 evaluation reports, an increase of almost 50% over 2001, and other OED activities in 2002.<sup>1</sup> The reports include 25 project and 6 program performance audit reports (PPARs), 6 technical assistance performance audit reports (TPARs), 3 impact evaluation studies, 3 special evaluation studies (SEs), and 3 country assistance program evaluations. The other activities during the year included preparing the Annual Review of Evaluation Activities in 2001, and the Annual Report on Portfolio Performance in 2001 (Appendix 1).

4. The OED work program is reviewed each year by the Board's Development Effectiveness Committee that also discusses selected evaluation reports. During 2002, the MDBs have begun the process of adopting a results-based management approach to their activities. OED was strengthened by a new position of Senior Advisor, to help with formulation of indicators of development effectiveness as part of this agenda. In addition, the trend in evaluation results for individual operations has been derived as an indicator of institutional performance.

5. The structure of this annual review is as follows. Section II summarizes and draws lessons from the performance audits of projects, programs and TA. Section III presents the results of the impact, special, and country assistance program evaluations. Section IV presents results on the trend of evaluation assessments for projects and programs completed from 1974

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<sup>1</sup> The review was prepared by Stephen R. Curry, Lead Evaluation Specialist; Anjum Ibrahim, Evaluation Specialist; Mayumi Ozaki, Evaluation Specialist; Jocelyn Tubadeza and Renato Lumain, Senior Evaluation Officers. All the evaluation reports covered by this annual review are available on ADB's evaluation website at <http://www.adb.org/evaluation>.

to 2001. Section V reports on follow-up actions recommended in evaluation reports prepared in 2001. Section VI reports on various other OED activities in 2002, including progress on harmonization of evaluation criteria and procedures across the MDBs. Conclusions are drawn in Section VII.

## II. PROJECT, PROGRAM, AND TECHNICAL ASSISTANCE EVALUATIONS

### A. Overview of Performance Audit Results

6. In 2002, 27 public sector projects and 6 programs were assessed in 30 reports. Taking into account five evaluation criteria—relevance, efficacy, efficiency, sustainability, and institutional/other development impacts—4 (12%) projects/programs were rated highly successful, 23 (70%) successful, and 6 (18%) partly successful.<sup>2</sup> None was rated unsuccessful. In addition, one private sector operation was evaluated and rated successful. These results continue a trend toward higher success rates for projects and programs (Section IV). By December 2002, OED had evaluated 639 public sector projects and programs and 9 private sector investments.

7. There is little difference in success rates among country groups (Appendix 2, Table A2.1). Partly successful and successful projects/programs appeared in all four country groups (A, B1, B2, and C), and highly successful projects in three of them (one each in Group A and Group B2 countries, and two in Group C). Two partly successful projects/programs each were in Group A and Group B1 countries. Overall, about 82% of projects and programs were rated successful or higher.

8. There are significant differences in success rates across sectors (Appendix 2, Table A2.2). Of 15 economic infrastructure projects and programs (6 in energy and 9 in transport and communications), 3 (20%) were highly successful, 11 (73%) successful, and 1 (7%) partly successful. On the other hand, of 15 evaluated agriculture and social sector projects and programs (10 for agriculture and 5 for social infrastructure), 10 (67%) were successful and 5 (33%) partly successful. The balance of evaluated projects and programs included a highly successful steel modernization project in the People's Republic of China (PRC), and successful industrial sector reform and economic restructuring programs in Nepal and the Cook Islands, respectively.

9. Projects and programs rated successful or highly successful accounted for 93% of the total actual cost of \$5.0 billion. Partly successful projects and programs accounted for 7% (Appendix 2, Table A2.3). Highly successful and successful projects and programs accounted for 89% of ADB loan disbursements of \$2.3 billion (Appendix 2, Table A2.4).

10. Six TPARs were prepared in 2002 covering a total of 33 TAs: 6 relating to the education sector in Central Asian DMCs; 6, including 4 regional TAs, for audit capability in Pacific DMCs; 6 relating to institutional strengthening and policy support to the road sector in Central Asian DMCs; 4 relating to road sector management in other DMCs; 5 for the agriculture sector in Nepal; and 6 for development of capital markets in Pakistan. Overall, 6 (18%) were rated highly successful, 18 (55%) successful, 8 (24%) partly successful, and 1 (3%) unsuccessful.

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<sup>2</sup> Projects, programs, and technical assistance are rated on a four-point scale of highly successful, successful, partly successful, and unsuccessful.

## B. Project Performance Audit Reports

### 1. Performance Ratings

11. Of the 27 public sector projects evaluated, 4 (15%) were rated highly successful, 19 (70%) successful, and 4 (15%) partly successful. Two (40%) of five projects using the sector loan modality were rated highly successful and the remaining successful. The sector lending approach resulted in the highly successful Third and Fourth Power Transmission (Sector) Projects in Thailand and the successful Tenth and Eleventh Road (Sector) Projects in Indonesia. The highly successful National Air Navigation Development Project in Mongolia generates significant foreign exchange earnings from overflights, and has improved safety and efficiency at Ulaanbaatar airport. Similarly, the highly successful Laiwu Steel Modernization Project in PRC has been a model for modernization in the steel industry and the reform of state-owned enterprises.

12. Twenty-three projects (85%) were assessed as either highly relevant or relevant at appraisal and evaluation (Table 1). On the other hand, project design in three of the other four projects used a top-down and supply-driven approach resulting in some less-relevant components and a limited share of benefits for the intended target groups. Twenty-two projects (81%) were considered to be highly efficacious or efficacious in achieving their purpose and outcomes. At the same time, four agriculture and social sector projects were less efficacious due to weaknesses in design and implementation, which limited achievements towards fulfilling their objective of poverty reduction through employment generation and improved quality of life. Similarly, the Third Local Roads Project in Indonesia was less efficacious since expected improvements in local road maintenance were not realized.

**Table 1: Rating Values of Projects Evaluated in 2002 by Key Performance Criteria**

Rating Value	Relevance		Efficacy		Efficiency		Sustainability		Institutional Development/ Other Impacts	
	No.	%	No.	%	No.	%	No.	%	No.	%
3 (Highest)	12	44	9	33	3	11	1	4	6	22
2	11	41	13	48	19	70	22	81	11	41
1	4	15	5	19	5	19	4	15	10	37
0 (Lowest)	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>27</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>27</b>	<b>100</b>

Source: Operations Evaluation Department.

13. Twenty-two projects (81%) were considered to be highly efficient or efficient in achieving their purpose. Projects rated less than efficient experienced high investment and maintenance costs and low benefits, a lower-than-expected number of beneficiaries, lack of stakeholder ownership, and underutilized project facilities. For 23 (85%) projects, sustaining project benefits over their full useful life was considered likely or higher. Seventeen projects (63%) created a significant effect in terms of institutional or other development impacts. These assessments are much higher than recent years, especially in terms of efficacy, efficiency, and sustainability, which explain the overall success for these projects. Partly successful projects showed marginal rating values in most of the five evaluation criteria.

14. Differences in the rating values across sectors are noted in respect to efficacy, efficiency, and sustainability; 93% of economic infrastructure projects were rated efficacious as compared to 67% for agriculture and social sector projects. Similarly, 100% of economic

infrastructure projects were efficient or better as compared to 58% for agriculture and social sector projects. Ninety-three percent of economic infrastructure projects are likely to sustain project benefits over their full useful life as compared to 75% of evaluated agriculture and social projects. Overall, the results highlight the difficulties of multifaceted design and implementation of agriculture and social sector projects, to fully achieve their development objectives.

## 2. Project Implementation

15. The average planned implementation period, from loan effectiveness to project completion, for all 27 projects was 4.2 years. There was a 2.5-year average delay, higher than the 1.7 years for projects evaluated in 2001 (Appendix 3). Only 2 (7%) projects were completed within the schedule. Four (15%) projects had minor delays of less than 1 year while 11 (41%) experienced delays of 1-3 years. Ten (37%) projects suffered delays of more than 3 years.

16. Projects with delays of 3 or more years appeared across all country groups (Appendix 3, Table A3.1). Group A and C countries experienced an average delay of about 2.9 years. Group B countries showed a 2.2-year average delay largely due to a shorter than average delay in 5 Indonesian projects. The Tenth and Eleventh Road (Sector) Projects in Indonesia were both implemented with a delay of only a year, a significant improvement over four previous ADB-financed road projects in the country which required extensions of 2 years or longer. Economic infrastructure projects experienced a 2.8-year average delay (Appendix 4, Table A3.2). Four energy projects were completed 3 or more years behind schedule. The transport sector showed a 2.2-year average delay following an 8.1-year delay in the Santo Port Project in Vanuatu due to remedial works on design deficiencies. Agriculture and social sector projects, which had significantly longer implementation periods at formulation, showed an average delay of about 2.1 years.

17. Project delays were attributed to a combination of factors including: (i) design changes including additional works and equipment, major changes in scope, and project reformulation (7 projects); (ii) land acquisition and right-of-way problems (7 projects); (iii) delays in fielding of consultants, procurement, and construction works (6 projects); (iv) weather constraints including seasonal monsoons and floods (4 projects); (v) weak implementing agency, including inadequate project and contract management experience and unfamiliarity with ADB procedures (3 projects); (vi) lengthy recruitment process for project staff (3 projects); (vii) project specific delays following the 1997 financial crisis (3 projects); and (viii) security problems and changes in government (3 projects). Individual projects were also affected by difficult site access, slow release of budget funds, and poor supervision.

18. Nineteen projects (70%) were implemented with moderate to substantial cost underrun, with an average cost underrun of 18% (Appendix 4, Table A4.1). Among DMCs, Bangladesh, Nepal and Thailand showed above-average cost underruns. On a sectoral basis, the agriculture and natural resources sector recorded an above-average cost underrun of 32.1% (Appendix 4, Table A4.2). Reasons for project cost underruns included: (i) lower-than-expected project costs through reduction in scope and underutilization of a credit facility (7 projects), (ii) devaluation of local currencies reducing the dollar cost of projects (4 projects); (iii) overestimation of project costs including contingencies at project design (3 projects); and (iv) lower prices of local bidders who won in international competitive bidding (1 project).

19. Eight (30%) projects experienced an average cost overrun of 23%. Four projects in the PRC and the Lao People's Democratic Republic (PDR) resulted in an above-average cost overrun of 37%. There were very high cost overruns for an energy and an industry project. Cost

overruns were attributed to a combination of the following factors: (i) changes in project scope including changes in specifications for required equipment and civil works (7 projects); (ii) higher-than-expected project costs following project delays (6 projects); (iii) underestimation of project costs including required equipment and scope of work at the design stage (2 projects); and (iv) higher-than-expected bids by contractors (1 project). Of the 10 projects with an average delay of more than 3 years, only 2 (20%) experienced a substantial cost overrun while the remainder showed moderate to substantial cost underruns.<sup>3</sup>

20. There is little difference in the success rates of projects evaluated in 2002 in relation to project delays and cost variations. The four partly successful projects experienced a below average 1.6-year average delay; two of them had cost underruns. On the other hand, 10 successful projects, including the highly successful Laiwu Steel Modernization Project in the PRC and the Third Power (Sector) Transmission Project in Thailand, experienced average delays of more than 3 years. Both highly successful and partly successful projects resulted in either moderate to substantial cost underruns or overruns.<sup>4</sup> The longer delay for the more successful projects is partly explained by the fact that some projects were successful owing to reformulation of their initial design, which involved extra time and cost (para. 24).

### **3. Major Findings**

#### **a. Project Formulation and Design**

21. Nineteen projects (70%) were prepared with specific project preparatory work. Of the 19, 14 were prepared with ADB-financed TA, 4 through an ADB TA loan or as part of a loan project, and 1 from an ADB-administered TA grant provided by another multilateral agency. Fifteen (56%) of the evaluated projects were accompanied by 19 TA grants for capacity building and advisory studies.<sup>5</sup> While ADB provision of project preparation assistance has contributed to project success, project experience shows this does not guarantee achievement of all development objectives. Fourteen (74%) of the 19 evaluated projects rated successful benefited from this project preparatory work. However, all four partly successful agriculture projects were also prepared with preparatory TA while only one of the four highly successful projects used such TA. In the highly successful Third and Fourth Power (Sector) Transmission Projects in Thailand, ADB relied on the implementing agency's comprehensive power modeling system, a result of ADB assistance in the early 1980s for introducing modern power system analysis tools in power utilities in Southeast Asia.

22. Of the 27 evaluated projects, performance audits show that 10 projects were appropriately designed with minimal design issues. Project design of the Sixteenth Power (Masinloc) Project in the Philippines proved to be of high quality with virtually no variation from the original design except for rerouting of the transmission line. However, project relevance was reduced due to its failure to contribute in alleviating the power crisis following implementation delay and slower-than-forecast economic growth. In the Jing Jiu Railway Technical Enhancement Project in the PRC, project design had positive impacts on operational costs, train

<sup>3</sup> In 2003, OED is undertaking a SES of project cost estimates.

<sup>4</sup> For the 65 projects evaluated in 2000-2002, 60 had delays which averaged 67% of the planned implementation period; while 18 had a cost overrun averaging 16%. There is no clear relationship between costs overruns, delays and ratings in performance audit reports.

<sup>5</sup> Of the 15 associated TAs rated, 4 (27%) were found highly successful, 5 (33%) successful, 4 (27%) partly successful, and 2 (13%) unsuccessful. If the 33 TAs assessed in the six TPARs are added (para. 10), the rating distribution is 21%, 48%, 25%, and 6%, respectively (compared to 12%, 70%, 18%, and 0% for the projects/programs).

speed, and quality of service. A decision to adopt digital telecommunications resulted in gains in operational efficiency and safety. Similarly, project design of the Junior Secondary Education Project in Indonesia adopted a multifaceted rather than a “single issue” approach to achieve quality improvements in education. The Theun Hinboun Hydropower Project in the Lao PDR was technically well designed. Lack of baseline data at formulation hampered proper design of environmental and social mitigation measures; however, design changes helped achieve desired outcomes. Changes in the highly successful Third and Fourth Power (Sector) Transmission Projects in Thailand further strengthened project relevance. In the Third Local Roads Project in Indonesia, a flexible approach was adopted with only about half of original road links proposed for rehabilitation at appraisal retained. A “sector” rather than the envisaged “project” approach to implementation enabled road link substitutions based upon updated road conditions, traffic demands, and social conditions. The Bangladesh Open University Project used a need assessment survey prior to physical implementation to assess market demand and pinpoint more relevant programs.

23. Seven projects involved moderate design issues. The Third Health (Sector) Project in Malaysia did not adequately focus on creating human resource capacity, an issue at time of formulation. In the Guangdong Tropical Crops Project in the PRC, more rigorous sector work should have been undertaken to study the comparative advantage of project crops, and the need to reduce plantation management costs. Although the Second Aquaculture Development Project in Bangladesh drew lessons from its predecessor and adopted a less complex design, project-specific design issues identified included (i) absence of extension services to develop marketing skills of farmers who benefit from credit access and technology transfer, (ii) lack of attention to safeguarding shrimp culture development to avoid outbreak of diseases, and (iii) absence of support services to improve marketing and food safety requirements for export markets. In the case of the Tenth and Eleventh Road (Sector) Projects in Indonesia, the most common design problem encountered—expansive clay soil base material—was already known to the EA. Some design changes identified before implementation were either not carried out or were insufficient.

24. Major design flaws were identified in 10 projects of which five required key design changes during implementation, including major changes in scope (4 projects), and reformulation (1 project), or supplementary financing.<sup>6</sup> The original design of the Santo Port Project in Vanuatu was not satisfactory, requiring a detailed review of design parameters and remedial works and supplementary financing. In the Laiwu Steel Modernization Project in PRC, there was a timely but significant change in scope in response to market changes. The Nam Ngum-Luang Prabang Power Transmission Project in Lao PDR required variations in technical specifications after detailed design resulting in delays and the need for supplementary financing. The East Rapti Irrigation Project in Nepal was reformulated. The alternative method of rehabilitating farmer-managed irrigation systems was more cost effective and environment friendly than the original design. In the Second Palawan Integrated Area Development Project in the Philippines, unrealistic cost estimates resulted in a major reduction in scope. Project design did not include a rigorous evaluation of the preceding project, which was still ongoing at the time, and similar mistakes were repeated. The major design changes made for the various projects were appropriate, and in a majority of cases resulted in successful projects.

25. All four partly successful projects involved key deficiencies in design. The Second Palawan Integrated Area Development Project in the Philippines, the Second Barani Area Development Project in Pakistan, and the Employment Generation Project in Mongolia were not

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<sup>6</sup> Given the year of the approval of these 10 projects, only 1 included a logical framework, that is now mandatory.

effective in reaching out to the majority of their intended beneficiaries. In the Employment Generation Project, design had little focus on incentives and institutional capabilities of financial intermediaries to tailor subloans to the target group. Other major design issues identified included (i) geographically dispersed subprojects with no synergistic effects in the Road Improvement Project in India, (ii) insufficient private sector role in the Technical Education and Vocational Training Development Project in Nepal, and (iii) overemphasizing physical targets in monitoring without focusing on project benefits for the Second Palawan Integrated Agriculture Development Project in the Philippines.

## **b. Public Sector Reform**

26. Most projects evaluated in 2002 involved continued policy dialogue, sector restructuring, and policy reforms to ensure sustainability of project impacts. In the Theun Hinboun Hydropower Project in the Lao PDR, sustainability of a comprehensive mitigation and compensation program had to be enhanced by (i) building more ownership at village level, (ii) taking steps to establish savings and credit schemes, (iii) encouraging increased female participation in livelihood activities and their management, and (iv) improving collaboration with local government units. On the positive side, experience with this project can serve as a model for a successful public-private partnership.

27. Corporatization, including greater ability to independently take key decisions on tariffs and maintenance expenditures, was an issue in the Santo Port Project in Vanuatu. In the Jing Jiu Railway Technical Enhancement Project in PRC, project experience indicates moderate progress in organizational structure, tariff setting, and accounting reforms. With assistance from ADB and other development agencies, the Ministry of Railways has been studying different models of commercializing railways operations.<sup>7</sup> In the Laiwu Steel Modernization Project in the PRC, Laiwu Iron and Steel Company achieved a high degree of independence from the Government and had improved governance practices.<sup>8</sup> In the North Madras Thermal Power Project in India, several positive steps were taken by the Government to restructure the power sector including depoliticization, implementing tariff reforms, and ensuring commercial viability in distribution by creating profit centers and privatizing or handing over distribution to franchisees or user associations. The Ulaanbaatar Airport Development and National Air Navigation Development Projects and related TA successfully introduced reforms to Mongolia's civil aviation sector. As a result, the sector operates broadly to international standards and the Civil Aviation Authority is profitable with a high level of autonomy and qualified and highly professional staff.

28. The Guangdong Tropical Development Project in the PRC contributed to institutional change in the General Bureau of Guangdong Land Reclamation and Farm Enterprises (General Bureau) by exposing it to commercial operation practices. The General Bureau is now responsive to market price signals and continues to reduce costs through labor saving production, and research and development. Expected corporatization of agro-processing enterprises was partly achieved. In Indonesia, major changes have taken place in road sector institutional arrangements since completion of the three evaluated road projects. Most road responsibilities are being decentralized. Planning, financing, and executing the development,

<sup>7</sup> The OED mission observed a consensus among officials interviewed of the need to reform the Ministry of Railways towards separation of its government function, introduction of more competition into railway operations, and strengthening of its role in regulation and supervision.

<sup>8</sup> Its listing on the Shanghai Stock Exchange in 1997 helped instill a greater sense of financial discipline and accountability among management and employees. However, there are some areas where the Government is still perceived to be influencing commercial decisions.

rehabilitation, and maintenance of provincial and district roads will be carried out by autonomous local governments with or without the central Government. Project experience in the Philippines shows that integrated agriculture development projects are better implemented by local governments, which are more attuned to the needs of their constituents and delivery of project benefits.

29. In the East Rapti Irrigation Project in Nepal, the reformulated project, with its emphasis on farmer participation and management, helped shift policy to helping farmer-managed irrigation systems.<sup>9</sup> Subsequent projects have better defined procedures for selecting such schemes and for involving farmers in all aspects of the development process. Cost recovery through irrigation service fees from project beneficiaries still needs to be effectively institutionalized.

### **c. Stakeholder Participation and Participatory Process**

30. Project experience reiterates the critical role of stakeholder participation in addressing sector/thematic concerns, particularly for agriculture projects. The evaluation of the East Rapti Irrigation Project in Nepal showed that farmer participation should be strengthened at all stages of the project cycle. Irrigation facilities should be provided only after project beneficiaries are willing to manage their operations and a strong water user association is formed. Construction quality control should be strengthened through effective monitoring by beneficiaries. Farmers need to be assisted in realizing their potential to assume greater responsibility for operations and maintenance of constructed structures and facilities, and entrusted with responsibilities ranging from identifying subprojects to decision making. Before turnover of project facilities, a project operational plan should be developed for at least initial years, particularly for relatively large farmer-managed irrigation systems.

31. The Second Palawan Integrated Agriculture Development Project in the Philippines was designed when beneficiary participation was not commonly used. Subproject designs were not suited for local conditions while absence of proactive participation by concerned EAs led to the repetition of problems experienced under the first project. Lack of ownership by farmers was also a primary cause of the poor performance of the communal irrigation systems component. The use of a top-down approach in subproject design with beneficiaries being informed of investment decisions led to weak ownership of subprojects and poor sustainability. A better alternative is to let beneficiaries participate in subproject decisions, and share cash investments.

32. In the Second Barani Area Development Project in Pakistan, project design included community mobilization, nongovernment organizations (NGOs), and a women's extension program. However, measures to ensure successful implementation were not developed, resulting in minimal project impact on local communities and women. Project experience also showed that inclusion of numerous training programs may not have the desired social impact if training (i) is not based on beneficiary demand, and (ii) is not aimed at building up long-term capacity in local communities with continued support after training. At the same time, research institutes should be encouraged to develop suitable technologies that match prevailing conditions on most farms instead of aiming at highest possible yields under ideal conditions, which are not accessible by farmers.

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<sup>9</sup> The Government recognizes that the development of farmer-managed irrigation systems is essential for sound and sustainable water resources management. Key sector issues include institutional capability, operations and maintenance sustainability, and coordinated agricultural support.

#### **d. Private Sector Development**

33. Five of the 15 infrastructure projects supported private sector participation by: (i) catalyzing external and domestic resources (1 project), (ii) creating a favorable environment for the private sector including support for policy, statutory, regulatory, and fiscal reforms (2), and (iii) privatizing public sector enterprises (2). The financing of the Theun Hinboun Hydropower Project was a pioneering effort in promoting private sector participation and the largest commercial financing package in Lao PDR at the time. As lead coordinating agency, ADB provided financial and legal advice and helped develop the policy framework. The project provides a model for effectively combining multilateral and bilateral aid and establishing a successful public-private partnership. Beneficial impacts include technology transfer through on-the-job training. The creation of a private company also produced experience in working with private sector partners for Electricite du Laos staff who served on its Board. In the Ulaanbaatar Airport Development and National Air Navigation Development Projects in Mongolia, the subsidiary objective of fostering private sector air services was achieved. Policy changes opened up the air transport industry to both private international and domestic airlines. At evaluation, there were five private sector air service operators offering charter services.

34. Privatization was an unresolved issue in two projects. ADB supported a restructuring program by the National Power Corporation (NPC) in the Philippines under which generation and transmission companies would be privatized wholly or partially. While privatization would not solve all the problems of the Philippine power sector, such as high tariffs and low supply reliability, a well-crafted and transparent privatization program could remove institutional and political barriers that hinder development of a competitive electricity market. At evaluation, the timetable for privatization has been postponed several times. In the highly successful Laiwu Steel Modernization Project in the PRC, ADB provided advisory services to assist in privatization. The listing of the Laiwu Iron And Steel Company on the Shanghai Stock Exchange took longer than expected and with the Government still owning 78% of the shares, no further progress towards full privatization has been achieved. At evaluation, it was understood that preliminary talks were held with some international steel-making companies to take a strategic shareholding, as part of the next phase of expansion and privatization.

35. The social sectors continue to benefit from private sector involvement in the operation of social facilities such as schools and health centers. In the Third Health Sector Project in Malaysia, the rising cost of free-to-user public health care and some systemic problems in the relation between public and private health care sectors led to the conclusion that health financing issues, as well as regulation of and cooperation with the private sector, that competes for scarce human resources, need continued government attention. Human resource planning in the context of staff shortages and competition with the private sector is an important component of any program to expand public health care. In the Technical Education and Vocation Training Development Project in Nepal, Government needs to closely monitor the private sector whose role as major provider of technical education and vocational training is increasing. Accredited private schools account for 75% of enrollment and 90% of schools. Lower per unit recurrent and capital costs than those of public schools make private schools more effective in providing such training, although of a somewhat lower quality. In the agriculture sector, the evaluation of the Second Palawan Integrated Agriculture Development Project in the Philippines cites the potential role of private investments in the development of communal irrigation systems. Past experience shows the tendency of public investments in such systems to be overdesigned resulting in inefficiencies and poor sustainability. Due to their small size, most systems benefit a small number of better-off groups instead of the poor. With simple design and using local materials, private investors can build the systems quicker, cheaper, and with better ownership

and sustainability. In the Guangdong Tropical Development Project in the PRC, privatization measures to improve efficiency were ineffective where worker's shareholding participation was not accompanied by incentives for higher productivity, or where enterprises were not financially viable.

#### e. Environment

36. Eight projects, including one intended to address the thematic concern of environment,<sup>10</sup> had either positive or no adverse environmental impacts. The Metro Cebu Water Supply Project in the Philippines resulted in conservation of freshwater resources and reduction in groundwater exploitation. Minor negative impacts were mitigated to acceptable levels, including wastewater management. Three education projects helped raise environmental awareness by discussing environmental issues in their program. The reformulated East Rapti Irrigation Project in Nepal concentrated on rehabilitating farmer-managed irrigation systems thereby avoiding the adverse effects on Royal Chitwan National Park downstream of initially envisaged water diversion from the Rapti river. Construction of flood protection dikes and developing 300 hectares of community forest helped stabilize the river embankment. The Second Barani Area Development Project in Pakistan had negligible influence on the environment. Better impact would have been generated if watershed management had been used to optimize water resource use and stabilize soil erosion in the catchment area, and if the social forestry component had directed tree planting to the most critical areas rather than focus on plant nurseries. The Second Aquaculture Development Project in Bangladesh promoted aquaculture practices designed to minimize harmful environmental impacts on vegetation, water, soil salinity, and cropping patterns. Recommended quantities of fertilizers and feed supplements were low. Nonetheless, some environmental risks were identified, including inadequate water management and application of target-specific chemicals.

37. Nine projects were found to have negative environmental impacts for which mitigation measures were required. In the Theun Hinboun Hydropower Project in the Lao PDR, considerable environmental impacts became apparent at the start of operations in 1998. At project completion, some impacts were not mitigated to the satisfaction of ADB. To rectify the situation, a 10-year mitigation and compensation program was formulated and is being implemented. The Laiwu Steel Modernization Project in the PRC invested \$74.5 million for process technology and equipment for environmental protection and pollution control, and for the monitoring of industrial pollutants. The equipment is well maintained and operating effectively. Pollutant emissions from the steel works have been significantly reduced. Expensive soil erosion control measures is one of the main reasons for the relatively high cost of the Jing Jiu railway in PRC. Various sewerage plants for railway workshops and depots were reported to be operating well, while littering was evident but limited in scope. In the Sixteenth Power (Masinloc) Project in the Philippines, environmental protection was well incorporated in project design, and state-of-the-art environmental monitoring equipment was provided. In addition, ADB TA enhanced NPC's in-house capacities in environmental monitoring and management as evidenced by well-equipped and well trained environmental management department, and the conformity of the power plant's air and water emissions with national standards. In the Third and Fourth Power Transmission (Sector) Projects in Thailand, the implementing agency has made

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<sup>10</sup> The Second Land Resource Evaluation and Planning Project in Indonesia involved a direct positive environmental impact. The data base and maps produced—in particular maps of environmentally sensitive areas, land suitability, and land use—are essential tools for the formulation of sustainable long-term development plans in the provinces. These maps will help prevent adoption of initiatives (such as cropping, forest, and mining concession allocation) that are likely to lead to environmental degradation through erosion, loss of soil fertility, siltation of water bodies, and downstream flooding.

considerable efforts in recent years to address environmental issues with lignite mining and power generation at Mae Moh. In the North Madras Thermal Power Project in India, the power plant is meeting environmental standards for emissions and ash disposal. However, an environmental issue was raised by local fisherfolk with respect to the impact of fish in the area of hot water discharged to Ennore creek. The implementing agency is now preparing an \$8 million project for intake and discharge of cooling water near Ennore port.

#### **f. Resettlement**

38. Two energy projects involved involuntary resettlement of about 1,300 families. Both projects were prepared at the time when ADB had yet to develop its own resettlement policy. Rehabilitation measures under the North Madras Thermal Power Project in India were generally satisfactory. Resettled areas and amenities provided by the Tamil Nadu Electricity Board were of good standard, especially when compared with original sites of the displaced families. Consequently, a number of sites attracted others and have grown beyond the originally envisaged responsibility of the power plant under the resettlement plan. The power utility has recruited a sociologist and an environmental engineer as permanent staff to deal with routine programs on education, public health, and income generation.

39. In the Sixteenth Power (Masinloc) Project in the Philippines, NPC developed a resettlement program in collaboration with the municipality of Masinloc. After initial problems, the resettlement was handled satisfactorily. The resettlement program has been fair, comprehensive, and socially responsible albeit with problems in terms of drinking water availability, economic opportunities for affected families, land ownership, and disputes over compensation amounts. NPC provided two livelihood programs, one managed by the relocatees and another by the local government. The latter has been well run while the former failed for various design and implementation reasons.

40. Impacts from the operations of the Theun Hinboun Hydropower Project in the Lao PDR affected 3,000 households. There was no involuntary relocation of households, although riverbank gardens and houses needed to be relocated due to higher water level or erosion of the banks. The 10-year mitigation compensation program, prepared by the new Environment Management Division of the Theun Hinboun Power Company, is very comprehensive and ambitious and adopts best practices in terms of participation and building ownership. Implementation is being compressed between 2001 and 2006, taking into account ADB's policy and experience on involuntary resettlement.

41. The Jing Jiu Technical Railway Enhancement Project in the PRC partly financed construction work on Jing Jiu railway. The project as a whole involved the acquisition of 10,800 hectares of land and the resettlement of about 211,000 persons, 10 schools/clinics, and several factories. The Ministry of Railways, with assistance from ADB, carried out land acquisition and resettlement in accordance with the law and generally accepted practices. These included (i) careful selection of the railway route to avoid densely populated areas, (ii) ensuring relocatees are at least as well off as without Jing Jiu railway, (iii) land and housing compensation based on market rates, and (iv) assistance in restoring the livelihood of relocatees. Most affected families, schools, and enterprises have been satisfied with compensation received and enjoy better living and working conditions after resettlement. Resettled persons were given top priority in employment related to construction and operation of Jing Jiu railway.

### **g. Poverty Reduction**

42. Project areas benefited mainly from improved economic opportunities, including access to productive resources (23 projects), employment (23), economic infrastructure (18), and markets (16), and increased knowledge in terms of training (12), skills (15) and information and technology transfer (15). Of the 27 projects evaluated in 2002, 5 addressed thematic concerns of poverty directly and 6 addressed human development either as a primary or secondary concern. Agriculture and social sector projects contributed to improved well-being through enhanced income or social security (six), food security and nutrition (four), and basic health (four). All five poverty reduction projects were in the agriculture sector and aimed to create jobs and other income-generating opportunities. Overall, poverty impacts were found to be less than expected due to the lack of appropriate instruments and institutional arrangements to target the poor.

43. Implementing a project in a poor region does not automatically result in significant impact on poverty reduction if specific measures are not taken to ensure an appropriate distribution of benefits for the poor. In the Second Barani Area Development Project in Pakistan, a major portion of the subsidies went to large landholders who were also eligible for assistance. The high subsidies attracted non-target groups while a 25% investment cost requirement for farmers placed target groups without access to capital or long-term loans in a disadvantageous position. Smallholders and landless poor can easily be bypassed by public assistance that focuses solely on technology improvement. On the other hand, free provision of inputs to farmers may lead to closure of services at project completion. Project design should aim at long-term operations of the services introduced and use funds during implementation to build local institutions and capacities to sustain such services.

44. In the Second Palawan Integrated Agriculture Development Project in the Philippines, subproject design resulted in the implementation of uniform components across vastly different subproject sites, thereby restricting the effectiveness of subproject investments. Project experiences highlight difficulties in designing a poverty intervention suitable for all subproject sites since causes of poverty and opportunities for poverty reduction vary considerably across villages. Multiple interventions are needed for rural development and poverty reduction. To achieve real synergies, integration of project activities should be based on client demand and conducted at village level instead of allowing different line agencies independently to implement different project components. In the context of decentralization, projects are better implemented by local governments. Project monitoring should focus on project benefits rather than physical targets so as to draw attention to the purpose of public investments. Project benefit monitoring will be most effective and efficient if local governments and communities are provided strong incentives to monitor. Capacity building for local government and social preparation for the poor should be conducted prior to physical investment. Careful arrangements for effective implementation of poverty reduction activities such as NGO engagement and community development is necessary to achieve desired social impacts.

45. Project experience also shows credit may not have desired social impacts if appropriate arrangements are not made to develop borrower groups and microfinance institutions that can deliver microfinance services to the poor. In the Employment Generation Project in Mongolia, the number of jobs created was limited due to the low number of subloans. NGOs were at a nascent stage and not experienced enough to mobilize microenterprise borrowers. At the same time, participating commercial banks did not reduce the transaction costs to expand their outreach to the poor. Similarly, the commercial orientation of the implementing agency in the

Guangdong Tropical Crops Development Project in the PRC provided little incentive to engage in poverty-focused activities.

#### **h. Gender**

46. Most projects did not aim to address gender issues. Nonetheless, 12 (44%) projects show positive impacts on gender issues particularly in the agriculture and social sectors. The women in development component in the Second Palawan Integrated Agriculture Development Project in the Philippines benefited some low-income women. However, the component would have generated stronger long-term impacts if it had focused on providing long-term microfinance operations. Evaluation of the Third Health (Sector) Project in Malaysia showed that maternal mortality remained low and utilization of mother and child health services was excellent. The Technical Education and Vocational Training Project in Nepal gave women greater access to project schools. Similarly, the Bangladesh Open University Project also gave women greater access to education, particularly those who married early or could not attend formal schooling. Forty percent of the school enrollment was female. Gender equity issues were adequately addressed and mainstreamed in the Junior Secondary Education Project in Indonesia as evidenced by the increased number of female students and teachers. Improved access to water as a result of the Metro Cebu Water Supply Project in the Philippines allowed more time for productive tasks to both men and women.

#### **i. Access to Credit**

47. Two evaluated projects highlighted shortcomings in the design and implementation of credit operations. In the Second Aquaculture Development Project in Bangladesh, there was no systematic link between extension services and delivery of credit following a decision to provide credit beyond areas covered by the project extension services. The participating banks conducted their lending with little coordination with the implementing agency. Credit recipients were largely unsupervised and not required to adopt aquaculture practices that the project aimed to improve. Overall loan recovery was poor to moderate. A large number of subborrowers were inexperienced operators, and this led to substandard outputs. At the same time, the participating banks had limited experience and modest technical knowledge in aquaculture and were reluctant to lend to aquaculture farms. While it was expected at appraisal that 90% of the credit line would be used for term investment loans, actual credit delivery largely comprised short-term working capital loans. Short-term lending reflected the risk awareness of the participating banks and the limited working capital requirements of aquaculture farms that do not require upfront investments.

48. Evaluation of the Employment Generation Project in Mongolia highlighted two key issues in micro credit delivery: (i) outreach to the poor, and (ii) trade-off between financial viability and outreach to the poor. Project experience shows lending to micro-enterprises requires special lending modalities. Loan products, disbursements, and repayment mechanisms need to be designed according to the demands of the poor. This involves determining appropriate loan amounts, loan terms, collateral requirements or substitutes, and possibly, compulsory savings or group contributions requirements. Loan repayment by the poor should be based on cash flow patterns of borrowers or small and frequent installments. Loan purpose should be flexible because the poor have many unmet needs and fungibility of money means the loan being used for other purposes. As the poor often have very few assets, alternative collateral or collateral substitutes should be developed such as group guarantees, compulsory savings, or contributions. The reorientation of the project through the attached TA demonstrated the effectiveness of flexible implementation. The pilot scheme for savings and credit cooperatives

(SCCs) had a multiplying effect, and SCCs became mainstream micro-finance institutions in Mongolia. The operational guidelines for SCC developed under the TA are used not only for project SCCs but also other independent SCCs created after the project.

**j. Sustainability**

49. Twenty-three (85%) of the 27 projects evaluated in 2002 are likely or most likely to sustain net benefits at their expected levels (Table 2). Four (15%) projects, including two successful projects, risk sustaining net benefits at significantly lower levels. These projects include two in Indonesia, one in Philippines, and one in Bangladesh. On a sector basis, three are in the agriculture sector and one in road transport. In the Third Local Roads Project in Indonesia, improved road links may deteriorate and fall short of design life due to delayed or inadequate road maintenance. Failure to include side drains has added to road maintenance demands. While funding appears to have been maintained, there are concerns that some local authorities may not devote sufficient funding in future to maintain roads for which they are now responsible. In the Second Palawan Integrated Agriculture Development Project in the Philippines, the communal irrigation system component suffers from inadequate maintenance, due to farmers’ lack of ownership or willingness to pay for operations and maintenance. Other project facilities have also either ceased operations, fallen into neglect, or are deteriorating.

**Table 2: Sustainability of Evaluated Projects**

Rating	Highly Successful	Successful	Partly Successful	Unsuccessful	Total
Most likely	4	1	0	0	5
Likely	0	16	2	0	18
Less likely	0	2	2	0	4
Unlikely	0	0	0	0	0
Total	4	19	4	0	27

Source: Operations Evaluation Department

50. The Second Land Resource Evaluation and Planning Project in Indonesia met its national-level objectives of capacity improvement and coordination at central agencies but had limited impact in the provinces, which have now become the focus of decentralization. Provincial offices have limited capacity and budget to operate, maintain, upgrade, or replace equipment for digital base mapping. Commitment to spatial planning and support for digital mapping and data management appears to be eroding. In the Second Aquaculture Development Project in Bangladesh, environmental risks have also emerged due to inadequate spatial and water management in shrimp and prawn farming. Benefits of flood plain enhancement can be tapped and sustained once issues concerning management, access, and tenure rights of water bodies are resolved with arrangements to allow distribution of costs and benefits. Arrangements for floodplain fisheries enhancement are complex and require stakeholder partnerships that suit local conditions.

51. Projects likely to be sustained exhibited one or more of the following characteristics: (i) continuing demand for their products and services; (ii) financially viable investments including project facilities being well maintained by all stakeholders; (iii) good quality of design, equipment, and civil works; (iv) generally satisfactory performance of implementing agencies

including adequate technical, financial, and management capability to meet operations and maintenance requirements; (v) periodic inspection and maintenance of project facilities including timely allocation for repair or replacement of deteriorating facilities and preventive maintenance; (vi) enabling sector and policy environment; (vii) adoption of well-proven technology; (viii) sourcing of spare parts from domestic suppliers to ensure their availability at least cost; and (ix) strong government commitment to institutional and financial sustainability of the project including cost recovery and recurrent budget requirements

#### 4. Assessment of ADB and Borrower Performance

52. For the 27 evaluated projects in 2002, ADB fielded 293 review and other project administration missions. ADB performance was assessed as satisfactory or better for 23 (85%) projects, and borrower performance for 21 (78%) projects (Table 3). Evaluation experience highlighted the critical role of ADB and borrower performance in project success. ADB performance was rated satisfactory or better for all but two of the projects rated successful or higher. Borrower performance was rated satisfactory or better for all but three such projects. For two of the partly successful projects, ADB performance was only partly satisfactory or worse, while borrower performance was only partly satisfactory for three partly successful projects.

**Table 3: ADB and Borrower Performance**

Performance Rating	Project Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
<b>ADB</b>	<b>4</b>	<b>19</b>	<b>4</b>	<b>0</b>	<b>27</b>
Highly Satisfactory	2	3	0	0	5
Satisfactory	2	14	2	0	18
Partly Satisfactory	0	2	1	0	3
Unsatisfactory	0	0	1	0	1
<b>Borrower</b>	<b>4</b>	<b>19</b>	<b>4</b>	<b>0</b>	<b>27</b>
Highly Satisfactory	3	3	0	0	6
Satisfactory	1	13	1	0	15
Partly Satisfactory	0	3	3	0	6
Unsatisfactory	0	0	0	0	0

Source: Operations Evaluation Department

53. Midterm reviews were conducted for only 10 of the 27 evaluated projects. Two of these were rated partly successful and eight successful. The other two partly successful projects did not have a midterm review; they were subject to both delay and cost overruns. On the other hand, none of the highly successful projects had a midterm review either.

54. ADB performance could have been improved with (i) more involvement during initial years of implementation including spacing of review missions to provide better balance in earlier years (Third Health (Sector) Project in Malaysia, Junior Secondary Education Project in Indonesia); (ii) greater continuity of ADB personnel (Nam Ngum Luang Prabang Power Transmission Project in the Lao PDR, Second Barani Area Development Project in Pakistan, Second Palawan Integrated Area Development Project in the Philippines); and (iii) better monitoring of services to the poor (Metro Cebu Water Supply in the Philippines, Second Barani Area Development Project in Pakistan, Second Palawan Integrated Area Development Project in the Philippines).

55. A high degree of ownership by the borrower to manage procurement and construction, and financial sustainability, are critical to project success. Operations evaluation found borrower performance could have been improved with (i) rationalized internal system and procedures to avoid contract delays (North Madras Thermal Power Project in India), and (ii) an appropriate project performance monitoring system (National Air Navigation Development and Ulaanbaatar Airport Development projects in Mongolia). At the same time, the likelihood of project success increased when borrowers adopted a flexible approach to changing situations (Laiwu Steel Modernization in the PRC) and provided appropriate resources from project preparation to implementation (Laiwu Modernization Project, National Air Navigation Development and Ulaanbaatar Airport Development projects in Mongolia, Second Aquaculture Development Project in Bangladesh). Borrower actions ensuring commitment to sustain project facilities after completion, through sufficient allocation for operation and maintenance or encouraging cost recovery, were mixed (Junior Secondary Education Project in Indonesia, Technical Education and Vocational Education Training Project in Nepal, Second Aquaculture Development Project in Bangladesh).

## 5. Lessons Identified

56. The projects evaluated in 2002 were approved from 1986 to 1995, and were completed from 1997 to 1999.<sup>11</sup> Project-specific lessons from evaluation, to improve efficacy, efficiency, and sustainability, are similar to those identified in earlier years: (i) project design and implementation should be strengthened, (ii) policy and sector issues, including poverty reduction, resettlement, environment, privatization, access to credit, cost recovery, and maintenance, should be adequately addressed; and (iii) monitoring and feedback during implementation should be improved.

57. Future project preparation should ensure strong country ownership with clear responsibilities for counterpart government agencies, realistic market demand projections to avoid over-investment and low returns, and realistic implementation schedules. Multiple EAs complicate project design. A smaller number of EAs would allow more focus on improving outcomes, and less on procurement, logistics, and coordination. There should be careful estimation of project costs and contingencies.

58. Evaluations highlight the need for responsiveness to user demand in defining project activities and flexibility during implementation. Land acquisition, right-of-way issues, and granting of necessary clearances from various government departments should be addressed before loan effectiveness to avoid front-end delays. Both the state-owned NPC in the Philippines and the joint venture agency of the Theun Hinboun Power Project in the Lao PDR showed flexibility by adjusting to environmental and social concerns during implementation.

59. Subproject design should focus on building up local capacity and letting local governments and communities determine subproject interventions suitable to their conditions. Smallholder and landless poor can easily be bypassed by public assistance based solely on technology improvements. Multiple interventions are needed for rural development and poverty reduction projects. Local communities are in the best position to know who and what are the key factors underlying poverty, and to make a judgment of what measures are workable. There are dynamic individuals among the poorest who could be trained for social mobilization.

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<sup>11</sup> The Tenth Road Sector Project in Indonesia was completed in 1994 but was evaluated together with the Eleventh Road Sector Project.

60. For poverty reduction, appropriate intermediaries should be selected that have incentives and capabilities to carry out appropriate interventions. Income generating opportunities are not equitably distributed when financial viability of the operating entity is at stake. In the case of the Metro Cebu Water Supply Project in the Philippines, the terms of the soft loan were not passed on to the implementing agency, hence there was no clear incentive to improve accessibility to water of the urban poor. In the social sectors, ADB interventions for capacity building or self-sufficiency should focus on activities with good employment potential for the poor, and those such as nonformal and continuing education that can improve skills of poor and disadvantaged groups.

61. Access to credit requires differentiating microenterprises from small and medium enterprises, prudent institutional assessments, and adequate technical capabilities of financial intermediaries for microcredit delivery. Alternative institutions can be considered as in the case of savings and credit cooperatives in Mongolia, which proved better than commercial banks in generating adequate loan volume to targeted microenterprises.

62. Better monitoring and evaluation processes need to be incorporated into projects during their preparation. There are four important factors. First, sufficient staff resources must be allocated. Second, monitoring and evaluation should begin before project start-up, to collect essential baseline data and to monitor early project activity properly. Third, monitoring and evaluation processes should record not only what was achieved, but also how it was done. Fourth, monitoring and evaluation should capture not only inputs and outputs but also impacts and sustainability.

63. For projects with a potential for adverse environmental impacts adequate baseline data should be gathered and a comprehensive mitigation program designed. Qualified and adequately staffed social and environmental monitoring units should be in place prior to and during project implementation to monitor the impacts and take proactive mitigation actions in a timely manner.

## **6. Project Completion Report and Performance Audit Report Ratings**

64. The project completion reports (PCRs) for all the public sector projects for which PPARs were prepared in 2002 were circulated to the Board between 1997 and 2001. Appendix 5 indicates the difference between the four-point scale used at performance audit and the three-point scaled used at completion. Of the 19 projects rated generally successful in the PCRs, PPARs classified 15 projects successful and 4 highly successful (Table 4). The evaluations confirmed the partly successful ratings of four projects but reclassified another four to the successful category. The lack of any downgrading and the extent of upgrading of PCR ratings are unusual.<sup>12</sup> This is attributable to improving quality of PCRs and a greater focus on sustainability of performance audits.<sup>13</sup> Three of the projects rated partly successful in the PCRs were assessed as equally or more sustainable by the PPARs. A fourth project, although not designed as a poverty intervention, generated a high economic return where incomes were lowest in the country, generating a substantial poverty reduction impact.

<sup>12</sup> For all projects evaluated using the four-point scale from 2000-2002, there were 11 downgrades from PCR ratings and 8 upgrades. The 11 downgrades from the previous three-point scale were all by a clear rating category. There were upgrades from partly successful to successful. Some of them might have been classified as successful anyway at completion if the four-point scale had been applied at that time.

<sup>13</sup> Being prepared about 2 years after PCRs, PPARs have a firmer basis for assessing sustainability of project benefits.

**Table 4: Comparison of PCR and PPAR Ratings**

PCR Rating	PPAR Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
GS/HS/S	4	15	0	0	19
PS	0	4	4	0	8
US	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>19</b>	<b>4</b>	<b>0</b>	<b>27</b>

GS=generally successful, HS=highly successful, PCR=project completion report, PPAR=project performance audit report, PS=partly successful, S=successful, US=unsuccessful.

Source: Operations Evaluation Department

## 7. Highly Successful and Partly Successful Projects

65. All four highly successful projects evaluated in 2002 were growth projects that required less coordination among a limited number of stakeholders, mostly implementing agencies. Implementation experience indicates the following commonalities: (i) economic infrastructure type projects, including two power projects, and one airport project; (ii) above-average performance in terms of sustainability; (iii) above-average ADB and Borrower performance; and (iv) clear project ownership (Table 5). Flexibility during project implementation enabled the Laiwu Steel Modernization Project in the PRC to address a major design flaw, respond to changed market demands, and substantially exceed its development objective.

**Table 5: Features of Highly Successful and Partly Successful Projects**

Characteristics	Highly Successful (4 projects)	Partly Successful (4 projects)
Sustainability	Most likely (4 projects)	Likely (2), less likely (2)
ADB Performance	Highly satisfactory (2), satisfactory (2)	Satisfactory (2), partly satisfactory (1), unsatisfactory (1)
Borrower Performance	Highly satisfactory (3), satisfactory (1)	Satisfactory (1), partly satisfactory (3)
Sector	Airport (1), power (2), industry (1)	Agriculture (4)
Project ownership	Strong	Weak

ADB=Asian Development Bank

Source: Operations Evaluation Department

66. Three of the four partly successful projects involved a number of different components to address the needs of diverse beneficiaries. Implementation was more complicated, requiring direct measures to address social concerns (in particular reducing poverty), beneficiary participation, access to credit, and agricultural support. Accordingly, implementation required increased coordination among a larger group of stakeholders, including decentralized implementing government agencies, local communities, farmer beneficiaries, and NGOs. There were weaknesses in design and implementation that resulted in weak project ownership.

## C. Program Performance Audit Reports

### 1. Performance Ratings

67. Six programs were evaluated in 2002. Four of them, approved between 1993 and 1996, were rated successful. Two, approved in 1994 and 1995, were rated partly successful. For

reasons indicated below, the rating for one of the programs was reduced from generally successful (three-point scale) in the PCR to partly successful (four-point scale) in the PPAR. The rating for another program was downgraded marginally from highly successful to successful, but close to a highly successful rating. On the other hand, one program was upgraded from partly successful to successful. The PCR ratings for the other three programs were confirmed.

68. The six programs evaluated in 2002 were all designed with two-tranche loans, the predominant design until very recent years. On average, there were 53 program conditions. However, this average is affected by the large number of conditions—well over 100—for one program. The average number of conditions for the other five programs was 39. Three of the programs were front-loaded with substantial numbers of conditions for first tranche release. For second tranche release there were only 8 conditions on average. Two programs were significantly delayed in completing their agendas. Across all six programs, only 17 out of 316 conditions were not met by program completion and only 2 out of 49 second tranche release conditions were waived (Appendix 5).

## **2. Specific Findings**

### **a. Agriculture Sector Program, Mongolia**

69. Three of the evaluated programs were for the agriculture sector in economies undergoing transition. The Agriculture Sector Program in Mongolia was approved when the Government needed urgent budgetary support. Central planning and the state order system had already been abolished. ADB-financed investment projects in agriculture were postponed in favor of pursuing the reform process. Its purpose was to promote and support competitive markets in the agriculture sector, especially crop production, while dealing with social and environmental concerns. The Government was actively involved in program design, which covered a large number of policy components. These included farm privatization, price liberalization, and promoting markets for land-use rights. The program also included measures to vitalize agricultural financing, establish extension systems, and support extensive livestock production. Substantial resources were allocated for two accompanying TAs, for institutional strengthening in the agriculture sector and strengthening land use policies, as well as a TA for a study of livestock production systems. Of 30 policy conditions, 21 were accomplished, and 8 were partially accomplished; 1 was not met. The program was rated partly successful.

70. The program contributed to improvements in the policy and regulatory framework for, and the capacity of staff in, the agriculture sector. Reforms relating to further price liberalization, the development of land use rights, and, although delayed, further farm privatization are likely to be sustained. However, the promotion of market reforms did not always result in improved sector efficiency. Without post-privatization support, the elimination of farm subsidies contributed to a decline in wheat production, where government interventions have been resumed, and the sustainability of the extension system is in doubt. There were two policy reversals. Because of unfavorable weather conditions, an ineffective form of state fodder reserve has been reconstituted and because of a lack of commercial lending, the Government has re-intervened in agricultural financing. The evaluation has yielded significant lessons. Liberalization by itself may not deal with all constraints to improving farm efficiency. The withdrawal of subsidies, in Mongolia for wheat production, needs to be accompanied by effective technical advice and financial services. Finally, although poverty impact assessments raise awareness of possible negative effects, program-level mitigation measures may be

relatively superficial. It may be better if essential poverty-reduction measures are designed as supplementary projects alongside, rather than within, the program.

#### **b. Agriculture Sector Program, Viet Nam**

71. The Agriculture Sector Program in Viet Nam supported an ongoing comprehensive reform process in which land use rights for agricultural households as the main production unit had been well established. The overall goal of a dynamic and diversified agriculture was to be achieved through sustaining sector growth, improving efficiency in production and processing, and strengthening rural equity. The program was designed very broadly with policy components focused on improving market orientation and efficiency, improving rural financial intermediation, and reforms in land tenure and agricultural taxation. There were two accompanying TAs, for a study of rice market policy options and a study of land information systems and agricultural taxation. Eight government agencies were involved in implementing the program measures. There were 45 program conditions. Two were modified for second tranche release; all other conditions were fulfilled. Overall, the program was rated successful, bordering on the highly successful.

72. Agricultural growth was sustained throughout the program period and beyond. The strong growth in agricultural production and exports helped dramatically improve living standards for rural households. The program was formulated with strong support from the Government, and did not involve major changes from ongoing policies. Together with the TA policy analysis, it contributed to the removal of formal restrictions on the marketing of rice and fertilizer, the allocation of land use rights including improved gender equity, and enhanced financial performance of the agriculture and rural development bank. There has been a dramatic increase in rice production and exports; Viet Nam is now the world's second largest rice exporter having been a net importer. However, the program scope was too broad, and some of the conditions insufficient to meet their objectives. Despite the removal of restrictions, private sector involvement in rice export and fertilizer import remains minimal. State-owned enterprises still limit competitors' efficiency and innovation; land information systems and management still need strengthening; and credit supply still does not meet demand in all rural areas. Loan proceeds were used largely to support an uncompetitive sugar industry. A focus on policy outcomes rather than actions, with a better monitoring and evaluation system, might have made the program even more effective; and loan proceeds should be used for purposes that are consistent with program objectives.

#### **c. Agriculture Sector Program, Kyrgyz Republic**

73. The Agriculture Sector Program in the Kyrgyz Republic was also formulated as part of an ongoing reform process toward a market-based, competitive agriculture. The policy components covered a broad area: land reform and farm restructuring, improved water rights management, improved markets for input supplies, enhancing social protection, promoting environmental protection, and institutional capacity building. The program was supported by two TAs, for reorganization of the ministry of food and agriculture, and for building capacity in relation to managing water user associations. Of 36 conditions, 27 were met fully and 9 partially. The program was rated successful, an upgrading on the rating of partly successful in the PCR.

74. There were many achievements at the time of program completion that have been sustained. These include a draft law on land and property registration, establishment of centers for agrarian reform, extending the rights of water users and their associations together with related guidelines, policies, and procedures, corporatization and privatization of input supply

enterprises, and reallocation of input regulatory functions. These achievements have been reinforced and extended over the last three years in areas such as land dispute resolution, the legal basis for water user associations, and legal provisions to improve trade practices. Although there was significant progress in the assessment of food supply, especially in remote areas, and a strategy to meet food needs, initial increases in budget support for social assistance and state-run kindergartens have not been sustained. Although controls on grazing of forestlands have been introduced, management of natural pastures remains a major issue. Industry funding of biological pest control for cotton has not come about. The program underestimated the time to effect some legislative and institutional changes, and the capacity of existing institutions remains weak. Natural pasture management and irrigation water use remain areas for future policy and investment intervention. Nevertheless, overall, government commitment to reform has been sustained, there has been no lasting reversal of program reforms, and many initiatives to strengthen market incentives have gone beyond the program provisions.

#### **d. Economic Restructuring Program, Cook Islands**

75. Many Pacific DMCs have formulated programs for public sector reform. The Economic Restructuring Program for the Cook Islands has been one of the most comprehensive. It was formulated when tourism had declined and there was an unsustainable fiscal expansion by the Government. It was formulated in conjunction with several development partners, and with the involvement not only of the Government but also businessmen, trade unionists, and other civil society representatives. There were three main objectives: ensuring macroeconomic stability, reducing the Government's role in production, and mitigating the social costs of job losses. Three TAs supported the program, to enhance business and investment facilitation and to ensure a long-term improvement in financial and economic management. The program included 122 reform measures, to redefine the role of government, promote new businesses and investment, assist specific productive sectors, support vulnerable groups, and to mainstream environmental and gender issues into development planning. Ninety-nine of the measures were implemented including 10 major legislative acts, 21 were partially met, and 2 were not met. Overall, the program was rated successful.

76. Achieving fiscal stability and private sector-led growth was highly relevant to the financial crisis. The program has been a major achievement of the Government, and provides a sound basis for long-term growth. It effectively and expeditiously resolved the Government's fiscal crisis, and implemented effective tax reforms that have raised collections. Good progress has been made in corporatization and privatization of state-owned enterprises, and cost recovery for public services. Simultaneously, there was a major restructuring of long-term debt. However, weaknesses have also emerged. With the economy still largely dependent on tourism, the fiscal situation remains fragile. More important, despite the large down-sizing of government, public expenditures have grown to match the growth in revenues; small surpluses can easily turn into deficits again. There has been strong private sector-led growth. However, there is a shortage of skilled workers, a new foreign investment code has yet to be implemented, and measures to stimulate agriculture and fisheries, important to lower income groups, have been less successful. Mitigation of social costs has been the least successful. The program accelerated migration, particularly of the young and skilled, from the country and from the outer islands, with negative effects on the health and education systems. Social indicators declined, although with the immediate economic crisis over and the economy growing, they have now returned to pre-program levels, commensurate with higher income countries. At present, the appetite for reform has diminished, with a succession of coalition governments. Public participation was a key to

strong ownership of the program, but actions are now required to consolidate and reinvigorate the reform process.

#### **e. Industrial Sector Program, Nepal**

77. The Industrial Sector Program in Nepal reinforced specific components of an enhanced structural adjustment facility from the International Monetary Fund intended to boost trade and investment. The program was oriented to improvements in efficiency of the industrial sector. It contained measures for liberalizing trade, such as rationalization of tariffs, reduced import and export regulations, and streamlined customs procedures. It also sought to simplify industrial regulations in the country and strengthen sector institutions. It was supported by two TAs, for capacity building for implementing and monitoring industrial reforms, and for customs valuation. Of the 49 policy conditions, 44 were met fully and 5 partially. However, the capacity to implement reform was overestimated, and conditions for second tranche release were met with a delay of 3.5 years. Three areas of reform, relating to industrial pollution standards, rents in industrial estates, and progress and impact reporting, were only partially accomplished. Despite the delay, most program measures were implemented and sustainability is likely; the program was rated successful.

78. Industrial output, foreign trade, and private investments have increased substantially since program implementation. Nepal is now one of the most open economies in the South Asia region. The reforms helped reduce the cost of imports and exports, ensured the availability of inputs at competitive prices, and reduced barriers to entry of small-scale producers and exporters. New institutional mechanisms have been established to facilitate investments, and for customs valuation and bonded warehousing. The Government is committed to maintain and build on the program reforms. The areas of partial accomplishment need to be further addressed, including extension and enforcement of industrial pollution regulations across all sectors, equalizing rents for industrial property in different locations, and streamlining procedures for the new customs valuation process. There are three main lessons. First, program design should be more sharply focused, involving fewer implementing agencies. Second, the program relied largely on macroeconomic reform measures; these needed to be complemented by measures related to specific industry subsectors. Third, future assistance should focus on development of cottage and small industries and the diversification of export products and markets.

#### **f. Railway Recovery Program, Bangladesh**

79. Between 1971 and 1990, there was a steady increase in transport demand in Bangladesh, but the share of freight carried by the railways dropped to 12%. Bangladesh Railway (BR) incurred major financial losses that were a substantial burden on the government budget. The Railway Recovery Program took several years to design, with a substantial TA input. The primary objectives were to restore and sustain BR's financial viability, and to make BR more responsive to transport demand through restructuring. There were five main reform areas: deficit reduction through operational improvements, public service obligation (PSO) arrangements to replace open-ended subsidies, labor rationalization, investment program rationalization, and organizational reforms. Loan proceeds were principally earmarked for funding a voluntary staff separation program. Of 34 policy conditions, 21, including non-tranche conditions, had been accomplished prior to program approval, in conjunction with TAs for institutional development and organizational reform of BR. Additional TA was provided for monitoring the policy reforms and to assist in further organizational changes. However, at evaluation, 14 were not met or had subsequently been reversed, and 2 had been waived for

second tranche release: anticipated tariff increases were impractical in the context of competition from road transport, and the expected rapid decline in PSO amounts could not be achieved. The program was rated partly successful because reforms were not sustained.

80. BR broke even against working expenses in the second half of the 1990s. Labor was retrenched, and labor costs reduced. A marketing cell has been set up for both passenger and freight operations, which also recommends tariff adjustments. A railway board has been established as a partial separation from direct ministry control. There is some private sector involvement in ticketing, communications, on-board services, and coach refurbishments. However, deficits have reappeared. The PSO amounts have been held at a constant nominal amount. BR accounting practices do not provide for costing of particular railway services and routes as a proper basis for PSO arrangements. BR remains an item on the government budget, with deficits covered under the budget anyway. A capital expenditure program included a major ADB-financed project important for financial viability (a link over the Jamuna Bridge) but many worn-out assets cannot be rehabilitated or replaced due to a lack of funds. The organizational reforms have been limited. There are several lessons. A stable group of change agents, particularly at higher levels, is required for thorough reforms. As BR faces physical constraints in improving its operations, the (subsequently introduced) sector development program modality, with an investment component, would be more appropriate. The Government still needs to take concrete steps toward corporatization of BR, and removing it from its budget.

### **3. ADB and Borrower Performance**

81. ADB fielded a total of 31 review and other program administration missions for the six evaluated programs. ADB and borrower performance were assessed satisfactory or better in four of them. While ADB and borrower performance was generally satisfactory, it did not guarantee program success. ADB and borrower performance was judged satisfactory for two partly successful programs, and partly satisfactory in two successful programs. ADB supervision of the Industrial Sector Program in Nepal and the Agriculture Sector Program in the Kyrgyz Republic highlighted the need for adequate staff resources to supervise implementation and match the complexity of reforms, for building institutional capacity, and for the time to effect institutional changes. Satisfactory ADB performance resulted from encouraging participation of senior government officials in program design, strengthening government staff capacity to implement reforms, responding in a timely and appropriate manner to problems in implementation of policy conditions, and helping establish suitably staffed implementation units to coordinate implementing and external funding agencies. Satisfactory borrower performance was largely attributed to strong ownership demonstrated by governments and implementing agencies, including initiatives to continue the reform agenda.

### **4. General Issues**

82. The six program evaluations yield three general issues. First, in only two cases were the loan proceeds earmarked for particular uses. For the Agriculture Sector Program in Viet Nam, rated successful, they were earmarked for the sugar subsector that was a major debtor to the agricultural and rural development bank. This earmarking reduced rather than enhanced the program results. For the Railway Recovery Program in Bangladesh rated partly successful, the earmarking was to fund staff retrenchment, with positive effects for the program. Any earmarking of loan proceeds should be consistent with program objectives. Second, all six programs were approved before the sector development program modality that combines a program loan with an investment loan, was introduced. The intervention in the railway sector in Bangladesh may have been more successful if organizational reforms had been combined with

funding the investment costs of operational improvements at the same time. Third, social mitigation measures were sometimes the weakest part of program implementation. Sector agencies do not generally have the authority or resources, even when supplemented by program provisions, for mitigating such program effects. Complementary poverty-reduction projects could be designed alongside programs in anticipation of mitigation requirements, or resources directed to national or district social insurance schemes, which generally do not apply to a particular sector.

## **D. Technical Assistance Performance Audit Reports**

### **1. Specific Findings**

#### **a. Selected Technical Assistance in the Education Sector in Kazakhstan, Kyrgyz Republic, and Uzbekistan**

83. Six TAs for the education sector in Central Asian DMCs were evaluated. For Kazakhstan, a comprehensive sector review led to planning and establishing a rationalization process, developing curriculum reforms, strengthening textbook development capabilities, and training of teachers. One TA for Kyrgyz Republic produced a blueprint for policy reforms; a second suffered from uncooperative consulting team members and frequent changes of senior counterpart staff. In Uzbekistan, a functional reform monitoring system and strategies for improving the cost-effectiveness of the education system were developed. Several lessons were learned from the evaluation: inception missions should familiarize consultants with the goals and objectives of the TA, and establish critical achievement factors; TA designs should allow for flexibility; there should be a continuous dialogue on education policies that respond to changing needs and aspirations of the people; and capacity development should include training in data management. The two TAs in Kazakhstan were rated successful, one each in the Kyrgyz Republic successful and partly successful, and the two in Uzbekistan highly successful.

84. The six TAs have been instrumental in improving the relevance, quality, and efficiency of the education sector in these DMCs. They have sustained a reform process through strategies for cost effectiveness, mobilization of new sources of finance, and management information systems. The TPAR recommended that further policy development be supported for nonformal adult and lifelong learning that respond to changing needs, and training in the analysis and presentation of information when developing management information systems.

#### **b. Strengthening Audit Capability in the Pacific**

85. Six TAs for strengthening audit capability in 12 Pacific DMCs included four regional TAs cofinanced by supreme audit institution organizations, plus country-specific TAs for Fiji and Kiribati. The design and purpose were appropriate, and the expected benefits in the form of improved audit knowledge and skills of the Office of the Auditor General staff, improved internal audit work and work processes, expanded number of trained audit staff, and enhanced sharing of audit experiences and solutions were achieved. The country-specific TAs provided training, and also addressed weaknesses in audit legislation and procedures that had limited the independence and powers of audit organizations. The regional TAs generated a cadre of 26 certified audit trainers. However, training in computer and performance auditing could not always be applied because of lack of computer hardware and software, weaknesses in accounting systems, and uncertain legislation covering audit mandates. Weaknesses still need to be overcome in legislation, reporting processes, accounts preparation, and management of financial accounts and computer systems. Lessons for the 12 Pacific DMCs include the need to

ensure that legislation, and government preparation of accounts and computer systems, are consistent with the TA purpose; amend legislation to expand the scope of auditing; and ensure effective follow-up to increase the overall effectiveness of the audit process. Three TAs were rated highly successful and three successful.

86. The TAs appear to have improved overall governance and accountability, as evidenced by increased special investigations, expanded training in fraud detection, and feedback from audit management reports and prosecutions. The TPAR recommendations were related to the need to improve government accounting systems and computerization; to hold further but shorter training courses that do not take audit staff away for so long; to produce follow up self-learning materials; and to generate expenditure savings through performance audits and special investigations.

**c. Institutional Strengthening and Policy Support to the Road Sector in Kazakhstan, Kyrgyz Republic, and Mongolia**

87. Five TAs were attached to road sector projects in Kazakhstan, Kyrgyz Republic, and Mongolia; and a regional TA supported road design and construction standards in Kazakhstan, Kyrgyz Republic, Mongolia, and Uzbekistan. Three initial TAs helped develop a legal framework for the road sector, broaden the approach to cost recovery, strengthen financial and planning capabilities, and redefine the role of road departments. Road departments were restructured and strengthened. Progress was made towards changing road department management of the road network. Two follow-on TA in the Kyrgyz Republic and Mongolia focused more on financial management, including the operation of road funds, privatization of road companies, and establishment of equipment leasing companies. They had less impact. The governments failed to implement politically sensitive recommendations relating to a road board in Mongolia, and control of the road fund in the Kyrgyz Republic. The regional TA produced only general design and construction standards. As there was a preference in Kazakhstan and the Kyrgyz Republic for revised standards consistent throughout the Commonwealth of Independent States, rather than the adoption of standards from elsewhere, the revised design and construction standards are not used in these two DMCs. In Mongolia, some are in use. The main lessons are: workshops and training on procurement processes may be less appropriate than clarifying job classifications and descriptions; a road fund by itself is not a guarantee that sufficient resources will be provided to meet sector needs; greater clarity is required on the issue of road funds amongst development partners; and regional activities should take note of government priorities and relevant ongoing activities. The three initial TAs were rated successful, the two follow-on TAs partly successful, and the regional TA unsuccessful.

88. Allocations for road maintenance remain inadequate in the concerned DMCs. High staff turnover has reduced the effectiveness of training under the TAs. Several follow-up activities were recommended to accompany continuing investment in the road sector. These include development of pavement management systems together with traffic monitoring systems, a reassessment of maintenance needs in areas of low population and traffic density, and development of a consensus among governments and development partners on the issue of road funds.

**d. Road Sector Management in Lao People's Democratic Republic, Papua New Guinea, and Philippines**

89. A TA was provided to the Lao PDR to assist in management of already privatized road transport enterprises, and to extend privatization to other road construction, maintenance, and

transport companies. A TA for the Philippines was to determine an optimum strategy for managing road sector plant, equipment, and workshops. Two TAs in Papua New Guinea (PNG) supported the establishment of a road asset management system (RAMS) for the central Government and the provinces. Privatization of road sector enterprises in the Lao PDR has proceeded, although it is constrained by lack of credit for contractors, design companies, and transport operators. In the Philippines, the Government had already decided that private companies should be allocated 70% of road maintenance work. Eventually, the TA recommended the closure of the entities handling government road sector equipment. Completion of the first PNG TA was delayed, although a RAMS has been established in the center. The second TA, extending the RAMS to all provinces, was approved too early; there were difficulties in maintaining the central RAMS database, and not all the provincial governments are committed to it. The lessons from the evaluation include: a politically sensitive TA attached to a loan may be more effective than a stand-alone TA; long-term involvement of external funding agencies is necessary to maintain momentum; where staff retrenchment is considerable, transition arrangements need to minimize social and political costs; and management buy-outs may be an appropriate form of privatization for transition economies like the Lao PDR. Three of the TAs were rated successful and the one aimed at PNG provinces partly successful.

90. There are general problems relating to road sector management in the three DMCs. These include complex bureaucratic structures, lack of credit for road sector companies, loss of qualified engineers, and more general governance issues. Continued support is needed for strengthening the management and technical skills of road sector organizations, and of the private contracting industries.

#### **e. Agricultural Planning and Statistics in Nepal**

91. Five TAs in Nepal were designed to assist the Government in setting a new direction for the agriculture sector. The TAs fell into three broad categories: agricultural planning and reform, agricultural statistics, and institutional strengthening for local infrastructure development. The 20-year Agricultural Perspective Plan preceded a subsequent medium-term investment plan that was used as the basis for the Ninth Five-Year Development Plan. The TA helped the Government focus on the stagnating agriculture sector especially on private sector involvement, fertilizer use, shallow-tube well installation, credit, and road improvement. However, institutional arrangements for institutionalizing the planning process were not sustained. More specific interventions for monitoring fertilizer use and pesticide control, and reorganization of the national agricultural inputs and food corporations were more effective. Overall, the impact has been positive, with a reduction in public investment and subsidies. Development of agricultural statistics resulted in a continuing crop and livestock survey. However, owing to the fact that the results imply lower levels of agricultural production, and gross domestic product, the Government has not authorized official publication of the results. The last TA helped institutionalize rural infrastructure development in a new ministry. Overall, three of the TAs were rated successful, and two partly successful.

92. Lessons from the evaluation include: difficulties can be encountered when ADB staff change; participation, if not properly managed, may preempt the opportunity to introduce innovative approaches; and without extensive local participation, the plan produced was more ambitious than originally envisaged. Discontinuation of the institutional structure established for plan implementation and Government's reluctance to publish updated agricultural statistics limited the impact of generally effective TA. The role of central and local agencies needs to be redefined in the context of decentralization.

## **f. Capital Market Development in Pakistan**

93. In the mid-1990s Pakistan's capital markets were constrained by an outmoded regulatory framework, an inefficient and stagnant stock market, poorly regulated mutual funds, underdeveloped insurance and pensions industries, and an inappropriate interest rate regime. Six TAs in 1995-1997 supported reforms and institutions for capital market development. In general the outputs and impacts were significant. Output expectations were largely realized with a stronger regulatory framework in the capital market; effective functioning of the Securities and Exchange Commission; updating the regulations of mutual funds; substantial progress towards privatization of public sector mutual funds; and the enactment of a new insurance law and issue of rules. Two public sector insurance entities were restructured and interest rates on national savings were rationalized and are being adjusted periodically based on market signals. Impacts included stronger stock market and corporate debt market indicators; better access of the leasing industry to long-term debt; growth of the mutual fund and insurance sectors with greater private sector participation; and some reforms in the pension sector. The main lessons are that strong government ownership is critical to the success of policy and institutional reform, sharply focused TAs have a better chance of success, and use of domestic consultants with active TA administration can be highly cost effective. One TA was rated highly successful, three successful, and two partly successful.

94. After the TA completion further steps need to be taken. The stock market is still narrowly based, further measures are required to develop the pension sector, and the capacity to regulate the insurance and pension sectors needs enhancing. Measures to resolve some of these issues have been included in subsequent ADB operations.

### **2. General Lessons**

95. Each TA yielded its own lessons. Some of the lessons may be considered relevant to many TA operations. These include: (i) legislative framework and TA purpose should be mutually consistent; (ii) private sector involvement can be impeded by a lack of credit even where other constraints are removed; (iii) sharply focused TAs are more likely to achieve their objectives; (iv) where appropriate expertise exists the use of domestic consultants can be cost effective with adequate TA administration; and (v) TA should be designed in relation to other relevant ongoing activities, and in coordination with other development partners.

## **III. THEMATIC EVALUATION STUDIES**

### **A. Impact and Special Evaluation Studies**

#### **1. Investment Fund Operations of ADB**

96. Investment fund operations (IFO) account for about 19% of ADB's cumulative private sector operations and about 59% of cumulative equity investment operations. Excluding 2 IFOs that were cancelled and 7 in early stages of operation, an assessment through desk review and field visits was made of the development impact of 29 IFOs falling into four broad categories: infrastructure, venture capital, portfolio investment, and special purpose funds.

97. Of the 29 IFOs, 18 had a high or medium catalytic impact at fund level mobilizing per ADB dollar an additional \$9–\$41 from other sources. Four out of eight particular funds had a high catalytic impact at investee level, with an additional \$241–\$441 from other sources. ADB has divested fully from seven IFOs, with a variable performance affected by the Asian financial

crisis, but overall positive financial return. Some IFOs have been more successful than others, but overall major development impacts have been produced in four areas: (i) mobilizing large resources for infrastructure, industrial, and portfolio investments; (ii) supporting small and medium enterprises, new entrepreneurs, and technology development; (iii) helping develop capital markets in the region, and (iv) generating employment.

98. The effectiveness of the fund manager in identifying, appraising, and supervising investee projects was a critical factor in the success of IFOs. ADB needs to strengthen its supervision of IFOs at the level of the fund manager, and its monitoring of subprojects. The guidelines for selection and remuneration of fund managers, and ADB's exit policy for investment funds, should be reviewed.

## **2. Impact of Rural Roads on Poverty Reduction: A Case Study-Based Analysis**

99. An impact evaluation study was undertaken to identify factors that could improve the design of rural road projects and components to achieve sustainable benefits for the poor. It used six case studies of rural road improvements from both road and rural development projects. It adopted an assets-based definition of poverty, defined as a deprivation in relation to assets and essentials of life, and susceptibility to periodic shocks and seasonal crises. Project sites were compared to control sites without the same level of road improvements.

100. The poor inhabit a village, walking world, relying on the primary network of paths, tracks, culverts, and basic access routes. Improvements to this network within the village are likely to have a larger initial impact on their well-being than improved availability of motorized transport services. Nevertheless, rural roads also provide an important economic safety net. Road improvements provide jobs in the area. The poor and very poor benefit from access to services, out of or brought to the village, and better information. Rural roads provide access to alternative livelihood opportunities, important for household food security. Rural roads often serve remote areas where population density is low. The relationship between rural road improvements and cheaper transport services depends upon the competitiveness of the transport market. Maintenance is often neglected through lack of funds and lack of political capital from maintenance activities. Transport providers gravitate toward the better roads.

101. The study's main finding was that roads are a critical enabling condition for improvement of living conditions in rural areas. However, better rural roads are a necessary but not a sufficient condition for graduating from poverty. While the poor and nonpoor assign a high priority to basic access, the poor need to first accumulate surpluses, for example, through reduced time for collecting water, prior to seizing new opportunities that motorized transport may bring. The poor need genuinely integrated programs of support; road and transport service improvements should be linked to livelihood and income diversification.

102. The study's main recommendations are to (i) design interventions initially that concentrate on removing the access and mobility constraints of the poor in their existing livelihoods; (ii) ensure periodic maintenance; (iii) provide transport services as a public service obligation for some time, if the preconditions for competitive transport services are not present; (iv) make the criteria for selecting a particular road participatory and transparent; and (v) encourage the use of labor-based technology.

### **3. Water Supply and Sanitation Projects in Developing Member Countries**

103. An impact evaluation study, focusing on projects, policies, and institutional arrangements, assessed how improved water availability affected different user groups, particularly the poor. The projects had various components but common objectives: improved water services, improved sanitation, improved living conditions and community health, reduced poverty, and increased economic growth. The study involved desk review of 50 urban and rural water supply and sanitation loans and TAs, an in-depth review of six such projects in PRC, Malaysia, Philippines, and Sri Lanka, and stakeholder workshops in these DMCs.

104. All projects substantially increased the consumption of water by households, with more than half the beneficiaries living below the poverty line, but sanitation received less attention and impacts were mixed. Quantity, accessibility, and reliability were satisfactory to most users, but water quality was an issue with some users in Malaysia and the Philippines, especially during the wet season. The projects had a positive impact on the quality and quantity of water available to the poor; however, the extent of the impact could not be estimated owing to lack of baseline data. Satisfaction with improved water services varied among consumers with piped connections, especially between domestic and nondomestic consumers. The level of customer involvement in planning and implementing the projects was lower than in more recent, still ongoing, projects. Although willingness to pay for piped water was established for the project areas reviewed, none of the water utilities had achieved full cost recovery.

105. The study made several recommendations consistent with ADB's Water for Asian Cities Program, announced at the World Summit on Sustainable Development in Johannesburg in 2002: (i) more projects should include sanitation, hygiene, and health promotion components; (ii) water suppliers should aim at full cost recovery, including reductions in nonrevenue water and demand-side management; (iii) beneficiaries should be involved at all stages of rural water supply projects; and (iv) project management and administration should be streamlined.

### **4. Impact on Poverty Reduction of Selected Projects: Perceptions of the Beneficiaries**

106. This SES examined beneficiary perceptions of the poverty reduction impact of selected projects in two sectors, agriculture and social infrastructure, in six DMCs (Bangladesh, Indonesia, Nepal, PNG, Philippines, and Samoa). It was based on a desk study covering 92 completed projects, a field study covering 40 of the most recent ones, surveys involving more than 10,000 beneficiary respondents, focus group discussions, and national workshops. The projects aimed at different aspects of poverty; 80% focused on agricultural production, while 20% focused on more general well-being through social infrastructure. Of the beneficiaries, 41% considered themselves poor, while 23% were poor by the \$1 dollar per day criterion.

107. The assessment used two broad indicators: the proportion of target beneficiaries who received benefits and found them valuable and sustained, and improved household economic situation due to the projects. Depending on the type of benefit, 24–50% of the target beneficiaries felt they effectively benefited. The proportion was higher for income and general well-being benefits than for benefits related to women and the environment. There was little difference between economic growth and poverty reduction projects. Some of the nonpoor at the time of evaluation became so because of the projects. From available data, the projects helped 27% of target beneficiaries improve their economic situation, a lower proportion than from beneficiary perceptions. Projects with human development and improving women's status as primary objectives were more effective in this respect than economic growth and poverty

reduction projects. For both indicators, projects approved in the 1990s were more effective than those approved in the 1980s.

108. Four main factors accounted for differences in poverty reduction impact among projects. First, the degree of social capital: initial social assessments were conducted for the more successful projects, and beneficiary organizations established. Second, service delivery: this includes the institutional capacity of the EA, involving continuity of key project staff and the role of the project manager, and beneficiary trust in service delivery institutions. The most trusted were local government units and community-based organizations; the least trusted was the private sector supplying water or electricity. Third, external factors, including the policy environment, and peace and order situation. Fourth, the quality of monitoring and evaluation: more than half of projects explicitly included such a component, although only a third was effective.

109. Major lessons were: a balanced program of poverty intervention projects should be ensured at the country level; beneficiaries should be consulted during project preparation and implementation; more time and resources should be invested in social capital for every poverty intervention project; and projects should be turned over to the beneficiaries only if they are prepared to handle the responsibilities.

## **5. Asian Development Fund VI and VII Operations**

110. Concessional lending from the Asian Development Fund (ADF) to low-income DMCs has funded about 28% of ADB's total lending activity. ADF operations during 1992-2000 (ADF VI-VII) were assessed in three key areas: projects, processes, and policies. The SES was based on ADB databases such as the loan financial information system; the project performance monitoring system; PCRs, PPARs, and other evaluation reports. It involved project case studies in five DMCs covering five sectors and three thematic areas, including consultations with government and private sector representatives, and other bilateral and multilateral agencies. There were 318 projects approved under ADF VI-VII for a total loan amount of \$12 billion, about 24% of ADB's total lending, and about 4% of the total net resource flow to ADF borrowing countries.

111. At the time of replenishments, ten specific areas were targeted by donors for ADF VI-VII: (i) stimulating growth, (ii) assisting in family planning and human development activities, (iii) reducing poverty, (iv) addressing gender concerns, (v) improving environmental mitigation and management, (vi) strengthening policy adjustments that contribute to growth, (vii) implementing a more strategic planning process, (viii) improving the quality of projects, (ix) adopting a policy on country graduation, and (x) introducing a more formal process for ADF allocation. ADF VI coincided with the introduction of five strategic development objectives for project classification: economic growth, human development, poverty reduction, women in development, and environmental and natural resource management. A large number of new policies were successively introduced over the ADF VI-VII period, such as for governance, resettlement, inspection, indigenous peoples, NGOs, and gender.

112. While almost 60% of projects financed under ADF VI-VII are still under implementation, there is evidence of uneven but satisfactory progress in meeting the ADF VI-VII objectives and commitments. Overall, ADB has adapted to the change agenda for ADF VI-VII, and in a way that has affected all operations not just those financed by ADF. The evaluation led to the following assessment.

- **Highly Satisfactory.** A strategic planning process was adopted and has become an integral part of the institutional culture. Country-based programming has improved each year with project selection and design following the strategic directions.
- **Satisfactory.** Project investments for stimulating balanced economic growth have been continuing and show solid rates of return. While family planning activities have not been sustained, investments in human development have continued to expand. Poverty reduction investments have been improving with experience, a greater institutional understanding of the issues, and more defined targets and goals. Practices on project-related issues that affect the poor, such as resettlement and environmental damage mitigation, have improved. ADF project quality and performance has improved. More work is needed, however, on project monitoring and management. ADF allocations have been generally consistent with the formal performance-based measures adopted for ADF VIII.
- **Partly Satisfactory.** Improvements to environmental management have proceeded unevenly within ADB; despite substantial progress in environmental capacity building and mainstreaming, the number of projects specifically addressing environmental issues has not quite met expectations. ADB's lending for policy adjustments—program lending—has had mixed success. Programs sometimes have been overambitious and governments have lacked the capacity, or the will, to implement difficult reforms. Some countries have been formally graduated from ADF. However, it is not clear that the graduation policy ensures ADF resources reach the poorest in the region.
- **Unsatisfactory.** Incorporating gender concerns remains a difficult area for ADB; project selection and design have not effectively supported this development objective. The mainstreaming of gender concerns under the gender and development policy thus far has had limited impact.

## 6. Public Versus Private Provision of Primary Education

113. Many governments have difficulty financing and managing primary education provision. For-profit private provision is often assumed to enhance efficiency; not-for-profit private provision is often assumed to supplement government provision for poorer families. Both forms of nongovernment provision should reduce the financial burden on government. Where decentralization is being implemented, efficiency and resource mobilization should be enhanced through local school management. This SES examined whether these expectations are realistic, through an assessment of primary education provision in three DMCs (Bangladesh, Indonesia, and Nepal) where there have been ADB-financed projects and where there is substantial nongovernment provision. The SES assessed whether nongovernment schools performed better than public schools; whether parents paid more for nongovernment provision; and whether decentralization reduces the burden on central government. Analysis of overall primary education operations and performance was undertaken through secondary data. Primary data was collected through surveys in relation to project and non-project schools and their stakeholders.

114. Generally, there has been a rapid expansion in primary education access and enrollment in all three DMCs. However, disparities persist across groups, regions, and the DMCs. There is a common problem of quality in service delivery. This is connected to persistent efficiency problems in the form of low learning achievement. Limited institutional capacity locally remains a

constraint to realizing the expected benefits of decentralization. More specifically, for-profit private general schools tend to perform much better than public schools. They serve better-off families who contribute substantially to the costs of education. Non-profit private schools show similar performance to public schools. They can also mobilize some support from parents, communities, and foundations. However, since non-profit schools also tend to serve poorer families, some poorer parents end up paying more than better-off parents using public schools. Quality and efficiency problems have not been fully resolved. A low proportion of qualified teachers, inadequate numbers of teachers and classrooms, and low contact hours are found in all school types. There is still low learning achievement. School-based management of public schools remains weaker than for nongovernment schools; weak local institutional capacity inhibits the results of greater involvement with decentralization. ADB-financed projects helped expand access and enrollment, for children from both nonpoor and poor households. Although cost effectiveness is similar between project and nonproject schools, the former tend to have a higher level of efficiency.

115. Some key issues and lessons have been derived. Several types of non-profit schools have evolved to extend access to the poor. However, they have done so at some cost to poor families. Governments need to continue providing financial support to non-profit schools that have good effectiveness and efficiency prospects. Regardless of school type, quality and efficiency of primary education needs to be given greater attention. Where nongovernment schools are performing better, forms of public-private partnership could be explored. There is weak school-based management. Financial and management capacity of local bodies should be enhanced. Finally, given the significant role of nongovernment provision of primary education, effective frameworks for monitoring its performance need to be established, in conjunction with the private providers. Correspondingly, financial norms should be established to maintain adequate financial resources for all types of primary schools.

## **B. Country Assistance Program Evaluations**

### **1. Bangladesh**

116. Although Bangladesh is one of the poorest countries in the world, it made significant economic and social progress in the last two decades. Its performance compares favorably with many other DMCs in the region. However, recent trends may be unsustainable: after achieving food self-sufficiency there will be greater constraints on agricultural growth; for external reasons, there is likely to be a decline in garment exports and remittances from overseas. ADB's assistance program to Bangladesh has been evaluated in this context, focusing on the period from 1986 to the present.

117. The country assistance program has changed over time, along with changes in ADB priorities, away from an initial emphasis on growth-promoting project lending. From 1989 to 1998, such lending was increasingly linked to institutional and policy reform. At the same time, first interventions in health, education, and urban and rural infrastructure placed a greater emphasis on human development and poverty reduction. This shift was reinforced from 1999 with expanded operations in urban and rural infrastructure, and education, and with a greater concern for governance issues, including decentralization and participatory processes. Altogether, ADB's country strategies and assistance programs exhibited both strengths and weaknesses. The strengths included significant positive impact of infrastructure projects on economic growth and poverty reduction, recognition that structural reform is a long-term process, mainstreaming of governance issues, and the pioneering role of ADB in forestry and urban infrastructure. The weaknesses included failure to achieve sufficient structural reform in

some sectors, inability to bring about governance reforms affecting local communities, continuing distortion of program priorities by ADB institutional pressures, inadequate level of support for health and education, and failure to mainstream the environment in the country program. Poverty reduction became an explicit strategic objective with the 1993 country strategy. Pro-poor initiatives are not yet commensurate with need, or with the goals of the recent Partnership Agreement on Poverty Reduction.

118. The basic thrust of ADB's assistance program has been relevant. Failure to understand earlier the difficulties of implementing public sector reform has been compensated by the promotion of private sector participation, working with NGOs in design and implementation of projects, and a much greater appreciation of governance issues. Of 52 postevaluated projects, 38% were rated generally successful, 52% partly successful, and 10% unsuccessful. The proportion of projects in the second category was high, particularly in the agriculture and social infrastructure sectors. However, project performance has improved somewhat since 1986. General lessons show how relevance of a country strategy can be improved by incorporating specific monitorable performance benchmarks, allowing flexibility to adjust the lending program, undertaking realistic assessments of risks, and following an integrated approach to project formulation with complementary measures included as necessary to achieve the full potential impact. Sector-specific lessons highlight the importance of identifying vested interests opposed to policy reforms; promoting micro, small and medium enterprise development to generate employment; and further expanding infrastructure and its proper maintenance, amongst others.

119. For future assistance, there is a need for a more proactive approach to governance issues, more lending for small and medium enterprise development for employment generation, and support for the recurrent budget especially in education and health. Overall, there is a need to focus on fewer sectors, and to reduce support where sector performance is poor, the potential for catalyzing is limited, and ADB has no comparative advantage. Commitment to reforms to improve sector efficiency should be a key criterion.

## **2. Mongolia**

120. From the start of operations in Mongolia in 1991 through 2001, ADB was the second largest funding agency, to Japan. Over this period, 25 loans and over 100 TAs were approved. The country was faced with the dual tasks of transition away from a centrally-planned economic system, and development through enhanced incomes, in circumstances when external financial transfers were abruptly stopped, and there were harsh economic and climatic conditions. Three country strategies informed ADB's operations. They included a shift in sector focus from the early to the late 1990s. The country assistance program evaluation sought to assess whether ADB chose to support the right priorities, whether assistance was well designed and implemented, and what ADB's contribution to the transition process was. The assessment focused on four themes; capacity building, policy reforms, economic diversification, and financial system reform.

121. Capacity building was supported in all areas of operation, but mostly focused on inputs and was equated with training and provision of consulting services; the fragmented approach did not promote overall public sector resource management. Policy reform assistance was all-encompassing in the context of transition and development. There was a high proportion of program lending, and a high degree of consistency across reforms in different sectors. Changes in price and trade policies with investment in infrastructure laid the foundation for unbundling industries and private sector involvement. However, policy matrixes were overloaded, and policy-based lending to agriculture and industry was only partly successful. Economic

reorientation and diversification was an explicit, but not very well articulated goal in the country strategies. It was pursued by project loans for rehabilitation and diversification of infrastructure, that were successful in improving technical performance, and commercializing and corporatizing infrastructure services. The fourth transition theme—financial sector transformation—had an overwhelming agenda. The lack of a sector strategy in the first half of the 1990s was rectified when the first financial sector program was formulated in 1996, and the second in 2000. Improvements induced by the first program were set back by the Asian and Russian financial crises, but the two programs were finally bearing fruit now. An additional focus of ADB's operations was on developing environmental policies and procedures, strengthening environmental institutions, and addressing environmental concerns within the confines of ADB projects.

122. Overall, ADB's country assistance program made significant contributions to the transition process, as evidenced by major progress in developing the private sector. The Government had a strong ownership of individual projects and reform initiatives. The contribution to poverty reduction was difficult to assess because of the negative external influences. However, ADB's responsiveness, timeliness of intervention, and budget support through program lending were appreciated. There was substantial cooperation and coordination with other funding agencies to avoid duplication of efforts. The evaluation underscored the importance of (i) providing strategic guidance to operations; (ii) undertaking the necessary economic, sector, and thematic work, and poverty analysis prior to country strategy formulation; (iii) retaining an emphasis on both poverty reduction and private sector development, and (iv) incorporating monitoring and evaluation into an integrated approach to public resource management.

### **3. Philippines**

123. The Philippines has been the fifth largest public sector borrower and the largest for ADB's private sector operations. ADB's operational strategy lent support to the country's overall development objectives of macroeconomic stabilization, poverty reduction, and social development. The main focus of this evaluation was the period since 1986, which was a watershed in the country's development. ADB lending 1986-2001 totaled \$5.9 billion for 86 projects and programs; 210 TA operations were implemented. The main sectors were energy, agriculture, social infrastructure, and transport and communications. The current ongoing portfolio reflects a gradual shift, with social infrastructure accounting for almost one third of the total loan amount.

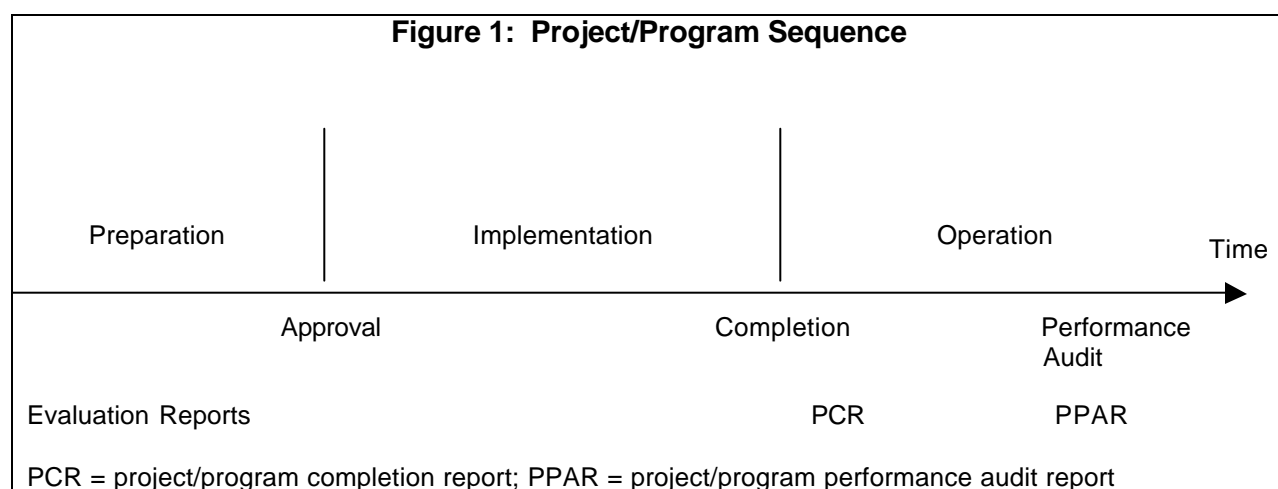
124. Although the Philippines was less affected by the Asian financial crisis, the economy performed poorly during this period, well below the performance of ASEAN neighbors. Despite some progress in social indicators, high poverty incidence prevails. There was high volatility in lending, and the disbursement ratio was well below the ADB average; in most of the recent years, there was a negative net resource transfer. Project performance was disappointing. Of 36 projects completed and postevaluated in 1986-2001, roughly one third each was rated generally successful, partly successful, and unsuccessful. This was an inferior performance compared with Indonesia, Malaysia, and Thailand that were exposed to similar external shocks. The worst performance was recorded in the 1980s, when 10 of the 12 unsuccessful projects were completed. There was some improvement in the 1990s when ratings shifted from unsuccessful to partly successful. There was good coordination with the World Bank and Japan, the other principal funding agencies, who experienced similar implementation problems. Issues of

sustainability arose in all lending and nonlending interventions stemming from lack of institutional capacity, inadequate budget allocations, and lack of political will.

125. Overall, ADB's assistance program was assessed as relevant, but less efficacious, moderate in its institutional development and other impacts, and with question marks on the sustainability of benefits. There were four main lessons: political and macroeconomic stability is a critical factor in the success of development assistance; project success requires careful project preparation and relatively simple project design; sustaining development impact requires careful monitoring during implementation and beyond; and, the success of the assistance program depends on the degree of institutional development. The main recommendations from the evaluation related to (i) program size, where selectivity must be combined with maintaining a critical mass for ADB to remain relevant; (ii) project performance, requiring more thorough project preparation, close monitoring, and stronger involvement of stakeholders; (iii) program priorities, emphasizing poverty reduction, and social and regional development particularly in the southern Philippines; (iv) a continued private sector role, with support for small and medium enterprises, and infrastructure development; and (v) flexibility in policy-based lending, to allow for competing interests.

#### IV. TRENDS IN EVALUATION RESULTS

126. PCRs are prepared by the operations departments 1-2 years after project/program completion. PPARs are prepared by OED approximately three years after completion (Figure 1). Both contain an overall rating of the project/program. Ratings can be aggregated by the year of approval, for individual operations prepared under similar policy and economic conditions; by year of completion, for operations implemented under similar conditions; or by year of performance audit. Different types of project and program have different implementation periods, and are subject to different degrees of delay. The information presented here on project and program ratings is aggregated by year of completion.



127. From 1974 to 1984, a PPAR was prepared for every project and program. Subsequently, a greater emphasis has been put on self-evaluation by operations departments through PCRs combined with selected independent evaluation. A sampling process was introduced. For the whole period 1974 to 1992, 84% of projects/programs were rated by a PPAR; for 1993 to 1998 the proportion was 48%; current practice is to prepare a PPAR for all programs and 40% of

projects.<sup>14</sup> PCRs are prepared for every project and program, and contain a rating from 1995 onwards. Aggregation over PCRs and PPARs is achieved by using both PCR and PPAR ratings, but substituting a PPAR rating for any preceding PCR rating.

128. Since 2000, consistent with harmonization progress among the MDBs, an even-numbered scale has been used for rating projects and programs. The four possible ratings are: highly successful, successful, partly successful, and unsuccessful. The overall rating is arrived at through assessment by five criteria: relevance, efficacy, efficiency, sustainability, and institutional development and other impacts. The four-point scale is being used for both PPAR and PCR ratings. Prior to that, a three-point scale was used: generally successful, partly successful, and unsuccessful. The factors brought into consideration were less structured. Where it was possible to calculate, the economic internal rate of return played a predominant role in deciding on the overall rating. The four-point and three-point scales are not congruent. An unknown proportion of projects or programs rated partly successful using the three-point scale would have been rated successful using the four-point scale. Some of the projects or programs rated generally successful would have been separated into the highly successful category using the four-point scale. In the information below, projects/programs rated generally successful under the three-point scale and highly successful and successful under the four-point scale are added together to provide a “success rate” for all rated individual operations.<sup>15</sup>

129. Appendix 7, Table A7.1 shows the distribution of ratings by year of completion, for 915 projects and programs completed from 1974 to 2001.<sup>16</sup> The trend for projects and programs rated successful is shown in Figure 2. From 1974 to 1989 there was a declining proportion of projects and programs rated successful. This trend was halted and reversed from 1989. Within the overall trend, the data are quite volatile with fluctuations in the proportion of successful projects from year to year. Nevertheless, linear trend lines before and after 1989 show a statistically significant fit for both periods, confirming the reversal in trend.

130. Given the lags between preparation and approval on the one hand and completion and performance audit on the other, the reversal in trend for project completions around 1989 may be explained by changes in operations in the 1980s.<sup>17</sup> Sustaining the new trend for projects completed through and beyond the 1990s may be explained by changes in operations during the 1990s. Relevant institutional factors designed to improve project performance over time include the following: the adoption of country strategies from the mid-1980s onward; the new emphasis on policy reform in program lending from 1987 onwards; the greater emphasis on institutional development and capacity building from the early 1990s onwards; the work of the Task Force on Project Quality that reported in January 1994; and the multiplication of resident missions with a focus on project administration.

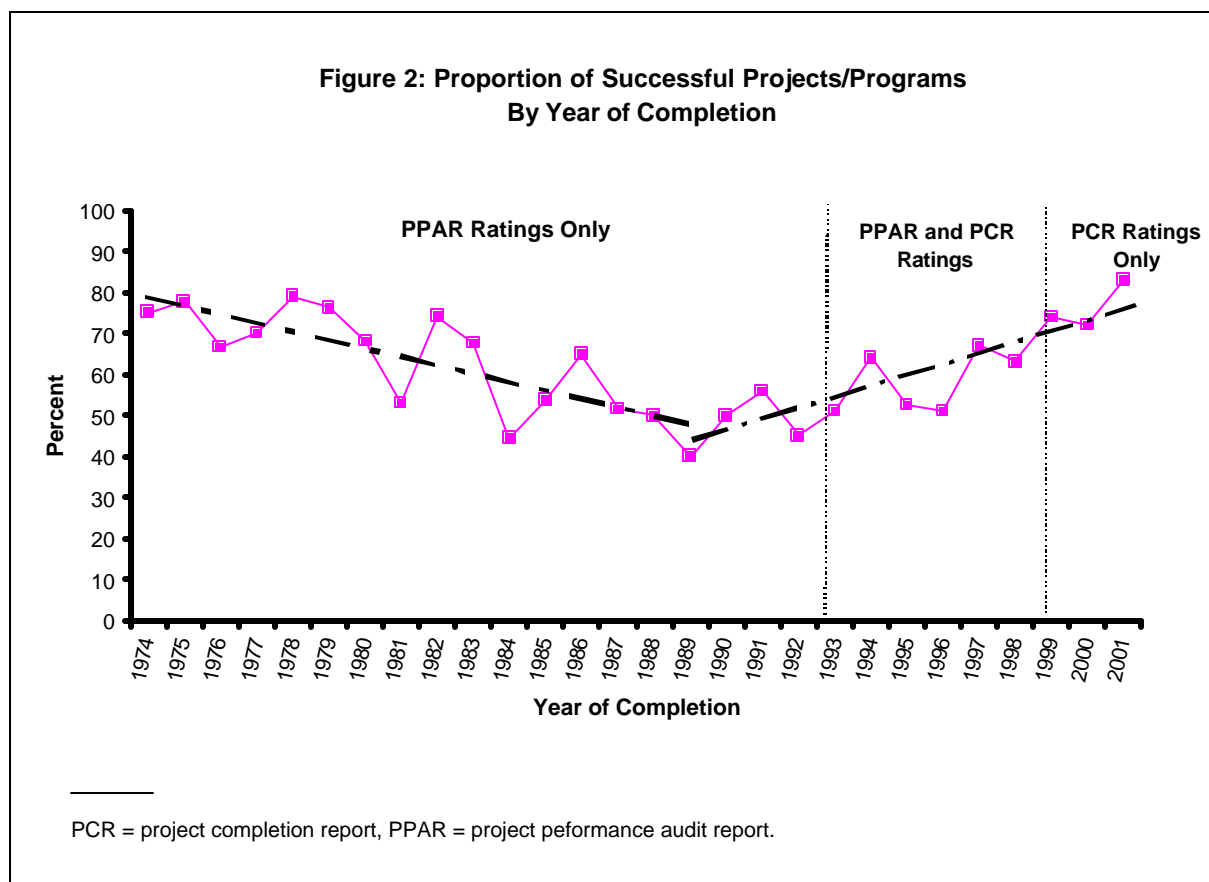
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<sup>14</sup> Projects with a PCR are chosen for performance audit through a random sample stratified by sector, adjusted to reflect the ratings proportions in PCRs.

<sup>15</sup> This tends to understate the “success rate” under the three-point scale compared with the four-point scale. However, as the latter has been applied only in PCRs and PPARs prepared since 2000, the trends presented here over 28 years use predominantly the same scale.

<sup>16</sup> There are fewer ratings for very recent years as not all PCRs have yet been prepared. The aggregate ratings for these years may change as more PCRs and then PPARs are prepared. Before 1974, eight evaluations were undertaken, spread over a 5-year period. These have not been included in the totals.

<sup>17</sup> The trend in the aggregate success rate by year of approval rather than completion shows a declining trend that was arrested around 1983.



131. The positive overall trend in project/program ratings since 1989 could have come about through improvements in project preparation and administration for individual operations. It could also have been affected by changes in the composition of operations. To further identify the underlying factors, trends in project/program ratings have also been calculated by modality, region, and sector.

132. The overall trend is dominated by ratings for projects, that have a significantly higher success rate than programs (Table 6). Programs that have been rated comprise only 7% of all rated operations so far (Appendix 7 Table A7.2 and Figure A7.1). For projects there is a decline in success rate to 1989, and a recovery thereafter. The success rate for programs, up to now, has not contributed to the improvement in trend.<sup>18</sup>

133. The current South Asia and Southeast Asia regional departments account for 65% of all rated projects and programs. They share a success rate over the whole period of 56–57% (Table 6). There was a discernible improvement in ratings in the 1990s for South Asia (Appendix 7 Table A7.3 and Figure A7.2). All project and program completions for East and Central Asia were in the 1990s; the generally high success rates reinforced the improvement in overall trend. Finally, the Mekong region had a high success rate and the Pacific region a relatively low success rate, but neither showed a trend. This overall conclusion by region is confirmed by trends for specific DMCs that show improvements in success rates in the 1990s for larger borrowers (more than 80 ratings) such as Bangladesh, Pakistan, Philippines, and to a

<sup>18</sup> As was pointed out in the *Special Evaluation Study on Program Lending*, ADB, 2001, the relative difficulties of evaluating and rating programs may have contributed to the larger proportion rated partly successful.

lesser extent Indonesia; and the inclusion in the 1990s of generally high success rates for projects in the PRC and India.

**Table 6: Success Rates by Modality, Region, and Sector**

	Number of Rated Projects/Programs	Success Rate <sup>a</sup> %
<b>Modality</b>		
Projects	851	62.4
Programs <sup>b</sup>	64	42.2
<b>Region</b>		
South Asia	324	55.9
Southeast Asia	267	57.3
East and Central Asia	55	80.0
Mekong	107	77.6
Pacific	103	44.7
Graduates <sup>c</sup>	59	86.4
<b>Sector</b>		
Agriculture and Natural Resources	280	42.1
Social Infrastructure	170	59.4
Transport and Communications	156	82.1
Energy	151	78.8
Industry	32	71.9
Multisector/Other	32	75.0
Finance	94	47.9
<b>Total</b>	<b>915</b>	<b>61.0</b>

<sup>a</sup> Proportion of projects/programs rated generally successful, highly successful, or successful.

<sup>b</sup> 1983–2001.

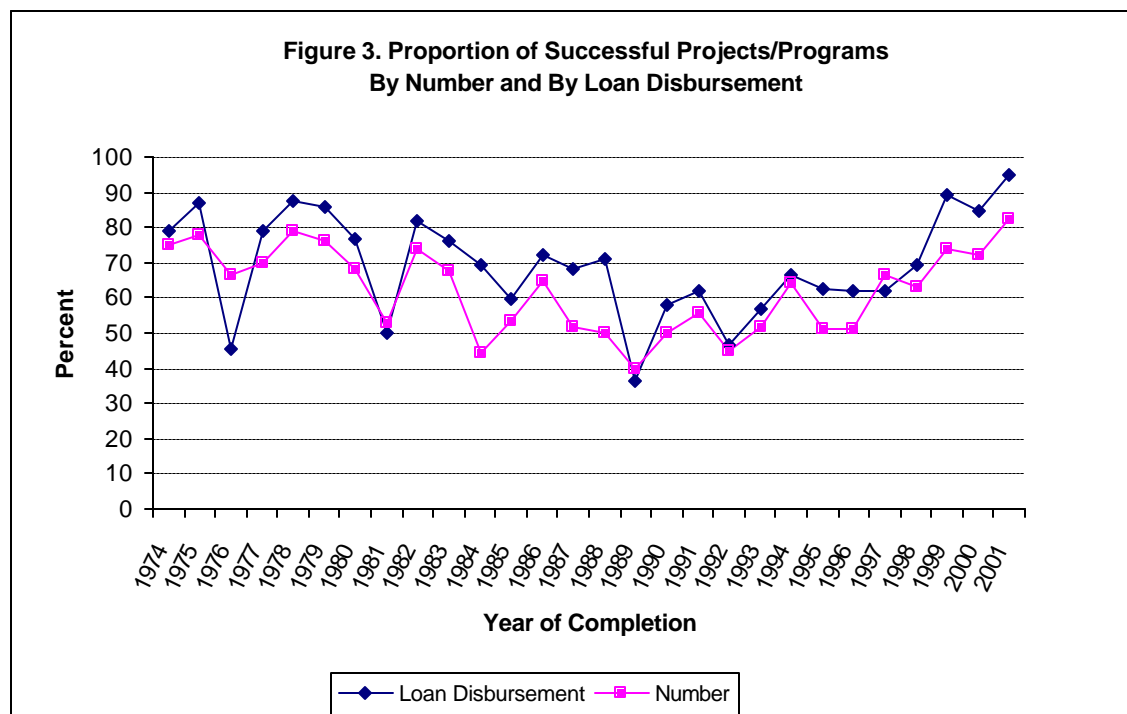
<sup>c</sup> Hong Kong, China; Republic of Korea; and Singapore.

134. The agriculture and natural resources sector and the financial sector have low success rates, below 50% (Table 6). The social infrastructure sector success rate is just below 60%. Together, these three sectors account for 59% of all rated projects and programs. The energy and transport and communications sectors account for 34% of all rated projects/programs. They have a high success rate of around 80%. Industry and multisector/other projects also have a relatively high success rate. However, despite their relatively low success rates overall, there was an improvement in the success rate in the 1990s for the social infrastructure sector, and some improvement for the agriculture and natural resources sector from very low success rates in the late 1980s (Appendix 7 Table A7.4 and Figure 7.3). Combined with a higher proportion of energy and transport and communication project completions in the 1990s, this helped improve the overall success rate.

135. Over the whole period 1974–2001, the success rate was 61%, with 30% of projects and programs rated partly successful and 9%, unsuccessful. The trend in success rate has been computed also by actual loan disbursements for each completed and evaluated operation (Figure 3).<sup>19</sup> In general, the trend by disbursement is above the trend by number, indicating that the more successful projects tend to be the larger ones. The trend shows again the improvement in success rate since 1989, including the effect of larger project loans to newer

<sup>19</sup> The actual amount disbursed over the implementation period of a project or program has been totaled. These totals have been aggregated for all projects and programs completed in a particular year.

borrowing DMCs. Over the whole period, the success rate for all projects and programs by actual loan disbursements was 71%.



136. This description of trends in evaluation ratings identifies areas where ADB could improve its performance further. There was an improvement in the ratings in the 1990s for some larger borrowers and in the social infrastructure and agriculture sectors. Continuing high success rates in energy, and transport and communications reinforced the higher success rate through more recent borrowers. It will not be easy to continue the trend, or even to maintain current success rates. It is unlikely that the success rates in energy and transport and communications can be significantly improved, within a ratings framework designed to produce lessons from what works and what does not work so well, and not simply to provide accountability. A change in composition away from the more successful sectors could also reduce the overall success rate. The social infrastructure and agriculture sectors showed in the 1990s that improvement can be achieved, even at a slow pace. Further improvement for ADB as a whole must come from continued improvement in these sectors, and in larger borrowers, and higher success rates in the financial sector and the Pacific region.

## V. FEEDBACK

### A. Follow-Up Actions

#### 1. Objective and Approach

137. OED has assessed the actions taken in relation to follow-up actions recommended in its evaluation studies completed in 2001. The 28 reports in 2001 comprised 18 PPARs, 4 TPARs, and 6 SESs with relevant follow-up actions (Appendix 8, Table A8.1).

138. Altogether, there were 145 follow-up actions. For the PPARs and TPARs, the follow-up actions were taken from the specific section of the reports. For the SESs, the follow-up actions were derived from recommendations, using only those that were specific and actionable. Follow-up actions were either addressed to ADB or DMCs, for a specific project, or policy and strategy purpose (Appendix 8, Table A8.2). For follow-up actions addressed to DMCs, information was requested from EAs and DMC governments through ADB operations departments. Information on the responses to the follow-up actions was first sought in July 2002. OED reviewed the responses to assess their specificity and to categorize them. In January 2003, the responses were confirmed and updated. Altogether, there were 233 responses.<sup>20</sup>

## **2. Classification of Follow-up Actions**

### **a. Quality of Actions**

139. The specificity of the follow-up actions was assessed. A good-quality follow-up action should indicate (i) what action is required, (ii) who is to take the action, and (iii) by when. Of the 145 follow-up actions, only one was not specific in stating what was to be done, and only one was not specific about who should take the action. However, 58 follow-up actions, 40% of the total, had nonspecific timeframes. Although this is an improvement compared to 2000 evaluation reports, where 51% of follow-up actions had nonspecific timeframes, the lack of specificity in this regard is still significant.

### **b. Types of Actions**

140. Out of the 145 follow-up actions in the 2001 evaluation reports, 76 (52%), were addressed to DMC governments (Appendix 8, Table A8.3). Among those, 47 follow-up actions were specific to the project; 16 were related to the specific project, but concerned actions at sector or national level, or from several agencies; and 13 were related to the future development of the EA or the implementing agency, or the sector. For 69 follow-up actions that were directed at ADB, 29 related to ADB's internal processes, guidelines, or strategies, and 40 were specific to the project, sector, or country strategy. The slightly higher number of follow-up actions directed at the DMC governments than at ADB implies greater emphasis on specificity of follow-up actions, especially what actions need to be done with regard to the sustainability or improvement of particular projects.

141. Most of the follow-up actions in the SESs were directed at ADB. Out of 39 follow-up actions in the SESs, 37 follow-up actions were addressed to ADB and mostly concerned ADB's internal processes, guidelines, and strategies.

## **3. Extent of Actions Taken**

### **a. Project Performance Audit Report/Technical Assistance Performance Audit Report**

142. For the 106 follow-up actions recommended in PPARs/TPARs, the responses from DMCs and ADB departments confirmed that appropriate actions were fully or partly taken in 73% of the cases; the actions would be addressed in future operations in 7% of the cases; no

<sup>20</sup> For follow-up actions from the SESs, multiple responses were received in a number of cases as several departments were involved. Thus, the number of responses exceeded the number of follow-up actions.

action was taken because concerned DMCs or ADB departments disagreed in 6% of the cases; and no response was received yet in 2% of the cases (Appendix 8, Table A8.4).

143. In another 12% of the cases, the recommended follow-up actions were not taken because they were too broad in scope or required substantial resources to be implemented in relation to the needs of a single project. They included follow-up actions that requested the government's substantial budgetary resource commitment to disseminate statistical information to the public, major legislation change, or institutional changes to facilitate the project performance information system over multiple government agencies.

#### **b. Special Evaluation Studies**

144. Altogether there were 47 responses to the follow-up actions recommended in the SESs.<sup>21</sup> Seventy-seven percent were followed by appropriate actions, and 23% will be addressed in future operations. The responses from regional departments to the SES on gender and development<sup>22</sup> were mixed.

### **4. Operational Issues**

145. Overall, the follow-up actions were relevant to operations and reasonably well addressed; there was improvement in their quality especially in the specificity of timeframes. However, the time specificity of follow-up actions should be improved further. The follow-up actions in SESs should be separated from general recommendations and follow the PPAR guidelines, by being specific, monitorable, actionable, relevant, and time bound.

146. Compared to the 2000 evaluation reports, there was a slight increase in the proportion of follow-up actions that were not taken. This was because these follow-up actions were overly broad and related to major policy changes and there were no responses in specific cases.

147. To improve applicability to operational needs, follow-up actions should be assessed against their practicality. A deeper involvement of EAs, DMC governments, and ADB operations departments in the formulation of follow-up actions is recommended. If follow-up actions involve major resource commitments or policy changes, OED missions should discuss with stakeholders a separation into immediately actionable steps and actions to be facilitated in future ADB operations.

### **B. In-Depth Review of Project and Program Completion Reports**

148. To enhance self-evaluation capability of ADB operations departments, OED has been conducting an in-depth review of 50% of PCRs on a rolling basis. In 2002, this involved 23 such reviews. The purpose is to advance the quality and consistency of PCRs as a whole. The reviews are designed to ensure that (i) the same methodology and evaluation criteria for assessing and rating the project are used as in any subsequent PPAR and (ii) the information to be collected during the PCR mission is adequate. OED also reviews the draft PCR and especially the project rating, which, however, remains the responsibility of the operations departments.

<sup>21</sup> Due to the multiple responses, the SES-related actions have been categorized by giving a weight of 0.2 for the responses from each of the five regional departments.

<sup>22</sup> ADB. 2001. *Special Evaluation Study on Gender and Development*. Manila.

## VI. OTHER ACTIVITIES

### A. Portfolio Performance

149. In 2002, OED undertook a review of portfolio performance in 2001. The resulting report has become an annual OED output.<sup>23</sup> As of 31 December 2001, the public sector loan portfolio comprised 501 loans for 443 projects in 31 DMCs; the private sector portfolio included a total of 99 projects. There was an increase in the public sector portfolio during 2001 to \$34.1 billion. Additions to the portfolio were highly concentrated; the top ten borrowers from 1998-2001 accounted for 91% of new approvals. By the end of 2001, 18% of loans and 6% of TAs were delegated to resident missions for administration. In 2001, a new loan classification system was applied to approvals. The previous system involving five strategic development objectives was replaced by a new system identifying poverty interventions, including core poverty interventions. By the end of 2000, 28% of approvals had included a primary or secondary poverty reduction classification under the old system. The proportion of poverty interventions under the new system was 29%, less than the targeted level of 40%.

150. There was an improvement in some portfolio performance indicators in 2001. This applied to the number of problem projects under administration, with partly satisfactory or unsatisfactory ratings. In July 2001, a further "at risk" category was introduced to include problem projects and those not yet in that category but with a number of identified weaknesses. The proportion of "at risk" projects was 27% at the end of 2001. This categorization identifies projects performing below expectations in terms of implementation progress or likelihood to achieve development objectives. Although a significant proportion of the portfolio, problems were being addressed in a more timely fashion than before. Other performance indicators did not show an improvement. The contract awards ratio fell to only 15%, while the disbursement ratio remained at 21%, and there was a sharp increase in the number of unsubmitted audited accounts

151. A portfolio management action plan has been under implementation since 1999. The first phase including improvements in the project performance reporting system and associated training was completed in 2001. There are several components of the second phase currently under implementation including the development of improved portfolio performance indicators, preparing a TA performance reporting system, designing a framework for better country portfolio reviews, and building portfolio management capacity of DMCs and ADB staff. The reorganization of ADB on 1 January 2002 and the new business processes are expected to have short- and medium-term impacts on portfolio performance. Overall, the report for 2001 concluded that further understanding was required of the decline in contract awards, the submission of audited accounts, and the persistent shortfalls in completion reporting for loans and TAs. The second phase of the portfolio management action plan should be pursued, the delegation of project administration responsibilities to resident missions accelerated, and a strategic focus for, and management of, the TA portfolio implemented.

### B. Harmonization of Evaluation Practices

152. Harmonization in evaluation has accompanied harmonization in several other aspects of MDB operations. The purpose is to share lessons from evaluations, reduce the costs to DMCs of having to cope with the evaluation procedures and criteria of different institutions, and

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<sup>23</sup> ADB. 2002. *Annual Report on Loan and Technical Assistance Portfolio Performance for the Period Ending 31 December 2001*. Manila.

enhance the comparability of results for assessing the achievements of the different MDBs. It is envisaged that harmonization of evaluation approaches will be accompanied by benchmarking of current practices in each MDB, so that movement toward harmonization can subsequently be assessed. The Evaluation Cooperation Group (ECG) has made progress in all areas of its mandate. It has facilitated an exchange of information on (i) evaluation methods for specific types of activity, (ii) management of evaluation activities, (iii) evaluation capacity development, and (iv) possibilities for joint evaluations.

153. An early decision was to harmonize evaluation of public sector projects and private sector operations through the development of separate good practice standards (GPS). The GPS for public sector operations were finalized in 2002. The ADB Guidelines for the Preparation of Project Performance Audit Reports of September 2000 generally adhere to the standards, and incorporate a draft form of the agreed evaluation criteria. The GPS for public sector operations also contain reference to the governance of an MDB's evaluation system. ADB has a good record on disclosure. Evaluations of individual or grouped public sector operations are disclosed and easily available. Also, OED staff are involved in the review of new operations, to help incorporate lessons learned and ensure their evaluability. In addition, the ADB reorganization of 1 January 2002 preserves a reporting line for OED independent of other departments, and retains oversight of OED activities by the Board's Development Effectiveness Committee.

154. ADB funds in the form of equity or loans are at risk in private sector operations, together with those of the project sponsor and other participants. The ECG's Working Group on Private Sector Evaluation finalized its GPS in 2001. A benchmarking study, to assess different MDBs' practices in relation to the GPS, and to assist in drawing up action plans to amend current practice toward the GPS, was undertaken in 2002. The study has recognized the distinction between harmonization and full standardization, the latter not being feasible, nor appropriate, given differences in the institutions and their reporting requirements, and in their lending portfolio balance and structure. The GPS for private sector operations require significant changes in ADB evaluation practice for private sector operations, in relation to criteria and ratings, and processes. The procedures they contain are relatively resource intensive for MDBs such as ADB where private sector operations, even given their substantial catalytic effect, comprise a small proportion of overall operations. ADB needs to implement the GPS for evaluation of private sector operations in a manner that will generate the most lessons and results from the resources involved.

155. The ECG is now focusing on higher-level evaluations that include impact or special evaluation studies covering a number of operations relating to a given sector or theme. They also include evaluation of country assistance programs, in the context of operations by all development partners. A study has commenced for formulating a good practices paper for evaluation of policy-based lending; ADB is managing this task on behalf of the ECG. A further study will shortly commence on good practices for evaluation of country assistance programs. Discussions and events are also ongoing with respect to the evaluability of MDB operations at the time of approval, ensuring the specification of indicators and a monitoring framework. The ECG held a technical workshop in September 2002 on evaluation capacity development, with participation by representatives of management. It was agreed to investigate establishing a Client-Led Evaluation Fund to support borrower-driven evaluation, to develop case studies of experiences in evaluation capacity development, and to engage other constituencies including civil society.

156. Finally, the ECG is cooperating with the community of practice dealing with results-based management, and is looking forward to building an integrated relationship between independent evaluation and managements. The ECG participated in the Management Roundtable on Better Measuring, Monitoring and Managing for Results in June 2002, and in the OECD/DAC Development Partnership Forum on Managing for Development Results and Aid Effectiveness in December 2002. OED is also participating in an internal working group for working out the implications of results-based management for ADB.

### **C. Evaluation Capacity Development**

157. In 2002, two TAs administered by OED for evaluation capacity building were completed. In the PRC, assistance was provided to the Key Projects Inspectors Office of the State Development and Planning Commission to improve their project monitoring system. In the Philippines, help was provided to the National Economic Development Authority to develop a results-oriented project monitoring and evaluation system. OED staff contributed to an evaluation capacity building workshop for DMC government officials organized by Japan's Ministry of Foreign Affairs, and continued to support ADB staff training for the project performance management system, including the logical framework and project performance reporting.

### **D. Support to ADB's Policies and Procedures**

158. OED brings its evaluation experience to bear on ADB operations in various ways. This includes the assessment of the evaluability of new operations, and participation in selected sector and thematic committees under the new organization. In 2002, it also included an assessment of the way in which the new loan classification system was implemented in 2001, and chairing the Validation Group reviewing the implementation by operations departments of the policy on performance-based allocation of ADF resources.

## **VII. CONCLUSIONS**

159. There was a substantial increase in evaluation activities in 2002 including an increase in the number of evaluation reports. Some of the principal conclusions from these activities are as follows.

160. The ratings of projects and programs evaluated in 2002 show a high proportion of successful or highly successful operations; 82% by number of projects/programs, 89% by loan disbursements, and 93% by actual project/program cost. None was rated unsuccessful. There are distinct differences between sectors. Of 15 economic infrastructure projects and programs, only 1 was rated partly successful. Of 15 projects and programs in agriculture and social infrastructure sectors, 5 were rated partly successful.

161. For projects there was an average delay of 2.5 years. The delay was greater for economic infrastructure projects, but agriculture and social infrastructure projects had longer implementation periods despite shorter delays. Consistent with experience in the previous years, 70% of projects experienced cost underruns and 30% cost overruns. There were substantial cost overruns for an energy and an industry project, and substantial cost underruns for agriculture projects. Delays and cost overruns did not reduce project success rates. In part, cost overruns and delays are accounted for by the extra costs and time for reformulation of some projects, which as a result become successful.

162. Project success is closely related to project design. Major design flaws were identified in 10 out of 27 projects, including all 4 projects rated partly successful. In some cases, there was a need to reconsider basic design parameters and technical specifications. In another case, project alternatives were not explored during formulation. In yet another case, insufficient attention was paid to the experience of earlier projects.

163. The four projects rated highly successful can be compared with the four rated partly successful. Three factors may be of particular significance. For the latter predominantly agriculture projects, implementation was more complicated with a problem of coordination among a larger number of implementation agencies; both ADB and borrower performance was judged to be less satisfactory; and design weaknesses were associated with weak country ownership. In combination, these factors meant that sustainability of net benefits was significantly less likely than for the highly successful infrastructure and industry projects.

164. Public sector projects contribute substantially to private sector development. Five of the 15 infrastructure projects included explicit provision for private sector participation, through support for statutory and regulatory reforms, or through privatization of public enterprises. The social sectors also continue to benefit from private sector involvement, which at the same time raises important coordination issues. Private sector involvement can draw scarce human resources from the public sector; private provision of primary education requires enhanced capacity to monitor the quality of provision; communal participation in financing small irrigation schemes can counteract the tendency for overdesign of facilities.

165. The six evaluated programs had a large number of conditions overall, average 53, but only 8 for second tranche release. Planned program periods were short. As with earlier evaluations, most policy conditions were met although with significant delays for two programs, which may have been beneficial. In one case, the earmarking of loan proceeds contradicted program objectives and detracted from performance. Importantly, social mitigation measures were sometimes the weakest part of program implementation. Sector agencies generally do not have the authority or resources for mitigation measures; national and district social insurance schemes are not implemented on a sector basis.

166. Thirty-three TAs were rated through six TPARs. TA ratings were lower than for projects. Some lessons were drawn of relevance to TA operations in general: sharply-focused TAs are more likely to achieve their objectives; the use of domestic consultants can be cost effective with adequate administration; TA should be designed in the context of other ongoing activities including those of development partners.

167. Country assistance program evaluations were carried out for two larger and a new borrower. For Bangladesh, failure to understand earlier the difficulties of implementing public sector reform was compensated by the promotion of private sector participation, working with NGOs, and a better appreciation of governance issues. Project performance has improved somewhat in recent years. Sector-specific lessons highlight the importance of identifying vested interests around policy reforms; promoting medium, small, and micro enterprises to generate employment; and the further expansion and proper maintenance of infrastructure. For the Philippines, although relevant, the assistance program has had moderate effects on institutional development and other impacts, and question marks on their sustainability. There was a high proportion of unsuccessful projects; however, these were mostly from the 1980s. There was some improvement in the 1990s, together with good coordination with other development partners. The assistance program in Mongolia made significant contributions to the transition process. There has been strong ownership by government of projects and reform initiatives.

Capacity building operations mostly focused on inputs and training, and did not result in cohesive public resource management, while policy matrixes for policy-based lending were overloaded. The evaluation underscored the importance of providing strategic guidance to operations, and setting specific monitorable targets.

168. Aggregate results of projects and programs completed between 1974 and 2001 show that a downward trend in ratings was reversed in 1989. Several institutional factors contributed to the improvement in results, together with changes in the composition of operations. An improvement in ratings for South Asia in the 1990s was reinforced by higher success rates in newer borrowing DMCs. A slow improvement in results for social infrastructure and agriculture sectors was reinforced by the higher success rate and higher proportion of energy, and transport and communications, operations. Further improvement in success rates will require continued progress in results for social infrastructure and agriculture operations in long-term borrowers, and improvements for the financial sector and the Pacific region.

169. An assessment was made of the responses to the 145 follow-up actions in 2001 evaluation reports. Overall, the follow-up actions were relevant and reasonably well addressed, with an improvement in the specificity of timeframes, although there is room for further improvement. In 20 cases (13%), no action was taken. This was partly because of disagreements by concerned DMCs and ADB operations departments, and partly because the proposed actions were too broad in scope, or too demanding in resources, to be addressed in relation to a single operation. The practicality of follow-up actions should be assessed through deeper involvement of EAs, DMCs, and ADB operations staff in their formulation.

170. For the first time, OED produced an annual report on portfolio performance in the preceding year, 2001. There was an improvement in portfolio performance despite the introduction of an additional "at risk" categorization in July 2001. A significant proportion of problems was being addressed in a timely manner. However, the contract awards ratio fell, and the number of unsubmitted audited accounts rose. A second phase of a portfolio management action plan, including a TA performance reporting system and a better framework for country portfolio reviews, is under implementation.

171. The GPS for evaluation of public sector operations across the MDBs were finalized in 2002. A benchmarking study across MDBs in relation to the evaluation of private sector operations was also undertaken. The procedures required for the GPS for private sector evaluation are relatively resource intensive for institutions such as ADB where private sector operations comprise a small proportion of the total. Harmonization activities have now moved to evaluation of policy-based lending, and country assistance programs, and to assessing evaluability of new operations. These are combined with cooperation on evaluation capacity building, and borrower-driven evaluations.

## PROFILE OF EVALUATIONS IN 2002

	Report No.	Loan/TA No.	Date Approved	Loan/TA Amount (\$mn)		Project Cost			Completion Date		Time Overrun (Underrun) (Years)	Rating
				Approved	Disbursed	Expected (\$ mn)	Actual (\$ mn)	Overrun/Underrun (%)	Expected	Actual		
<b>I. Projects, Programs, and Technical Assistance</b>												
<b>A. Project Performance Audit Reports<sup>a</sup></b>												
Road Improvement Project	PE-588	918 IND	10 Nov 88	198.0	172.9	253.5	233.6	(7.9)	31 Dec 93	31 Mar 98	4.2	S
Tenth Road Sector Project	PE-589	966 INO	10 Aug 89	120.0	109.2	213.0	212.5	(0.2)	31 Dec 93	31 Jul 94	0.6	S
Eleventh Road Sector Project		1115 INO	07 Nov 91	150.0	130.8	250.0	216.0	(13.6)	30 Jun 96	30 Jun 97	1.0	S
Santo Port Project	PE-590	843 VAN(SF)	29 Sep 87	9.2	9.1	10.6	10.3	(2.8)	30 Apr 90	20 May 98	8.1	S
		1080 VAN(SF)	19 Mar 91									
East Rapti Irrigation Project	PE-591	867 NEP (SF)	26 Nov 87	30.4 <sup>b</sup>	9.9	38.0 <sup>b</sup>	12.9	(66.1)	31 May 94	31 Dec 98	4.6	S
Guangdong Tropical Crops Project	PE-592	1175 PRC	13 Aug 92	55.0	55.0	109.7	139.7	27.3	30 Nov 97	31 May 98	0.5	S
Nam Ngum-Luang Prabang Power Transmission I	PE-593	928 LAO (SF)	06 Dec 88	11.0	15.6	12.7	20.3	59.8	31 Jul 92	31 Jul 98	6.0	S
		1308 LAO (SF)	30 Aug 94									S
Third Health (Sector) Project	PE-594	980 MAL	31 Oct 89	105.0	105.0	231.2	261.8	13.2	31 Dec 95	31 Dec 97	2.0	S
North Madras Thermal Power Project	PE-595	798 IND	18 Nov 86	150.0	110.4	627.5	469.4	(25.2)	31 Dec 92	30 Jun 99	6.5	S
Technical Educ. and Vocational Training Dev. Pro	PE-596	974 NEP (SF)	28 Sep 89	11.8	12.6	21.6	19.3	(10.6)	31 Dec 95	30 Sep 97	1.8	S
Second Land Resource Evaluation and Planning F	PE-597	1099 INO	19 Sep 91	57.0	52.4	95.0	83.8	(11.8)	31 Dec 96	31 Mar 98	1.2	PS
Second Barani Area Development Project	PE-599	1012 PAK (SF)	20 Feb 90	25.0	22.8	59.8	51.3	(14.2)	31 Dec 97	31 Dec 98	1.0	PS
Ulaanbataar Airport Project	PE-600	1256 MON (SF)	12 Oct 93	36.0	37.3	49.0	50.9	3.9	31 Oct 97	31 Aug 97	(0.2)	S
National Air Navigation Development Project		1370 MON (SF)	05 Sep 95	24.0	20.7	32.5	27.5	(15.4)	31 Jul 99	31 Dec 99	0.4	HS
Employment Generation Project	PE-601	1290 MON (SF)	16 Dec 93	3.0	3.1	3.0	3.1	2.8	30 Jun 97	31 Aug 99	2.2	PS
Third Power Transmission (Sector) Project	PE-603	1170 THA	16 Jul 92	94.3	87.9	349.1	213.2	(38.9)	31 Mar 95	30 Sep 98	3.5	HS
Fourth Power Transmission (Sector) Project		1245 THA	19 Aug 93	115.6	96.0	405.8	317.5	(21.8)	30 Sep 96	31 Jul 98	1.8	HS
Sixteenth Power (Masinloc Thermal Power) Proje	PE-605	1042 PHI	30 Oct 90	200.0	196.8	441.0	429.3	(2.7)	01 Oct 94	18 Jun 98	3.7	S
Bangladesh Open University Project	PE-607	1173 BAN (SF)	04 Aug 92	34.3	32.8	43.0	41.2	(4.3)	30 Jun 97	31 Dec 98	1.5	S
Junior Secondary Education Project	PE-609	1194 INO	19 Nov 92	105.0	98.1	174.9	168.2	(3.8)	31 Mar 98	31 Dec 98	0.8	S
Theun-Hinboun Hydropower Project	PE-610	1329 LAO (SF)	08 Nov 94	60.0	57.7	270.0	240.2	(11.0)	31 Mar 98	31 Mar 98	0.0	S
Second Palawan Integrated Area Dev. Project	PE-611	1033 PHI (SF)	27 Sep 90	58.0	58.4	73.5	83.5	13.6	31 Dec 96	31 Dec 98	2.0	PS
		1034 PHI										
Third Local Roads Project	PE-612	1232 INO	25 May 93	200.0	151.1	466.0	329.2	(29.4)	31 Mar 97	30 Jun 98	1.2	S
Second Aquaculture Development Project	PE-613	821 BAN (SF)	16 Dec 86	45.5	30.7	60.0	38.3	(36.2)	30 Jun 92	31 Dec 96	4.5	S
Jing Jiu Railway Technical Enhancement Project	PE-614	1305 PRC	14 Jul 94	200.0	193.9	532.0	552.5	3.9	31 Dec 96	31 Dec 98	2.0	S
Metropolitan Cebu Water Supply Project	PE-615	1056 PHI (SF)	29 Nov 90	22.0	16.9	33.0	24.4	(25.9)	31 Dec 93	31 Oct 97	3.8	S
		1057 PHI										
Calcutta Electric Supply Company Limited Project	PE-617	1036 IND	04 Oct 90	17.8	18.8	91.6	75.0	(18.1)	31 Mar 95	30 Jun 96	1.3	S
		Inv 705 IND										
Laiwu Iron and Steel Modernization Project	PE-618	1162 PRC	31 Mar 92	133.0	131.8	328.0	518.4	58.0	31 Mar 96	30 Jun 99	3.2	HS

	Report No.	Loan/TA No.	Date Approved	Loan/TA Amount (\$mn)		Project Cost			Completion Date		Time Overrun/ (Underrun) (Years)	Rating		
				Approved	Disbursed	Expected (\$ mn)	Actual (\$ mn)	Overrun/ (Underrun) (%)	Expected	Actual				
<b>B. Program Performance Audit Reports <sup>a</sup></b>														
Railway Recovery Program	PE-598	1310	BAN (SF)	08 Sep 94	80.0	85.6				30 Jun 96	30 Jun 96	0.0	PS	
Agriculture Sector Program	PE-602	1340	VIE (SF)	08 Dec 94	78.9	78.8				30 Jun 97	30 Jun 98	1.0	S	
Agriculture Sector Program	PE-604	1407	KGZ (SF)	23 Nov 95	40.0	37.9				31 Dec 97	31 Dec 97	0.0	S	
Agriculture Sector Program	PE-606	1409	MON (SF)	05 Dec 95	35.0	33.3				31 Dec 98	31 Dec 98	0.0	PS	
Industrial Sector Program	PE-608	1229	NEP (SF)	27 Apr 93	20.6	20.7				31 Dec 95	12 Dec 97	2.0	S	
Economic Restructuring Program	PE-616	1466	COO (SF)	26 Sep 96	5.0	4.8				30 Jun 99	30 Jun 99	0.0	S	
<b>C. Technical Assistance Performance Audit Reports <sup>a</sup></b>														
Selected Technical Assistance in the Education Sector in Three Central Asian Republics	TE-39	2308	KAZ	07 Mar 95	0.90	0.85			(5.4)	30 Oct 96	31 Dec 98	2.2	S	
		2872	KAZ	24 Sep 97	0.60	0.57			(5.3)	31 Jul 99	22 Dec 98	(0.6)	S	
		2290	KGZ	19 Dec 94	0.90	0.75			(17.0)	31 Dec 95	25 Oct 96	0.8	S	
		2879	KGZ	29 Sep 97	0.93	0.63			(32.6) <sup>b</sup>	31 Jan 00	30 May 00	0.3	PS	
		2947	UZB	17 Dec 97	0.90	0.90			(0.2) <sup>b</sup>	30 Jun 03	-	-	-	HS
Strengthening Audit Capability in the Pacific	TE-40	2948	UZB	17 Sep 97	0.50	0.49			(2.0)	30 Apr 00	30 Jun 00	0.2	HS	
		2463	FIJ	11 Dec 95	0.59	0.49			(17.2)	-	31 Jul 98	-	-	S
		1389	KIR	18 Oct 90	0.23	0.16			(30.3)	-	28 Feb 93	-	-	S
		5347	REG	16 Aug 89	0.30	0.29			(3.3)	-	30 Jun 92	-	-	HS
		5589	REG	25 Jul 94	0.14	0.09			(37.0)	-	30 Nov 95	-	-	S
		5830	REG	03 Feb 99	0.70	0.46			(34.4)	-	31 Oct 99	-	-	HS
		5910	REG	06 Apr 00	0.20	0.13			(35.1)	-	30 Jun 00	-	-	HS
Institutional Strengthening and Policy Support to the Sector in Kazakhstan, Kyrgyz Republic and Mongolia	TE-41	2631	KAZ	27 Aug 96	0.75	0.75			(0.1)	30 Jun 97	28 Nov 97	0.4	S	
		2587	KGZ	13 Jun 96	0.80	0.66			(18.1)	15 Jul 97	01 Aug 97	0.0	S	
		3065	KGZ	10 Sep 98	0.60	0.58			(2.7)	30 Sep 00	01 Sep 00	(0.1)	PS	
		2380	MON	22 Aug 95	0.92	0.78			(14.9)	30 Sep 97	31 Aug 97	(0.1)	S	
		3268	MON	30 Sep 99	0.67	0.66			(0.9)	31 Oct 00	21 Sep 00	(0.1)	PS	
Road Sector Management in Lao People's Democratic Republic, Papua New Guinea, and the Philippines	TE-42	5733	REG	03 Apr 97	0.60	0.60			(0.8)	30 Sep 98	01 Jul 98	(0.2)	US	
		1897	LAO	01 Jun 93	0.95	0.93			(2.6)	30 Sep 94	01 Feb 95	0.3	S	
		3004	PNG	03 Apr 98	1.00	0.93			(7.2)	30 Sep 00	01 May 01	0.6	S	
		3378	PNG	28 Dec 99	0.58	0.50			(14.5)	31 Dec 00	31 May 02	1.4	PS	
Selected Technical Assistance for Agricultural Planning and Statistics in Nepal	TE-43	2652	PHI	30 Sep 96	0.83	0.81			(1.8)	31 May 98	01 Apr 01	2.8	S	
		1854	NEP	15 Mar 93	0.60	0.62			3.7	30 Sep 94	30 Jun 95	0.7	S	
		2618	NEP	25 Jul 96	0.85	0.84			(1.2)	22 Nov 98	23 Mar 99	0.3	PS	
		2861	NEP	09 Sep 97	0.40	0.36			(9.0)	16 Oct 99	31 Mar 00	0.5	PS	
		3008	NEP	17 Apr 98	0.90	0.90			(0.3)	30 Nov 00	31 Jan 01	0.2	S	
		3247	NEP	27 Aug 99	0.15	cancelled			-	-	-	-	-	NR
		3536	NEP	13 Nov 00	0.60	0.58			(3.5)	30 Nov 01	31 Jul 02	0.7	S	

	Report No.	Loan/TA No.	Date Approved	Loan/TA Amount (\$mn)			Project Cost			Completion Date		Time Overrun/ (Underrun) (Years)	Rating
				Approved	Disbursed	Expected (\$ mn)	Actual (\$ mn)	Overrun/ (Underrun) (%)	Expected	Actual			
											Approved		
Selected Advisory Technical Assistance for	TE-44	2393 PAK	07 Sep 95	0.87	0.82			(5.20)	31 Dec 97	28 Feb 00	2.2	S	
Capital Market Development and Reform of Non-Bank		2812 PAK	18 Jun 97	0.10	0.06			(39.00)	31 May 98	30 Jun 99	1.1	HS	
Financial Institutions in Pakistan		2825 PAK	14 Jul 97	0.10	0.09			(14.00)	31 Oct 97	01 Mar 99	1.3	S	
		2865 PAK	15 Sep 97	0.80	0.58			(27.00)	31 Aug 98	01 May 99	0.7	PS	
		2866 PAK	15 Sep 97	0.70	0.65			(7.57)	30 Jun 99	15 Aug 00	1.1	S	
		2867 PAK	15 Sep 97	0.60	0.55			(7.67)	30 Jun 99	30 Jun 01	2.0	PS	
<b>III. Thematic Evaluations and Other Reports</b>													
<b>A. Impact Evaluation Studies <sup>a</sup></b>													
Investment Fund Operations of	IE-67												
of Asian Development Bank													
Impact of Rural Roads on Poverty	IE-68												
Reduction: A Case Study-Base													
Water Supply and Sanitation in Selected	IE-69												
Developing Member Countries													
<b>B. Special Evaluation Studies <sup>a</sup></b>													
Impact on Poverty Reduction of Selected	SS-51												
Projects: Perceptions and Beneficiaries													
ADF Study													
Government and Nongovernment Provision	SS-52												
of Primary Education													
<b>C. Country Assistance Program Evaluations <sup>a</sup></b>													
Country Assistance Program Evaluation	CE-3												
for Mongolia													
Country Assistance Program Evaluation	CE-4												
for Bangladesh													
Country Assistance Program Evaluation	CE-5												
for Philippines													
<b>D. Assessing Development Impact Series</b>													
Powering Economic Development and	ADI-5												
Reducing Poverty with Energy													
<b>E. Miscellaneous Evaluation Reports</b>													
Annual Review of Evaluation Activities in 2001													
Annual Report on Loan and Technical Assistance Portfolio Performance													
Evaluation Highlights of 2001													

HS= highly successful, INV= investment, PS= partly successful, S= successful, TA= technical assistance, US= unsuccessful.

<sup>a</sup> Listed chronologically by report completion.

<sup>b</sup> Project was reformulated in October 1992 at a reduced project cost and loan amount of \$10.4 million and \$8.3 million, respectively.

Source: Operations Evaluation Department.

## RATINGS OF PROJECTS AND PROGRAMS EVALUATED IN 2002

Table A2.1: Performance by Country Group and Country

Country Group/Country	Highly Successful		Successful		Partly Successful		Unsuccessful		All	
	Number	%	Number	%	Number	%	Number	%	Number	%
<b>Group A (ADF-only)</b>										
Lao PDR	0	0.0	2	100.0	0	0.0	0	0.0	2	100.0
Kyrgyz Republic	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
Mongolia	1	25.0	1	25.0	2	50.0	0	0.0	4	100.0
Nepal	0	0.0	3	100.0	0	0.0	0	0.0	3	100.0
Vanuatu	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
<b>Subtotal (A)</b>	<b>1</b>	<b>9.1</b>	<b>8</b>	<b>72.7</b>	<b>2</b>	<b>18.2</b>	<b>0</b>	<b>0.0</b>	<b>11</b>	<b>100.0</b>
<b>Group B (ADF-OCR blend)<sup>a</sup></b>										
Country Group B1										
Bangladesh	0	0.0	2	66.7	1	33.3	0	0.0	3	100.0
Cook Islands	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
Pakistan	0	0.0	0	0.0	1	100.0	0	0.0	1	100.0
Vietnam	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
Subtotal (B1)	0	0.0	4	66.7	2	33.3	0	0.0	6	100.0
Country Group B2										
China, People's Republic of	1	33.3	2	66.7	0	0.0	0	0.0	3	100.0
India	0	0.0	2	100.0	0	0.0	0	0.0	2	100.0
Indonesia	0	0.0	4	80.0	1	20.0	0	0.0	5	100.0
Subtotal (B2)	1	10.0	8	80.0	1	10.0	0	0.0	10	100.0
<b>Subtotal (B)</b>	<b>1</b>	<b>6.3</b>	<b>12</b>	<b>75.0</b>	<b>3</b>	<b>18.8</b>	<b>0</b>	<b>0.0</b>	<b>16</b>	<b>100.0</b>
<b>Group C (OCR-only)</b>										
Malaysia	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
Philippines	0	0.0	2	66.7	1	33.3	0	0.0	3	100.0
Thailand	2	100.0	0	0.0	0	0.0	0	0.0	2	100.0
<b>Subtotal (C)</b>	<b>2</b>	<b>33.3</b>	<b>3</b>	<b>50.0</b>	<b>1</b>	<b>16.7</b>	<b>0</b>	<b>0.0</b>	<b>6</b>	<b>100.0</b>
<b>Total</b>	<b>4</b>	<b>12.1</b>	<b>23</b>	<b>69.7</b>	<b>6</b>	<b>18.2</b>	<b>0</b>	<b>0.0</b>	<b>33</b>	<b>100.0</b>
of which:										
Projects	4	14.8	19	70.4	4	14.8	0	0.0	27	100.0
Programs	0	0.0	4	66.7	2	33.3	0	0.0	6	100.0

ADF = Asian Development Fund, OCR = ordinary capital resources, PDR = People's Democratic Republic.

<sup>a</sup> For B1 countries = ADF with limited amounts of OCR, and for B2 countries = OCR with limited amounts of ADF.

Source: Asian Development Bank's internal data bases.

Table A2.2: Performance by Sector and Subsector

Sector/Subsector	Highly Successful		Successful		Partly Successful		A Unsuccessful		All	
	Number	%	Number	%	Number	%	Number	%	Number	%
<b>A. Agriculture and Natural Resources</b>										
Agricultural Support Services	0	0.0	2	40.0	3	60.0	0	0.0	5	100.0
Irrigation and Rural Development	0	0.0	1	33.3	2	66.7	0	0.0	3	100.0
Fisheries	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
Industrial Crops and Agro-industry	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
<b>Subtotal (A)</b>	<b>0</b>	<b>0.0</b>	<b>5</b>	<b>50.0</b>	<b>5</b>	<b>50.0</b>	<b>0</b>	<b>0.0</b>	<b>10</b>	<b>100.0</b>
<b>B. Energy</b>										
Electric Power	2	33.3	4	66.7	0	0.0	0	0.0	6	100.0
<b>Subtotal (B)</b>	<b>2</b>	<b>33.3</b>	<b>4</b>	<b>66.7</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>6</b>	<b>100.0</b>
<b>D. Transport and Communications</b>										
Roads and Road Transport	0	0.0	4	100.0	0	0.0	0	0.0	4	100.0
Airports and Civil Aviation	1	50.0	1	50.0	0	0.0	0	0.0	2	100.0
Railways	0	0.0	1	50.0	1	50.0	0	0.0	2	100.0
Ports and Shipping	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
<b>Subtotal (C)</b>	<b>1</b>	<b>11.1</b>	<b>7</b>	<b>77.8</b>	<b>1</b>	<b>11.1</b>	<b>0</b>	<b>0.0</b>	<b>9</b>	<b>100.0</b>
<b>E. Social Infrastructure</b>										
Education	0	0.0	3	100.0	0	0.0	0	0.0	3	100.0
Health and Population	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
Water Supply and Sanitation	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
<b>Subtotal (D)</b>	<b>0</b>	<b>0.0</b>	<b>5</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>5</b>	<b>100.0</b>
<b>F. Industry</b>										
Industry (Non-Agriculture)	1	50.0	1	50.0	0	0.0	0	0.0	2	100.0
<b>Subtotal (E)</b>	<b>1</b>	<b>50.0</b>	<b>1</b>	<b>50.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>100.0</b>
<b>G. Multisector/Others</b>										
Others	0	0.0	1	100.0	0	0.0	0	0.0	1	100.0
<b>Subtotal (F)</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>100.0</b>
<b>Total</b>	<b>4</b>	<b>12.1</b>	<b>23</b>	<b>69.7</b>	<b>6</b>	<b>18.2</b>	<b>0</b>	<b>0.0</b>	<b>33</b>	<b>100.0</b>

Source: Asian Development Bank's internal data bases.

**Table A2.3: Performance by Project/Program Cost**

Country Group/Sector	No. of Projects Evaluated	Highly Successful		Successful		Partly Successful		Unsuccessful		Total Amount (\$ mn)
		Amount (\$ mn)	%	Amount (\$ mn)	%	Amount (\$ mn)	%	Amount (\$ mn)	%	
<b>Group A</b>	<b>11</b>	<b>27.5</b>	<b>5.8</b>	<b>412.6</b>	<b>86.6</b>	<b>36.1</b>	<b>7.6</b>	<b>0.0</b>	<b>0.0</b>	<b>476.2</b>
Agriculture	4	0.0	0.0	50.8	58.5	36.1	41.5	0.0	0.0	86.9
Energy	2	0.0	0.0	260.5	100.0	0.0	0.0	0.0	0.0	260.5
Industry	1	0.0	0.0	20.7	100.0	0.0	0.0	0.0	0.0	20.7
Social Infrastructure	1	0.0	0.0	19.3	100.0	0.0	0.0	0.0	0.0	19.3
Transport and Communications	3	27.5	31.0	61.2	69.0	0.0	0.0	0.0	0.0	88.7
<b>Group B1</b>	<b>6</b>	<b>0.0</b>	<b>0.0</b>	<b>165.1</b>	<b>54.7</b>	<b>136.9</b>	<b>45.3</b>	<b>0.0</b>	<b>0.0</b>	<b>302.0</b>
Agriculture	3	0.0	0.0	117.2	69.6	51.3	30.4	0.0	0.0	168.5
Social Infrastructure	1	0.0	0.0	43.2	100.0	0.0	0.0	0.0	0.0	43.2
Transport and Communications	1	0.0	0.0	0.0	0.0	85.6	100.0	0.0	0.0	85.6
Others	1	0.0	0.0	4.8	100.0	0.0	0.0	0.0	0.0	4.8
<b>Group B2</b>	<b>10</b>	<b>518.4</b>	<b>17.7</b>	<b>2,321.1</b>	<b>79.4</b>	<b>83.7</b>	<b>2.9</b>	<b>0.0</b>	<b>0.0</b>	<b>2,923.2</b>
Agriculture	2	0.0	0.0	139.7	62.5	83.7	37.5	0.0	0.0	223.4
Energy	1	0.0	0.0	469.4	100.0	0.0	0.0	0.0	0.0	469.4
Industry	1	518.4	100.0	0.0	0.0	0.0	0.0	0.0	0.0	518.4
Social Infrastructure	1	0.0	0.0	168.2	100.0	0.0	0.0	0.0	0.0	168.2
Transport and Communications	5	0.0	0.0	1,543.8	100.0	0.0	0.0	0.0	0.0	1,543.8
<b>Group C</b>	<b>6</b>	<b>530.7</b>	<b>39.9</b>	<b>715.51</b>	<b>53.8</b>	<b>83.48</b>	<b>6.3</b>	<b>0</b>	<b>0.0</b>	<b>1,329.7</b>
Agriculture	1	0.0	0.0	0.0	0.0	83.5	100.0	0.0	0.0	83.5
Energy	3	530.7	55.3	429.3	44.7	0.0	0.0	0.0	0.0	960.0
Social Infrastructure	2	0.0	0.0	286.2	100.0	0.0	0.0	0.0	0.0	286.2
<b>All DMCs</b>	<b>33</b>	<b>1,076.6</b>	<b>21.4</b>	<b>3,614.4</b>	<b>71.8</b>	<b>340.2</b>	<b>6.8</b>	<b>0.0</b>	<b>0.0</b>	<b>5,031.1</b>
Agriculture	10	0.0	0.0	307.7	54.7	254.6	45.3	0.0	0.0	562.3
Energy	6	530.7	31.4	1,159.2	68.6	0.0	0.0	0.0	0.0	1,689.9
Industry	2	518.4	96.2	20.7	3.8	0.0	0.0	0.0	0.0	539.1
Social Infrastructure	5	0.0	0.0	516.9	100.0	0.0	0.0	0.0	0.0	516.9
Transport and Communications	9	27.5	1.6	1,605.0	93.4	85.6	5.0	0.0	0.0	1,718.1
Others	1	0.0	0.0	4.8	100.0	0.0	0.0	0.0	0.0	4.8

Source: Asian Development Bank's internal data bases.

**Table A2.4: Performance by Loan Disbursement**

Country Group/Sector	No. of Projects Evaluated	Highly Successful		Successful		Partly Successful		Unsuccessful		Total Amount (\$ mn)
		Amount (\$ mn)	% <sup>a</sup>	Amount (\$ mn)	% <sup>a</sup>	Amount (\$ mn)	% <sup>a</sup>	Amount (\$ mn)	% <sup>a</sup>	
<b>Group A</b>	<b>11</b>	<b>20.7</b>	<b>8.0</b>	<b>200.7</b>	<b>77.8</b>	<b>36.4</b>	<b>14.1</b>	<b>0.0</b>	<b>0.0</b>	<b>257.8</b>
Agriculture	4	0.0	0.0	47.9	56.8	36.4	43.2	0.0	0.0	84.3
Energy	2	0.0	0.0	73.3	100.0	0.0	0.0	0.0	0.0	73.3
Industry	1	0.0	0.0	20.7	100.0	0.0	0.0	0.0	0.0	20.7
Social Infrastructure	1	0.0	0.0	12.6	100.0	0.0	0.0	0.0	0.0	12.6
Transport and Communications	3	20.7	31.0	46.2	69.0	0.0	0.0	0.0	0.0	67.0
<b>Group B1</b>	<b>6</b>	<b>0.0</b>	<b>0.0</b>	<b>147.1</b>	<b>57.6</b>	<b>108.4</b>	<b>42.4</b>	<b>0.0</b>	<b>0.0</b>	<b>255.5</b>
Agriculture	3	0.0	0.0	109.6	82.8	22.8	17.2	0.0	0.0	132.4
Social Infrastructure	1	0.0	0.0	32.8	100.0	0.0	0.0	0.0	0.0	32.8
Transport and Communications	1	0.0	0.0	0.0	0.0	85.6	100.0	0.0	0.0	85.6
Others	1	0.0	0.0	4.8	100.0	0.0	0.0	0.0	0.0	4.8
<b>Group B2</b>	<b>10</b>	<b>131.8</b>	<b>10.9</b>	<b>1,021.3</b>	<b>84.7</b>	<b>52.4</b>	<b>4.3</b>	<b>0.0</b>	<b>0.0</b>	<b>1,205.4</b>
Agriculture	2	0.0	0.0	55.0	51.2	52.4	48.8	0.0	0.0	107.4
Energy	1	0.0	0.0	110.4	100.0	0.0	0.0	0.0	0.0	110.4
Industry	1	131.8	100.0	0.0	0.0	0.0	0.0	0.0	0.0	131.8
Social Infrastructure	1	0.0	0.0	98.1	100.0	0.0	0.0	0.0	0.0	98.1
Transport and Communications	5	0.0	0.0	757.8	100.0	0.0	0.0	0.0	0.0	757.8
<b>Group C</b>	<b>6</b>	<b>183.95</b>	<b>32.8</b>	<b>318.7</b>	<b>56.8</b>	<b>58.36</b>	<b>10.4</b>	<b>0</b>	<b>0.0</b>	<b>561.0</b>
Agriculture	1	0.0	0.0	0.0	0.0	58.4	100.0	0.0	0.0	58.4
Energy	3	184.0	48.3	196.8	51.7	0.0	0.0	0.0	0.0	380.8
Social Infrastructure	2	0.0	0.0	121.9	100.0	0.0	0.0	0.0	0.0	121.9
<b>All DMCs</b>	<b>33</b>	<b>336.5</b>	<b>14.8</b>	<b>1,687.8</b>	<b>74.0</b>	<b>255.6</b>	<b>11.2</b>	<b>0.0</b>	<b>0.0</b>	<b>2,279.8</b>
Agriculture	10	0.0	0.0	212.4	55.6	170.0	44.4	0.0	0.0	382.4
Energy	6	184.0	32.6	380.5	67.4	0.0	0.0	0.0	0.0	564.5
Industry	2	131.8	86.4	20.7	13.6	0.0	0.0	0.0	0.0	152.5
Social Infrastructure	5	0.0	0.0	265.4	100.0	0.0	0.0	0.0	0.0	265.4
Transport and Communications	9	20.7	2.3	804.0	88.3	85.6	9.4	0.0	0.0	910.3
Others	1	0.0	0.0	4.8	100.0	0.0	0.0	0.0	0.0	4.8

<sup>a</sup> Percent of total amount.

Source: Asian Development Bank's internal data bases.

**AVERAGE IMPLEMENTATION PERIOD OF PROJECTS EVALUATED IN 2002**

**Table A3.1: By Country Group and Country**

Country Group/Country	No. of Projects	Average Implementation Period		Delay (Years)
		Estimate	Actual	
<b>Group A</b>	<b>8</b>	<b>3.8</b>	<b>6.6</b>	<b>2.9</b>
Lao, People's Democratic Republic of	2	3.1	6.1	3.0
Mongolia	3	3.4	4.2	0.8
Nepal	2	5.9	9.0	3.2
Vanuatu	1	2.0	10.0	8.1
<b>Group B1</b>	<b>3</b>	<b>5.7</b>	<b>8.0</b>	<b>2.3</b>
Bangladesh	2	4.8	7.8	3.0
Pakistan	1	7.6	8.6	1.0
<b>Group B2</b>	<b>10</b>	<b>4.3</b>	<b>6.4</b>	<b>2.1</b>
China, People's Republic of	3	3.5	5.5	1.9
India	2	5.2	10.6	5.4
Indonesia	5	4.3	5.3	1.0
<b>Group C</b>	<b>6</b>	<b>3.7</b>	<b>6.5</b>	<b>2.8</b>
Malaysia	1	5.6	7.6	2.0
Philippines	3	3.8	7.0	3.2
Thailand	2	2.5	5.2	2.7
<b>Total/Average</b>	<b>27</b>	<b>4.2</b>	<b>6.7</b>	<b>2.5</b>

Source: Asian Development Bank's internal databases.

Table A3.2: By Sector and Subsector

Sector/Subsector	No. of Projects	Average Implementation Period (Years)		Delay (Years)
		Estimate	Actual	
<b>Agriculture and Natural Resources</b>	<b>7</b>	<b>5.3</b>	<b>7.6</b>	<b>2.3</b>
Fisheries	1	4.9	9.4	4.5
Industrial Crops and Agro-industry	1	5.0	5.5	0.5
Irrigation and Rural Development	3	6.4	9.0	2.5
Agricultural Support Services	2	4.0	5.7	1.7
<b>Energy</b>	<b>6</b>	<b>3.4</b>	<b>7.0</b>	<b>3.6</b>
Electric Power	6	3.4	7.0	3.6
<b>Transport and Communications</b>	<b>8</b>	<b>3.4</b>	<b>5.6</b>	<b>2.2</b>
Roads and Road Transport	4	4.1	5.9	1.8
Ports and Shipping	1	2.0	10.0	8.1
Airports and Civil Aviation	2	3.6	3.7	0.1
Railways	1	1.9	3.9	2.0
<b>Social Infrastructure</b>	<b>5</b>	<b>4.7</b>	<b>6.7</b>	<b>2.0</b>
Water Supply and Sanitation	1	2.3	6.2	3.8
Education	3	5.2	6.5	1.3
Health and Population	1	5.6	7.6	2.0
<b>Industry and Nonfuel Minerals</b>	<b>1</b>	<b>3.7</b>	<b>7.0</b>	<b>3.3</b>
Industry (Non-agriculture)	1	3.7	7.0	3.3
<b>Total/Average</b>	<b>27</b>	<b>4.2</b>	<b>6.7</b>	<b>2.5</b>

Source: Asian Development Bank's internal databases.

**AVERAGE COST UNDERRUN/OVERRUN OF PROJECTS  
EVALUATED IN 2002**

**Table A4.1 : By Country Group and Country**

<b>Country Group/Country</b>	<b>Projects with Cost Underrun</b>		<b>Projects with Cost Overrun</b>	
	<b>Number</b>	<b>Average (%)</b>	<b>Number</b>	<b>Average (%)</b>
<b>Group A (ADF only)</b>	<b>5</b>	<b>-21.2</b>	<b>3</b>	<b>22.1</b>
Lao, People's Democratic Republic of	1	-11.0	1	59.6
Mongolia	1	-15.4	2	3.4
Nepal	2	-38.3	0	0.0
Vanuatu	1	-2.8	0	0.0
<b>Group B1 (ADF-OCR blend)</b>	<b>3</b>	<b>-18.2</b>	<b>0</b>	<b>0</b>
Bangladesh	2	-20.2	0	0.0
Pakistan	1	-14.2	0	0.0
<b>Group B2 (ADF-OCR blend)</b>	<b>7</b>	<b>-13.1</b>	<b>3</b>	<b>29.7</b>
China, People's Republic of	0	0.0	3	29.7
India	2	-16.5	0	0.0
Indonesia	5	-11.8	0	0.0
<b>Group C (OCR only)</b>	<b>4</b>	<b>-22.3</b>	<b>2</b>	<b>13.4</b>
Malaysia	0	0.0	1	13.2
Philippines	2	-14.3	1	13.6
Thailand	2	-30.3	0	0.0
<b>Total/Average</b>	<b>19</b>	<b>-18.0</b>	<b>8</b>	<b>22.8</b>

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

Source: Asian Development Bank's internal databases.

Table A4.2: By Sector and Subsector

Sector/Subsector	Projects with Cost Underrun		Projects with Cost Overrun	
	Number	Average (%)	Number	Average (%)
<b>Agriculture and Natural Resources</b>	<b>4</b>	<b>-32.1</b>	<b>3</b>	<b>14.6</b>
Fisheries	1	-36.2	0	0.0
Industrial Crops and Agro-industry	0	0.0	1	27.3
Irrigation and Rural Development	2	-40.1	1	13.6
Agricultural Support Services	1	-11.8	1	2.8
<b>Energy</b>	<b>5</b>	<b>-19.9</b>	<b>1</b>	<b>59.6</b>
Electric Power	5	-19.9	1	59.6
<b>Industry and Nonfuel Minerals</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>58.0</b>
Industry (Non-agriculture)	0	0.0	1	58.0
<b>Transport and Communications</b>	<b>6</b>	<b>-11.5</b>	<b>2</b>	<b>3.9</b>
Roads and Road Transport	4	-12.8	0	0.0
Ports and Shipping	1	-2.8	0	0.0
Airports and Civil Aviation	1	-15.4	1	3.9
Railways	0	0.0	1	3.9
<b>Social Infrastructure</b>	<b>4</b>	<b>-11.1</b>	<b>1</b>	<b>13.2</b>
Water Supply and Sanitation	1	-25.9	0	0.0
Education	3	-6.2	0	0.0
Health and Population	0	0.0	1	13.2
<b>Total/Average</b>	<b>19</b>	<b>-18.0</b>	<b>8</b>	<b>22.8</b>

Source: Asian Development Bank's internal databases.

## RATING SCALES AND CRITERIA

### A. Rating Scales

Three-Point Scale	Four-Point Scale
Generally Successful	Highly Successful
	Successful
Partly Successful	Partly Successful
Unsuccessful	Unsuccessful

### B. Rating Criteria Under Four-Point Scale

1. Relevance
2. Efficacy (Achievement of Objective)
3. Efficiency
4. Sustainability
5. Institutional and Other Development Impacts

## TRANCHING AND CONDITIONS OF PROGRAMS EVALUATED IN 2002

		Agriculture Sector Program Mongolia	Agriculture Sector Program Viet Nam	Agriculture Sector Program Kyrgyz Republic	Economic Restructuring Program Cook Islands	Industrial Sector Program Nepal	Railway Recovery Program Bangladesh
Number of Tranches		2	2	2	2	2	2
Planned Period <sup>a</sup>	(months)	34	26	22	30	28	24
Actual Period <sup>a</sup>	(months)	37	38	21	33	54	20
Delay	(months)	3	12	-1	3	26	-4
<b>Number of Policy Conditions</b>							
First Tranche Release		16	1	4	29	28	5
Second Tranche Release		6	8	9	8	9	9
Non-Tranche Release		8	36	23	85	12	20
Total Program		30	45	36	122	49	34
<b>Number of Conditions Met</b>							
First Tranche Release	(Fully) <sup>b</sup>	13	1	4	28	28	5
	(Partially)	2	0	0	1	0	0
Second Tranche Release	(Fully) <sup>b</sup>	5	8 <sup>c</sup>	7	7	9	3
	(Partially)	1	0	2	1	0	1
Non-Tranche Release	(Fully) <sup>b</sup>	3	36	16	64	7	3
	(Partially)	5	0	7	19	5	6
Total Program	(Fully) <sup>b</sup>	21	45	27	99	44	11
	(Partially)	8	0	9	21	5	7
Number of Conditions Not Met		1	0	0	2 <sup>d</sup>	0	14 <sup>d</sup>
Number of Conditions Waived		0	0	0	0	0	2
Performance Rating		<b>Partly Successful</b>	<b>Successful</b>	<b>Successful</b>	<b>Successful</b>	<b>Successful</b>	<b>Partly Successful</b>

<sup>a</sup> From loan effectiveness to program completion.

<sup>b</sup> Policy conditions either complied or substantially complied with.

<sup>c</sup> Two policy conditions for release of the second tranche modified.

<sup>d</sup> Policy conditions either not complied with or complied with but not sustained.

Source: Operations Evaluation Department.

**TRENDS IN PROJECT/PROGRAM RATINGS**  
**Table A7.1 Ratings by Year of Project/Program Completion<sup>a</sup>**

Year of Completion	Number of Rated Projects/Programs				Percentage			
	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total
1974	3	1	0	4	75.0	25.0	0.0	100.0
1975	7	2	0	9	77.8	22.2	0.0	100.0
1976	8	4	0	12	66.7	33.3	0.0	100.0
1977	14	5	1	20	70.0	25.0	5.0	100.0
1978	15	4	0	19	78.9	21.1	0.0	100.0
1979	16	5	0	21	76.2	23.8	0.0	100.0
1980	15	4	3	22	68.2	18.2	13.6	100.0
1981	9	7	1	17	52.9	41.2	5.9	100.0
1982	20	7	0	27	74.1	25.9	0.0	100.0
1983	25	10	2	37	67.6	27.0	5.4	100.0
1984	12	11	4	27	44.4	40.7	14.8	100.0
1985	15	10	3	28	53.6	35.7	10.7	100.0
1986	24	10	3	37	64.9	27.0	8.1	100.0
1987	17	8	8	33	51.5	24.2	24.2	100.0
1988	18	11	7	36	50.0	30.6	19.4	100.0
1989	14	12	9	35	40.0	34.3	25.7	100.0
1990	16	14	2	32	50.0	43.8	6.3	100.0
1991	19	12	3	34	55.9	35.3	8.8	100.0
1992	14	11	6	31	45.2	35.5	19.4	100.0
1993	18	11	6	35	51.4	31.4	17.1	100.0
1994	34	14	5	53	64.2	26.4	9.4	100.0
1995	20	17	2	39	51.3	43.6	5.1	100.0
1996	27	23	3	53	50.9	43.4	5.7	100.0
1997	40	16	4	60	66.7	26.7	6.7	100.0
1998	36	17	4	57	63.2	29.8	7.0	100.0
1999	39	13	1	53	73.6	24.5	1.9	100.0
2000	44	14	3	61	72.1	23.0	4.9	100.0
2001	19	4	0	23	82.6	17.4	0.0	100.0
<b>Total</b>	<b>558</b>	<b>277</b>	<b>80</b>	<b>915</b>	<b>61.0</b>	<b>30.3</b>	<b>8.7</b>	<b>100.0</b>

GS = generally successful, HS = highly successful, PCR = project/program completion report, PPAR = project/program performance audit report, PS= partly successful, S = successful, US= unsuccessful.

<sup>a</sup> To 1992, PPAR ratings only (overall coverage 84%). From 1993 to 1998, PPARs and PCRs combined (overall coverage 90%).

From 1999, PCRs only for now. Figures for more recent years will change as additional PCRs/PPARs are prepared.

- Notes:
1. PCR ratings are available from 1995 PCRs onwards. Figures exclude 129 completed projects/programs which were not rated.
  2. PPAR ratings substituted for PCR ratings as they become available.
  3. Excludes TA Loans.

Data Source: PPARs and PCRs containing a rating circulated as of 31 December 2002.

**Table A7.2: Proportion of Successful Projects/Programs  
By Modality and by Year of Completion<sup>a</sup>**

Year of Completion	Projects		Programs		Total	
	Number of Rated Projects	Success Rate <sup>b</sup> (%)	Number of Rated Programs	Success Rate <sup>b</sup> (%)	Number of Rated Projects/Programs	Success Rate <sup>b</sup> (%)
1974	4	75.0			4	75.0
1975	9	77.8			9	77.8
1976	12	66.7			12	66.7
1977	20	70.0			20	70.0
1978	19	78.9			19	78.9
1979	21	76.2			21	76.2
1980	22	68.2			22	68.2
1981	17	52.9			17	52.9
1982	27	74.1			27	74.1
1983	36	66.7	1	100.0	37	67.6
1984	26	42.3	1	100.0	27	44.4
1985	26	53.8	2	50.0	28	53.6
1986	33	63.6	4	75.0	37	64.9
1987	31	54.8	2	0.0	33	51.5
1988	35	48.6	1	100.0	36	50.0
1989	30	43.3	5	20.0	35	40.0
1990	31	51.6	1	0.0	32	50.0
1991	32	56.3	2	50.0	34	55.9
1992	26	53.8	5	0.0	31	45.2
1993	30	56.7	5	20.0	35	51.4
1994	50	68.0	3	0.0	53	64.2
1995	37	54.1	2	0.0	39	51.3
1996	47	55.3	6	16.7	53	50.9
1997	56	66.1	4	75.0	60	66.7
1998	55	63.6	2	50.0	57	63.2
1999	44	72.7	9	77.8	53	73.6
2000	54	74.1	7	57.1	61	72.1
2001	21	85.7	2	50.0	23	82.6
<b>Total</b>	<b>851</b>	<b>62.4</b>	<b>64</b>	<b>42.2</b>	<b>915</b>	<b>61.0</b>
<b>Not Rated<sup>c</sup></b>	<b>127</b>		<b>2</b>		<b>129</b>	

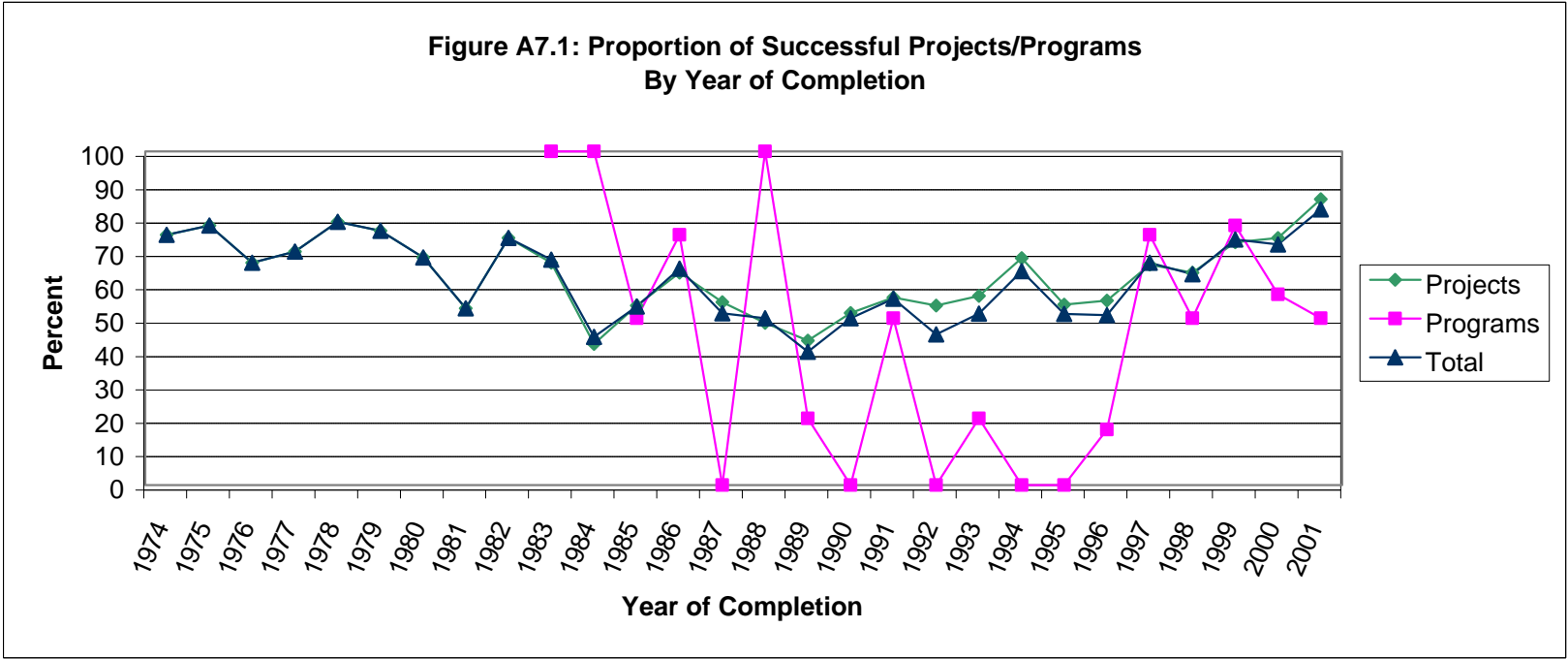
<sup>a</sup> To 1992, PPAR ratings only. From 1993 to 1998, PPARs and PCRs combined. From 1999, PCRs only for now. Figures for more recent years will change as additional PCRs/PPARs are prepared.

<sup>b</sup> Rated generally successful, highly successful, or successful.

<sup>c</sup> Projects/Programs with PCRs that were not rated.

Source: PPARs and PCRs containing a rating circulated as of 31 December 2002.

Figure A7.1: Proportion of Successful Projects/Programs  
By Year of Completion



**Table A7.3: Proportion of Successful Projects/Programs  
By Region and by Year of Completion<sup>a</sup>**

Year of Completion	South Asia		Southeast Asia		East and Central Asia		Mekong		Pacific		Graduates <sup>b</sup>		Total	
	Number of Rated Projects/Programs	Success Rate <sup>c</sup> (%)	Number of Rated Projects/Programs	Success Rate <sup>c</sup> (%)	Number of Rated Projects/Programs	Success Rate <sup>c</sup> (%)	Number of Rated Projects/Programs	Success Rate <sup>c</sup> (%)	Number of Rated Projects/Programs	% Successful <sup>c</sup>	Number of Rated Projects/Programs	Success Rate <sup>c</sup> (%)	Number of Rated Projects/Programs	Success Rate <sup>c</sup> (%)
1974			2	50.0							2	100.0	4	75.0
1975	2	100.0	6	66.7			1	100.0					9	77.8
1976	3	33.3	5	100.0							4	50.0	12	66.7
1977	4	75.0	4	25.0			1	100.0	4	50.0	7	100.0	20	70.0
1978	1	0.0	8	75.0			1	100.0	3	66.7	6	100.0	19	78.9
1979	7	71.4	7	57.1			4	100.0	1	100.0	2	100.0	21	76.2
1980	5	40.0	8	75.0			5	60.0	1	100.0	3	100.0	22	68.2
1981	6	33.3	3	66.7			5	40.0	2	100.0	1	100.0	17	52.9
1982	5	60.0	7	71.4			1	100.0	8	62.5	6	100.0	27	74.1
1983	9	77.8	8	50.0			8	87.5	4	0.0	8	87.5	37	67.6
1984	5	60.0	11	27.3			2	100.0	3	0.0	6	66.7	27	44.4
1985	7	57.1	9	44.4			4	50.0	2	50.0	6	66.7	28	53.6
1986	16	62.5	10	60.0			6	66.7	2	50.0	3	100.0	37	64.9
1987	14	42.9	9	55.6			4	75.0	5	40.0	1	100.0	33	51.5
1988	8	62.5	16	50.0			4	50.0	8	37.5			36	50.0
1989	14	42.9	13	38.5			4	50.0	4	25.0			35	40.0
1990	12	41.7	13	53.8			5	60.0	2	50.0			32	50.0
1991	18	44.4	12	75.0			1	100.0	3	33.3			34	55.9
1992	11	36.4	10	40.0	3	100.0	3	66.7	4	25.0			31	45.2
1993	10	40.0	14	57.1	4	75.0	3	66.7	4	25.0			35	51.4
1994	26	46.2	12	83.3	2	100.0	5	100.0	6	50.0	2	100.0	53	64.2
1995	19	57.9	10	50.0	3	33.3	2	0.0	5	60.0			39	51.3
1996	26	50.0	12	41.7	4	75.0	3	100.0	7	42.9	1	0.0	53	50.9
1997	29	62.1	15	73.3	8	75.0	6	83.3	2	0.0			60	66.7
1998	18	61.1	17	47.1	9	77.8	9	100.0	4	25.0			57	63.2
1999	22	68.2	9	66.7	10	80.0	6	83.3	5	80.0	1	100.0	53	73.6
2000	23	78.3	13	53.8	6	83.3	9	100.0	10	50.0			61	72.1
2001	4	75.0	4	100.0	6	100.0	5	80.0	4	50.0			23	82.6
<b>Total</b>	<b>324</b>	<b>55.9</b>	<b>267</b>	<b>57.3</b>	<b>55</b>	<b>80.0</b>	<b>107</b>	<b>77.6</b>	<b>103</b>	<b>44.7</b>	<b>59</b>	<b>86.4</b>	<b>915</b>	<b>61.0</b>
<b>Not Rated<sup>d</sup></b>	<b>36</b>		<b>38</b>		<b>1</b>		<b>21</b>		<b>14</b>		<b>19</b>		<b>129</b>	

<sup>a</sup> To 1992, PPAR ratings only. From 1993 to 1998, PPARs and PCRs combined. From 1999, PCRs only for now. Figures for more recent years will change as additional PCRs/PPARs are prepared.

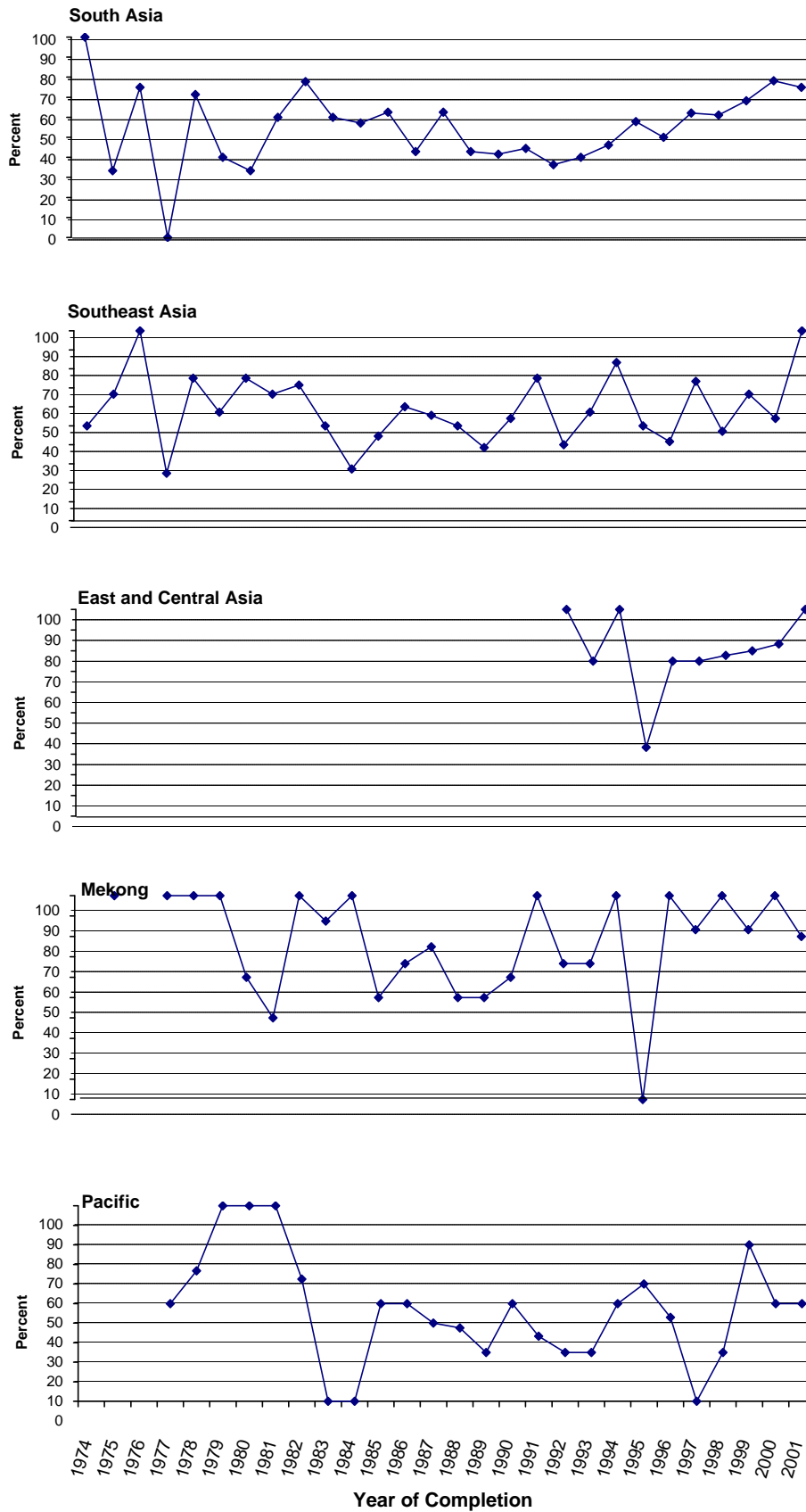
<sup>b</sup> Includes Hongkong, China; Republic of Korea; and Singapore

<sup>c</sup> Rated generally successful, highly successful, or successful.

<sup>d</sup> Projects/Programs with PCRs that were not rated.

Source: PPARs and PCRs containing a rating circulated as of 31 December 2002.

**Figure A7.2: Proportion of Successful Projects/Programs By Region and By Year of Completion**



**Table A7.4: Proportion of Successful Projects/Programs  
by Sector and by Year of Completion<sup>a</sup>**

Year of Completion	Agriculture and Natural Resources		Social Infrastructure		Transport and Communications		Energy		Industry		Multisector/ Others		Finance		Total	
	Number of Rated Projects/ Programs	Success Rate <sup>b</sup> (%)	Number of Rated Projects/ Programs	Success Rate <sup>b</sup> (%)	Number of Rated Projects/ Programs	Success Rate <sup>b</sup> (%)	Number of Rated Projects/ Programs	Success Rate <sup>b</sup> (%)	Number of Rated Projects/ Programs	Success Rate <sup>b</sup> (%)	Number of Rated Projects/ Programs	Success Rate <sup>b</sup> (%)	Number of Rated Projects/ Programs	Success Rate <sup>b</sup> (%)	Number of Rated Projects/ Programs	Success Rate <sup>b</sup> (%)
1974	1	0.0					1	100.0	1	100.0			1	100.0	4	75.0
1975	6	66.7	1	100.0	1	100.0	1	100.0							9	77.8
1976	3	66.7	3	66.7	3	100.0	1	0.0					2	50.0	12	66.7
1977	5	60.0	3	100.0	4	75.0	5	80.0					3	33.3	20	70.0
1978	3	33.3	1	100.0	7	100.0	3	100.0	1	100.0			4	50.0	19	78.9
1979	4	50.0	1	100.0	6	100.0	7	71.4	1	100.0			2	50.0	21	76.2
1980	6	33.3	3	66.7	3	66.7	4	100.0	2	50.0			4	100.0	22	68.2
1981	5	40.0	2	50.0	2	50.0	6	83.3					2	0.0	17	52.9
1982	4	50.0	7	85.7	6	100.0	4	75.0			1	100.0	5	40.0	27	74.1
1983	10	60.0	3	100.0	4	75.0	10	80.0	2	100.0			8	37.5	37	67.6
1984	8	12.5	4	0.0	2	50.0	6	83.3	2	100.0			5	60.0	27	44.4
1985	7	14.3	5	80.0	5	60.0	9	66.7					2	50.0	28	53.6
1986	15	53.3	8	75.0	1	100.0	5	80.0	3	66.7			5	60.0	37	64.9
1987	15	40.0	3	66.7	2	100.0	4	100.0	2	50.0	1	100.0	6	16.7	33	51.5
1988	7	28.6	9	33.3	9	55.6	7	85.7	1	100.0			3	33.3	36	50.0
1989	23	30.4	4	75.0	2	100.0	2	50.0	1	0.0	1	100.0	2	0.0	35	40.0
1990	10	10.0	10	50.0	2	100.0	6	66.7	3	100.0	1	100.0			32	50.0
1991	18	50.0	6	16.7	3	100.0	4	75.0	1	100.0	1	100.0	1	100.0	34	55.9
1992	12	33.3	5	20.0	6	83.3	4	75.0	1	100.0	2	0.0	1	0.0	31	45.2
1993	12	41.7	5	20.0	6	66.7	5	80.0	1	100.0	1	100.0	5	40.0	35	51.4
1994	17	41.2	9	66.7	14	78.6	5	100.0	1	0.0	1	0.0	6	83.3	53	64.2
1995	16	37.5	10	60.0	2	100.0	3	66.7	2	0.0	3	100.0	3	33.3	39	51.3
1996	18	27.8	10	40.0	10	80.0	6	100.0	1	0.0	2	50.0	6	50.0	53	50.9
1997	11	72.7	14	57.1	19	78.9	8	62.5	1	100.0	4	75.0	3	0.0	60	66.7
1998	20	50.0	6	66.7	10	90.0	16	56.3			4	75.0	1	100.0	57	63.2
1999	11	45.5	13	76.9	7	85.7	7	85.7	3	100.0	3	100.0	9	66.7	53	73.6
2000	11	72.7	20	65.0	9	77.8	10	100.0	2	50.0	7	71.4	2	0.0	61	72.1
2001	2	50.0	5	80.0	11	90.9	2	100.0					3	66.7	23	82.6
<b>Total</b>	<b>280</b>	<b>42.1</b>	<b>170</b>	<b>59.4</b>	<b>156</b>	<b>82.1</b>	<b>151</b>	<b>78.8</b>	<b>32</b>	<b>71.9</b>	<b>32</b>	<b>75.0</b>	<b>94</b>	<b>47.9</b>	<b>915</b>	<b>61.0</b>
<b>Not Rated<sup>c</sup></b>	<b>43</b>		<b>18</b>		<b>18</b>		<b>30</b>		<b>2</b>		<b>2</b>		<b>16</b>		<b>129</b>	

<sup>a</sup> To 1992, PPAR ratings only. From 1993 to 1998, PPARs and PCRs combined. From 1999, PCRs only for now. Figures for more recent years will change as additional PCRs/PPARs are prepared.

<sup>b</sup> Rated generally successful, highly successful, or successful.

<sup>c</sup> Projects/Programs with PCRs that were not rated.

Source: PPARs and PCRs containing a rating circulated as of 31 December 2002.

**Figure A7.3: Proportion of Successful Projects/Programs By Sector and By Year of Completion**

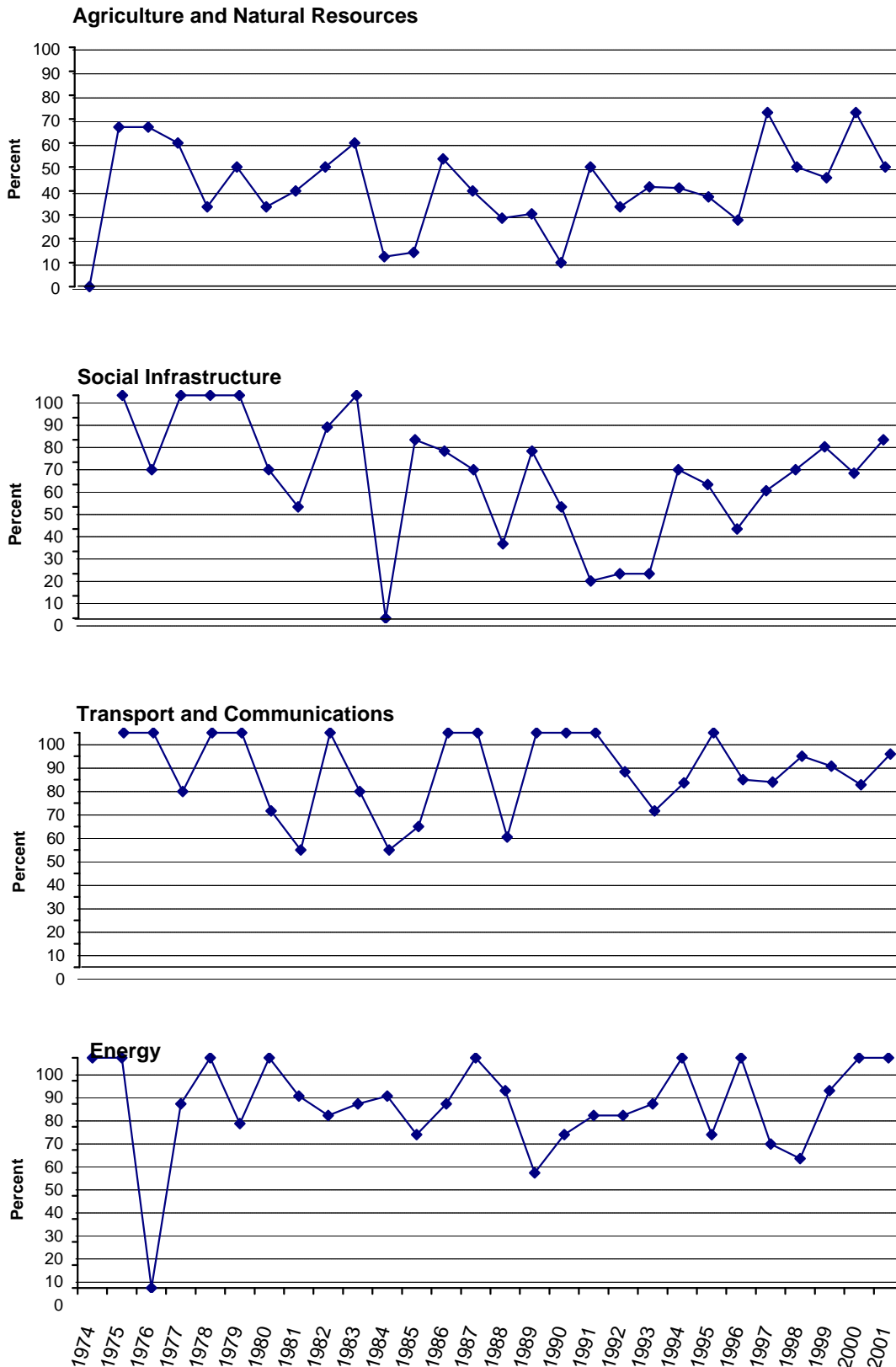
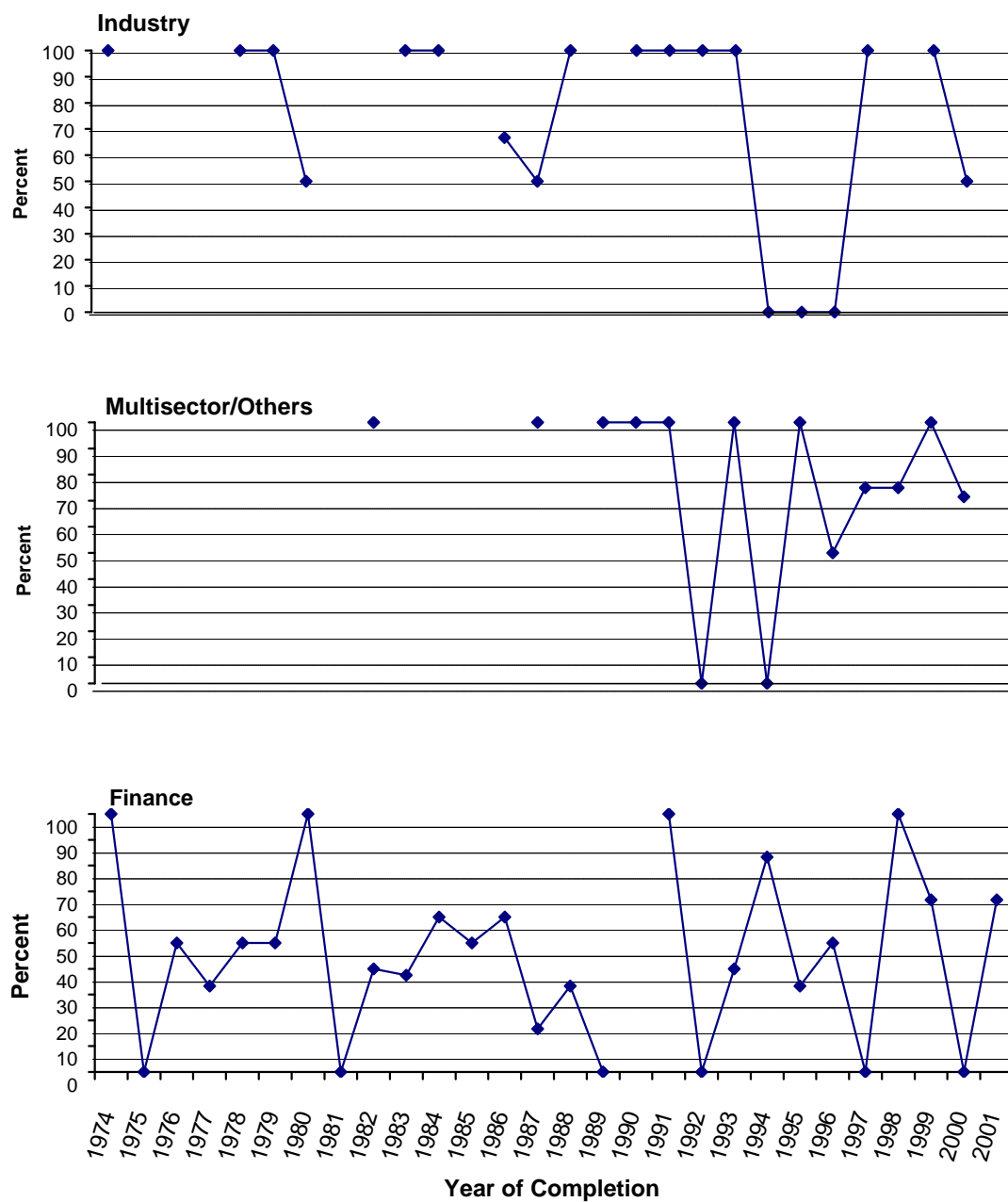


Figure A7.3—Continued



## ASSESSMENT OF FOLLOW-UP ACTIONS

**Table A8.1 List of 2001 Evaluation Reports Considered**

1. PPA: PNG 22355: *Agriculture Sector Program*, June 2001.
2. PPA: PRC 26377: *Heilongjiang Expressway Project*, August 2001.
3. PPA: BAN 16087: *Upazilla Afforestation and Nursery Development Project*, September 2001.
4. PPA: BAN 21009: *Dhaka Urban Infrastructure Improvement Project*, September 2001.
5. PPA: PAK 17003: *KESC Fifth Power (Sector Loan) Project*, October 2001.
6. PPA: SRI 24320: *Second Agriculture Program*, October 2001.
7. PPA: LAO 23335: *Financial Sector Program*, October 2001.
8. PPA: PAK 26017: *Social Action Program (Sector Loan) Project*, October 2001.
9. PPA: INO 22048: *Second IKK Water Supply Sector Project*, November 2001.
10. PPA: KAZ 28449: *Agriculture Sector Program*, November 2001.
11. PPA: BAN 22121: *Rural Training Project*, November 2001.
12. PPA: PAK 21192: *Karachi Sewerage Project*, November 2000.
13. PPA: INO 20185: *Agricultural Technology Schools Project*, December 2001.
14. PPA: LAO 23210: *Fourth and Fifth Road Improvement Projects*, December 2001.
15. PPA: IND 22210: *Second Ports Project*, December 2001.
16. PPA: PAK 19045: *Third Health Project*, December 2001.
17. PPA: INO 17164: *Integrated Irrigation Sector Project*, December 2001.
18. PPA: PHI 16116: *Forestry Sector Program*, December 2001.
19. TPA: OTH 2001-07: *Selected Technical Assistance for Strengthening Evaluation Capability in Developing Member Countries*, June 2001.
20. TPA: CAM 2001-08; VIE 2001-08: *Advisory Technical Assistance for Institutional Strengthening in Administration in Cambodia and Viet Nam*, August 2001.
21. TPA: SRI 2001-14; VIE 2001-14: *Selected Advisory Technical Assistance to Social Sectors*, October 2001.
22. TPA: RMI 2001-23; PNG 2001-23; SAM 2001-23; VAN 2001-23: *Advisory Technical Assistance to Selected Development Finance Institutions in Pacific Developing Member Countries*, December 2001.
23. SST: INO 2001-09: *ADB's Crisis Management Interventions in Indonesia*, August 2001.
24. SST: STU 2001-12: *Selected Economic and Sector Work in ADB*, September 2001.
25. SST: STU 2001-13: *Gender and Development*, September 2001.
26. SST: STU 2001-16: *Program Lending*, November 2001.
27. SST: STU 2001-21: *A Review of Asian Development Fund (ADF) I-V Operations*, December 2001.
28. SST: STU 2001-15: *Privatization of Public Sector Enterprises: Lessons for Developing Member Countries*, December 2001.

## ANALYSIS OF FOLLOW-UP ACTIONS

**Table A8.2: Classification of Actions**

### I. Types of Actions

#### Addressed to Developing Member Countries

1. The follow-up action was specific to the project and could be implemented by the executing agency.
2. The follow-up action concerned the project or area being reviewed but was broad and required action at a sector or national level or from several agencies.
3. The follow-up action did not concern the specific project being reviewed but concerned the future development of the executing or implementing agency, or the sector.

#### Addressed to Asian Development Bank

4. The follow-up action was directed at ADB for action to improve a specific project, or sector and country strategy.
5. The follow-up action concerned ADB's internal processes, guidelines, or strategies.

### II. Categories for Status of Implementation

#### Actions Addressed to Developing Member Countries

- A1. Appropriate action has been or is being taken.
- A2. Appropriate action has been partly taken.
- B1. No action taken because the DMC disagreed.
- B2. ADB requested DMCs to take action, but no response received yet.
- B3. No action taken at all.

#### Actions Addressed to Asian Development Bank

- C1. Appropriate action has been or is being taken.
- C2. Appropriate action has been partly taken.
- D1. No action taken because the department concerned disagreed.
- D2. ADB will respond to follow-up action through future operations.
- D3. No action taken at all.

**Table A8.3 Follow-up Actions by Type**

Type <sup>a</sup>	PPAR/TPAR		SES	
	Number	%	Number	%
<b>Addressed to DMCs</b>				
1 Specific to the project	47	44.3	0	0.0
2 Concerned at sector or national level or from several agencies	16	15.1	0	0.0
3 Future development of executing or implementing agency, or the sector	11	10.4	2	5.1
Subtotal	74	69.8	2	5.1
<b>Addressed to ADB</b>				
4 Specific to the project or sector and country strategy	27	25.5	2	5.1
5 ADB's internal processes, guidelines, strategies	5	4.7	35	89.7
Subtotal	32	30.2	37	94.9
<b>Total</b>	<b>106</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>

ADB = Asian Development Bank, DMC = developing member country, PPAR = project/program performance audit report, SES = special evaluation study, TPAR = technical assistance performance audit report.

<sup>a</sup> See Table A8.2 for detailed description of actions.

Source: Operations Evaluation Department

**Table A8.4: Status of Implementation**

Category <sup>a</sup>	PPAR/TPAR		SES	
	Number	%	Number	%
<b>Addressed to DMCs</b>				
A1 Action has been or being taken	35	33.0	0	0.0
A2 Action partly taken	19	17.9	2	4.3
Subtotal	54	50.9	2	4.3
B1 No action because DMC disagreed	6	5.7	0	
B2 No response received yet	2	1.9	0	
B3 No action taken at all	10	9.4	0	
Subtotal	18	17.0	0	
<b>Addressed to ADB</b>				
C1 Action has been or being taken	18	17.0	23	48.9
C2 Action partly taken	5	4.7	11	23.4
Subtotal	23	21.7	34	72.3
D1 No action because departments disagreed	1	0.9	0	0.0
D2 Will be addressed in future operations	7	6.6	11	23.4
D3 No action taken at all	3	2.8	0	0.0
Subtotal	11	10.4	11	23.4
<b>Total</b>	<b>106</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>

ADB = Asian Development Bank, DMC = developing member country, PPAR = project/program performance audit report, SES = special evaluation study, TPAR = technical assistance performance audit report.

<sup>a</sup> See Table A8.2 for detailed description of categories.

Source: Operations Evaluation Department