

Project and program evaluations highlight the importance of beneficiary participation and stakeholder ownership, multiple synergistic interventions based on client demand, capacity building for local government, social preparation for the poor prior to physical investments, and arrangements for effective implementation with nongovernment organizations and communities.



**OPERATIONS**

In pursuing its objectives, the Asian Development Bank (ADB) provides various forms of financial assistance to its developing member countries (DMCs). The main instruments are loans, technical assistance, grants, equity investments, and guarantees, which are met through funding sources such as ADB's ordinary capital resources (OCR); its Special Funds—resources for funding operations that are solely under ADB's administration; or trust funds—external monies that ADB administers on behalf of donors. ADB's resources and operations in 2002 are summarized in this chapter. Also included in this chapter is a summary of the evaluations conducted in 2002 of ADB's projects and programs. *For more on the OCR and the Asian Development Fund (ADF), see the Management's Discussion and Analysis chapter.*

## Loans

Lending for both public and private sector operations in 2002 amounted to \$5,676 million for 89 loans in 71 projects, compared with \$5,339 million for 76 loans in 60 projects in 2001. The \$337 million increase in total lending from 2001 to 2002 was largely due to a \$272 million rise in ADF lending—of which \$150 million went to Afghanistan as ADB resumed operations in the country after 23 years. The average loan size in 2002 was \$64 million.

Of the total lending, loans with government guarantee were over \$5,531 million for 67 projects, comprising \$3,898 million for 32 loans from the OCR and \$1,633 million for 53 loans from the concessional ADF. Of the public sector loan approvals, 15 were policy-based programs amounting to \$1,685 million, representing 30.5% of total public sector lending. Of the program lending, \$1,300 million or 77.2% will be funded by the OCR and \$385 million or 22.8% by the ADF. Policy-based programs include program loans and program loan components of sector development program loans, provided to support DMCs' effort to improve the policy, institutional, and investment environment, and help meet short-term adjustments costs. Lending to the private sector without government guarantee amounted to \$145 million for four loans in four projects.

The largest borrowing DMC was India (\$1,184 million, or 21% of total), followed by Pakistan, People's Republic of China (PRC), Indonesia, and Viet Nam. The transport and communications sector received the largest share of loans, \$1,613 million or 28.4% of total lending in 2002, followed by energy, finance, social infrastructure, agriculture and natural resources, multisector, and industry and nonfuel minerals. The "Others" sector received 14% of total lending. This includes projects not falling under the economic sector classification that ADB uses, such as central government administration, operation and regulation, customs operations, public sector reform programs, judicial and legislative operations, public finance management, fiscal reforms, environment projects, gender and governance, and tourism. *For details, see tables 1–6 in the Statistical Annex.*

The project mix of the 67 public sector loan projects and programs, based on a thematic classification, consisted of 18 projects (26.8%) supporting economic growth;

6 projects (9%) supporting human development; 3 projects (4.5%) supporting environmental protection; 2 projects (3%) supporting good governance; 1 project (1.5%) supporting gender and development as the main theme; and 37 projects (55.2%) classified as multithemes/others. Multithematic projects include a combination of two or more themes such as economic growth, environmental protection, good governance, private sector development, human development, regional cooperation, and gender and development.

*For more on lending, see <http://www.adb.org/Finance/>.*

## Technical assistance

A total of 324 technical assistance grants for \$179.0 million were approved in 2002. This represents a 23% increase, compared with \$145.5 million in 2001. The increase is primarily attributed to funds made available by multilateral and bilateral sources. Of the technical assistance grants approved, 87 were for project preparation; 160 for advisory and operational purposes; and 77 for regional activities such as conferences, research, studies, and training. Of the total, \$56 million will be financed from the OCR current income, \$46.7 million from the Technical Assistance Special Fund (TASF), \$36.4 million from the Japan Special Fund (JSF), \$9.6 million from the Asian Currency Crisis Support Facility (ACCSF), and the remaining \$30.3 million from other multilateral and bilateral sources.

The largest recipient of country-specific technical assistance grants (excluding regional technical assistance) was Indonesia (\$19.1 million or 14%), followed by Afghanistan (\$15.1 million or 11%), India (\$13.2 million or 10%), and PRC (\$13.2 million or 10%).

By sector (excluding regional technical assistance), social infrastructure (\$22.1 million or 16%) received the largest share, followed by multisector (\$20.3 million or 14.6%), finance (\$17.5 million or 12.6%), transport and communications (\$16.2 million or 11.7%), agriculture and natural resources (\$15.8 million or 11.4%), energy (\$11.5 million or 8.3%), and industry and nonfuel minerals (\$6.3 million or 4.6%). Other technical assistance received \$28.8 million or 20.8% of the total. *For more on technical assistance activities, see <http://www.adb.org/ta/> and tables 24–28 in the Statistical Annex.*

## ADB Operations

	\$ Million		%
	2001	2002	Change
Lending			
OCR	3,977.4	4,042.8	1.6
ADF	1,361.3 <sup>a</sup>	1,633.0	20.0
Total Lending	5,338.7	5,675.8	6.3
Equity Investments	30.4	35.5	16.8
Technical Assistance Grants <sup>a</sup>	145.5	179.0	23.0
<b>TOTAL<sup>b</sup></b>	<b>5,514.6</b>	<b>5,890.3</b>	<b>6.8</b>

<sup>a</sup> Includes regional activities.

<sup>b</sup> Figures may not add due to rounding.

## Grants

Fifteen ADB projects received grant cofinancing amounting to \$221.4 million from bilateral and multilateral sources in 2002. Components of ADB projects were cofinanced by the Netherlands (\$71.8 million), Japan (\$50.0 million), United Kingdom (\$34.2 million), Denmark (\$30.3 million), Germany (\$16.9 million), and the Global Environment Facility (\$10.3 million). Other donors contributed a further \$7.9 million.

Sixteen projects were fully funded by grant financing provided by the Japan Fund for Poverty Reduction (JFPR) (\$49.3 million), and two by the Japan Fund for Information and Communication Technology (\$0.68 million). *For details, see the Management's Discussion and Analysis chapter, and tables 7, 35, and 36 in the Statistical Annex.*

## Equity investments

ADB approved equity investments in four private sector projects in 2002 amounting to \$35.5 million, which are expected to mobilize \$175.1 million in additional capital flows. The approvals were made in a central depository facility in Bangladesh, two investment funds in the PRC and India, and a mortgage credit guarantee in India. *For details, see Table 10 in the Statistical Annex.*

## Cofinancing and guarantee operations

Cofinancing from both official and commercial sources enhances the benefits and impact of ADB projects. ADB's intensified efforts in 2002 to mobilize additional resources led to a significant increase in cofinancing, both in the number of cofinanced loan projects and in the volume of commercial cofinancing and guarantee operations. Cofinancing mobilized from all sources amounted to \$2,851 million for 38 public and private sector loan projects. Total cofinancing mobilized in 2002 was more than double the amount mobilized in 2001, and equivalent to half of ADB's total lending of \$5,676 million during the year. This was the sixth consecutive year in which cofinancing was arranged for more than 40% of ADB loan projects. *For details, see Table 7 in the Statistical Annex.*

Fifteen DMCs received cofinancing in 2002. The PRC received the largest amount of about \$767 million, primarily from its domestic financial institutions, followed by Viet Nam with \$609.5 million and the Philippines with \$545.5 million.

Since 1970, cofinancing and guarantee operations have mobilized a cumulative total of \$38.3 billion, providing additional resources for 609 ADB-assisted loan projects and programs. The cumulative total comprises \$22.3 billion from official sources, and \$16 billion from commercial sources and export credit agencies. The

energy sector accounted for \$16.8 billion or 44%, followed by transport and communications (\$8.2 billion or 21%), agriculture and natural resources (\$4.2 billion or 11%), social infrastructure (\$3.3 billion or 9%), and other sectors (\$5.8 billion or 15%).

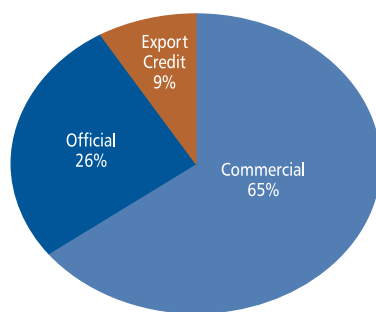
**Official cofinancing:** ADB maintained proactive and close interaction with its development partners through regular consultations and discussions. In 2002, a total of \$754.5 million in official cofinancing was provided by ADB's development partners in grant funds (\$221.4 million) and loans (\$533.1 million) for 29 loan projects. Japan provided cofinancing of \$275.5 million for six loan projects, followed by France with \$80.3 million for four loan projects, and the Netherlands with \$71.8 million for four loan projects. The European Bank for Reconstruction and Development provided \$49 million for the Regional Power Transmission Modernization Project in the Central Asian republics. Other major multilateral cofinanciers include the OPEC Fund for International Development (\$30.9 million), International Development Association (\$27.0 million), International Finance Corporation (\$20.0 million), and Nordic Development Fund (\$14.1 million).

In 2002, 64 technical assistance projects were cofinanced by 71 grants for a total of \$30.3 million from the governments of Australia, Canada, Denmark, Finland, France, Italy, Japan, New Zealand, the Netherlands, Norway, Spain, Sweden, and United Kingdom; the ADB-administered multidonor cooperation funds; the World Bank; and the Global Environment Facility. Fifteen loan projects received grant cofinancing amounting to \$221.4 million from bilateral and multilateral sources in 2002.

During the year, the United Kingdom made an initial contribution of \$60 million toward the establishment of the Poverty Reduction Cooperation Fund, a multidonor fund administered by ADB (*see <http://www.adb.org/Documents/Policies/PRF/>*). Norway committed \$2 million for the existing Governance Cooperation Fund. The Netherlands made an additional contribution of \$4 million to its existing Cooperation Fund for the Water Sector (*see [http://www.adb.org/Documents/Others/Cofinancing/IN30\\_03.pdf](http://www.adb.org/Documents/Others/Cofinancing/IN30_03.pdf)*). The Swiss Cooperation Fund for Consulting Services was also replenished in the amount of \$600,000 (*see [http://www.adb.org/Documents/Others/Cofinancing/IN70\\_02.pdf](http://www.adb.org/Documents/Others/Cofinancing/IN70_02.pdf)*).

**Commercial cofinancing and guarantee operations:** Commercial cofinancing in 2002 amounted to \$2,097 million for 12 projects, compared with \$933 million for 8 projects in 2001. Of the 2002 total, \$885 million was raised using ADB guarantees, \$249 million was export credit, and \$963 million was parallel cofinancing, mainly from domestic financial institutions in the PRC.

Cofinancing Arrangements, 2002



Total: \$2,851 million

ADB guarantees played a key role in resource mobilization efforts in 2002; this is illustrated by the transactions described below.

#### *Philippines: Power Sector Restructuring Program*

In 1998, ADB approved this program in the amount of \$300 million to support the power sector restructuring process in the Philippines. ADB's financial support was further augmented by \$300 million cofinancing from the Japan Bank for International Cooperation (JBIC). In late 2002, ADB further extended its support for the program by guaranteeing a 61.8 billion Japanese yen Eurobond issued by the project executing agency, the Philippines' Power Sector Assets and Liabilities Management Corporation (PSALM). The bond proceeds will help in the initial stages of power sector privatization. This increased the total financial assistance to the vital power sector reforms to more than \$1 billion. The bond issue was lead managed by Nomura International. ADB supported the issue by means of a partial credit guarantee, covering the repayment of principal at final maturity and the payment of interest coupons for the

last 10 years of the bond. The ADB guarantee was backstopped by a counter-guarantee provided by the Government, and ensured PSALM's access to competitive and long-term (18- and 20-year) funds. This led to reduced financing costs and enabled PSALM to pass savings on to consumers at an earlier stage than would otherwise have been possible.

In the words of ADB President Tadao Chino, ADB's support of the bond issue helped the Philippines "maintain the momentum of essential reforms in the power sector. These will provide clear benefits to the poor through lower electricity prices, better service, and stronger growth, as well as send an important positive message to private investors." *For more on this program and the President's comments, see <http://www.adb.org/Documents/News/2002/nr2002234.asp>.*

#### *Viet Nam: Phu My 2.2 Power Project*

Phu My 2.2 is a 715-megawatt gas-fired power project located in Ba Ria-Vung Tau Province in southern Viet Nam. It is Viet Nam's first privately sponsored build-operate-transfer (BOT) power project awarded through international

competitive bidding. The project's sponsors are Electricité de France International, Sumitomo Corporation of Japan, and Tokyo Electric Power Company Incorporated.

ADB support for this pioneering BOT power project consisted of a \$50 million direct loan and a \$25 million political risk guarantee (PRG). The PRG supported borrowing from a syndicate of commercial lenders. ANZ Investment Bank, Société Générale, and Sumitomo Mitsui Bank acted as co-lead arrangers for the PRG facility. Other lenders to the project include JBIC, Proparco of France, and World Bank.

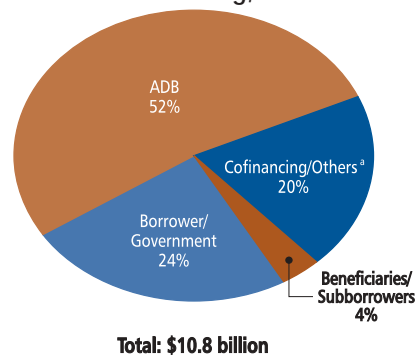
This transaction marks the first PRG in which ADB acted as guarantor-of-record, supported by Sovereign Risk Insurance Ltd., a private political risk insurer. ADB's guarantee was provided without a government counter-guarantee.

The Phu My 2.2 Power Project was recently awarded "Project Finance Deal of the Year" by *Finance Asia* and *AsiaMoney*, and "Asian Power Deal of the Year" by *Project Finance*, among others. *For more on this project, see page 57 and [http://www.adb.org/Documents/Environment/phu\\_my.pdf](http://www.adb.org/Documents/Environment/phu_my.pdf).*

Of the 12 projects funded by commercial cofinancing in 2002, four projects were supported by ADB guarantees. Guarantee operations comprised a partial credit guarantee (PCG) of \$500 million in support of a bond issue for the Power Sector Restructuring Program (see box above) in the Philippines, and four political risk guarantees (PRGs) in three projects with an aggregate total of \$385 million.<sup>1</sup> From 1988 to end-2002, ADB issued a total of 12 PCGs and 6 PRGs to mobilize about \$2.4 billion in commercial cofinancing through syndicated loans and capital market instruments. *For more on ADB's cofinancing and guarantee operations, see <http://www.adb.org/cofinancing>.*

<sup>1</sup> Consisting of two PRGs for Pakistan's Financial (Nonbank) Markets and Governance Program, and one PRG each for Viet Nam's Phu My 2.2 Power and Phu My 3 Power projects.

**Total Cost of Loan Projects and Sources of Financing, 2002**



<sup>a</sup> Includes cofinancing from official, export credit, and commercial sources; sponsors; and local participating private companies and financial institutions.

## Portfolio management

In 2002, ADB continued to strengthen its ability to monitor and manage its loan and technical assistance portfolio. Improvements were made to ADB's project performance reporting system—an automated, in-house reporting tool for monitoring ongoing loan projects—based on operational experiences gained in 2001. Work commenced on developing a similar performance reporting system for technical assistance projects. Revised Project Administration Instructions (PAIs) were issued to staff. These incorporate improvements in business processes and changes in the delegation of authority. To complement the revisions, an electronic question-and-answer facility was launched to assist staff with the PAIs.

ADB's portfolio reviews with governments were expanded in 2002, bringing to 17 the number of countries covered by this exercise. Portfolio reviews in several

A revised classification system for ADB's developing member countries (DMCs), approved by the Board of Directors in December 1998, took effect on 1 January 1999. Two criteria—per capita gross national product and debt repayment capacity—are used to determine the classification of borrowing DMCs<sup>1</sup> into Groups A, B1, B2, and C. The classification determines the eligibility of DMCs to borrow from the Asian Development Fund (ADF).

Group A (ADF only) includes Afghanistan, Bhutan, Cambodia, Kiribati, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Myanmar, Nepal, Samoa, Solomon Islands, Tajikistan, Tuvalu, and Vanuatu.

Group B1 (ADF with limited amounts of ordinary capital resources [OCR]) includes Azerbaijan, Bangladesh, Cook Islands,<sup>2</sup> Marshall Islands, Federated States of Micronesia, Pakistan, Sri Lanka, Tonga, and Viet Nam.

Group B2 (OCR with limited amounts of ADF) includes People's Republic of China, India, Indonesia,<sup>3</sup> Nauru, and Papua New Guinea.

Group C (OCR only) includes Fiji Islands, Kazakhstan, Malaysia, Philippines, Thailand, Turkmenistan, and Uzbekistan.

In addition, the criteria for graduation from regular ADB assistance were established. Four members—Hong Kong, China; Republic of Korea; Singapore; and Taipei, China—have graduated from regular ADB assistance.

The country classification also impacts on operations with regard to cost-sharing limits and domestic preferences. The normal cost-sharing limits for project loans by ADB change for the borrowing DMCs as follows: 80% for Group A, 70% for Group B1, 60% for Group B2, and 40% for Group C. On 28 November 2002, the Board of Directors approved a paper "Review of Cost-Sharing Limits for Project Financing as an Element of ADB's 1998 Graduation Policy." Effective

1 January 2003, ADB will apply new cost-sharing limits for project loans as follows: 80% for Group A,<sup>4</sup> 75% for Group B1, 70% for Group B2, and 65% for Group C. The government contribution to technical assistance should be at least 15% of the total technical assistance costs for Group A, 20% for Groups B1 and B2, and 30% for Group C. The contribution will be subject to the limit of total technical assistance costs minus foreign exchange costs and costs of domestic consultants.

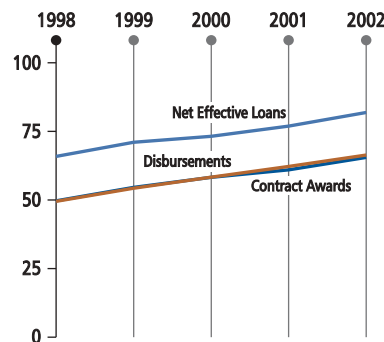
For details on ADB's graduation policy for DMCs, see <http://www.adb.org/documents/policies/graduation>.

<sup>1</sup> Timor-Leste has not been classified.  
<sup>2</sup> Limited eligibility for the OCR will be applied only after the external debt position improves.  
<sup>3</sup> On a watch list for graduation from the ADF.  
<sup>4</sup> As per the Board of Directors paper "Review of Afghanistan's Classification Under ADB's Graduation Policy," 28 June 2002, the cost-sharing limit for loans and technical assistance operations for Afghanistan has been waived for 2002–2004.

countries now include the participation of other major funding agencies, and are combined with the annual programming exercise. In association with the World Bank, country procurement assessment reviews were undertaken in nine countries to promote sound public procurement policies and practices.

**Harmonizing procurement:** ADB worked toward harmonizing procurement policies and practices by hosting in October a meeting of the heads of procurement (HOP) of the multilateral development banks and public international financial institutions. This meeting confirmed the convergence of procurement policies and practices even as the group broadened its scope to cover anticorruption measures, antiterrorism, and electronic and environmentally responsible procurement. The HOP approved the master prequalification documents for the procurement of works, from which ADB drafted a standard prequalification document for discussion prior to final issuance in early 2003. The working group on the standardization of bidding documents sent to the HOP a first draft of master bidding documents for the procurement of works. Upon approval of the master documents, ADB will prepare its standard bidding document for the procurement of works.

**Contract Awards and Disbursements, 1998–2002**  
(cumulative, end of year)  
(\$ billion)



**Project administration:** A total of 89 new loans (85 public and 4 private sector) were approved in 2002. This brought the number of loans under administration to 555, comprising 476 loans in the public sector and 79 in the private sector. Of the 505 ongoing public sector loans, 434 were rated satisfactory (including 5 highly satisfactory) in terms of implementation progress and achievement of development objectives, while 57 loans were rated partly satisfactory and 14 loans were rated unsatisfactory. In 2002, 699 project administration missions, excluding private sector loan reviews,

were fielded to assess project progress and discuss problems; improve portfolio performance; and strengthen the linkages between country and sector performance, including joint project reviews with the World Bank and other MDBs. Approximately 10,400 person-days (or an average of 25.5 person-days per project) were spent reviewing projects.

ADB's regional and resident missions continued to play an important role in project implementation, in accordance with ADB's Resident Mission Policy. Major operational functions such as country programming, project processing, and portfolio management continued to be

delegated to the missions. By the end of 2002, the administration of a total of 21 loans for 19 projects had been delegated to the resident missions in Bangladesh, Cambodia, India, Pakistan, Sri Lanka, Uzbekistan, and Viet Nam; and the regional mission for the South Pacific in Vanuatu. *For more on the Resident Mission Policy, see [http://www.adb.org/Documents/Policies/Resident\\_Mission/](http://www.adb.org/Documents/Policies/Resident_Mission/).*

Ninety-seven projects were completed during the year. Sixty-eight project completion reports were circulated in 2002, bringing to 1,057 the total number of reports prepared as of end-2002. *For details, see Table 14 in the Statistical Annex.*

**Contract awards:** Contracts totaling \$4.3 billion (excluding contracts for technical assistance projects) were awarded in 2002 by executing agencies in DMCs for engaging consulting services and procuring goods, related services, and civil works. Contract awards increased 69% over 2001, but this was still less than the annual projection due to contract awards slippages in a few borrowing countries. Consultancy contracts under loan projects totaled \$125.2 million. *For details, see tables 15–23 in the Statistical Annex.*

**Loan disbursements:** In 2002, loan disbursements of \$4.2 billion achieved the projection for the year, and were higher than disbursements of \$3.8 billion in 2001, mainly due to an increase in program loan disbursements. Of the total disbursements, \$2.0 billion or 48% was for project loans, followed by program, sector, and private sector loans. *For 2001 and 2002 disbursements by lending modality, see tables 8 and 15 in the Statistical Annex.*

**Project implementation and administration seminars:** ADB continued to conduct seminars in 2002 to help DMCs adapt to ADB's current project implementation and administration policies, practices, and procedures. Eight seminars highlighted key aspects and specific features, including new developments, the use of consultants, and procurement and disbursement procedures. Each session lasted 2 weeks. Seven of the eight were in-country seminars held in Bangladesh, Cambodia, PRC, India, Indonesia, Mongolia, and Sri Lanka, attracting a total of 258 participants. A regional seminar for the Kyrgyz Republic and Tajikistan, attended by 40 participants, was held in Bishkek, Kyrgyz Republic. Another regional seminar was held at ADB headquarters where 47 DMC representatives and 4 observers participated. In addition, two project implementation seminars were held at ADB headquarters for ADB staff.

ADB conducted five seminars for government and executing agency officials in 2002 to explain ADB's procedures for recruiting consultants under loan projects. These seminars, attended by 156 participants, were held in Bangladesh, India, Lao PDR, Nepal, and Papua New Guinea. Five seminars for DMC consultants explained business opportunities with ADB and the procedures for consultants to register and express interest in assignments. These seminars were conducted in Bhutan, PRC, Nepal, Sri Lanka, and Viet Nam, with a total of 262 participants. Feedback received from participants indicated a high level of satisfaction and noted the relevance of the seminars.

**Business opportunities seminars:** Twenty-seven seminars on business opportunities were conducted in 2002 in 15 countries: Australia; Canada; Denmark; Finland; Germany; Indonesia; Japan; Malaysia; New Zealand; Norway; Portugal; Sweden; Taipei, China; United Kingdom; and United States. The 1,625 participants received an overview of business opportunities under ADB-financed loans and technical assistance, and were given advice on procurement policies and procedures, including evaluation and comparison of bids and consulting proposals.

Based on participant feedback, the seminars helped create an awareness of business opportunities from ADB-financed projects. The seminars also helped increase competition among prospective suppliers and consultants in offering ADB DMCs the most appropriate goods and services at the lowest price.

### **Introduction of quality and cost-based selection**

In line with the prevailing practices of other multilateral development banks, the Board of Directors approved in 2002 the introduction of quality and cost-based selection (QCBS) as a method for selecting consulting firms under ADB-funded technical assistance and loan projects. As of 1 April 2002, the QCBS is ADB's preferred method. While the QCBS requires ADB and borrowers to consider the competing firms' proposed prices, quality of services remains the most important consideration. The evaluation of a firm's proposal is weighted at 80% for technical quality and 20% for cost.

To support the introduction of the QCBS, ADB conducted five briefings at its headquarters and 14 briefings in resident missions to explain the procedures for using the new method to staff and executing agency officials concerned. Relevant documents were revised, including the handbook for users of consulting services, the PAIs, and the request for proposals. A new guide for preparing terms of reference was developed for staff and executing agencies.

The introduction of the QCBS is expected to help ADB use its limited funds for engaging consultants more efficiently. The QCBS also increases the transparency of selections because the shortlisted firms' financial proposals are opened in public and the firms' technical scores are read out loud to those attending. The Board of Directors will review the implementation of the QCBS in 2004. *For more on the QCBS, see [http://www.adb.org/Documents/Guidelines/Consulting/con\\_selection.asp](http://www.adb.org/Documents/Guidelines/Consulting/con_selection.asp).*

### **Private sector operations portfolio**

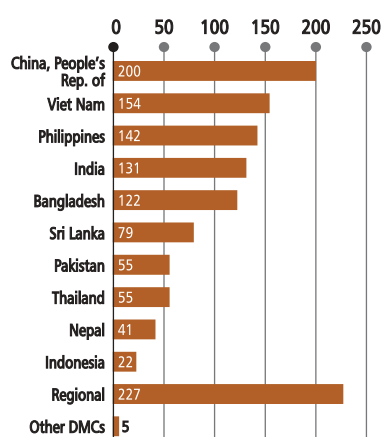
ADB's private sector portfolio continued in 2002 to leverage and catalyze other funding sources. Cumulative approval since ADB's first private sector investment in 1983 amounted to \$2.2 billion in the form of direct loans and equity investments, financing 155 projects, mobilizing \$18.4 billion in total resources, and leveraging ADB investments by a ratio of 7.4 times. Of these approvals, cumulative disbursements amounted to \$1.5 billion.

## Private Sector Portfolio Distribution,<sup>a</sup> 2002

	Investments Held		
	No. of Companies	\$ Million	%
Infrastructure	21	619.8	50.2
Investment Funds and Financial Institutions	57	464.9	37.7
Others	13	148.8	12.1
<b>TOTAL</b>	<b>91</b>	<b>1,233.5</b>	<b>100.0</b>

<sup>a</sup> At exchange rates as of 31 December 2002.

## Private Sector Operations Portfolio Distribution by Country, 2002 (\$ million)



institutions at \$464.9 million (37.7%), with the balance accounted for by other sectors at \$148.8 million (12.1%).

To free up capital resources for new investments, ADB actively sought the full and partial divestments of equity shareholdings in 14 project companies, resulting in net returns of 68% over investment cost. Five loans totaling \$65.5 million in approvals were fully repaid during the year.

At the end of 2002, 91 private sector projects were under administration, net of repayments, cancellations, and divestments. Of the total number of projects, 16 were in regional financial entities and funds. Operationally, 65 companies demonstrated strong financial performance, 6 performed marginally, and 20 underperformed. Risk management continued to be directed toward resolving underperforming accounts. Two projects were liquidated and foreclosed, two projects were restructured, and one project was repaid in full.

Interest, net realized capital gains, and other income earned on the private sector portfolio decreased to \$29.8 million in 2002, relative to the \$32.7 million level of 2001. Dividend income decreased from \$13.2 million (4.9% yield) in 2001 to \$8.6 million in 2002.

Allowance for possible losses on the portfolio decreased from \$144.5 million in 2001 to \$137.3 million in 2002. The loss reserve ratio was at 20.1% of the outstanding portfolio as at end-2002, compared with 21.1% in 2001.

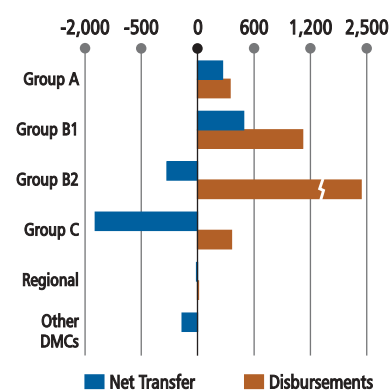
In 2002, the portfolio amounted to \$1.2 billion, consisting of \$759.4 million in loans and \$474.1 million in equity (62% and 38%, respectively, of the portfolio). Infrastructure projects continued to hold the largest composition of the portfolio at \$619.8 million (50.2%), followed by investment funds and financial

In its private sector operations, ADB continues to strengthen risk management by implementing an independent credit review process at every stage of project processing prior to approval. Project administration is enhanced by more rigorous reviews. Investments that exhibit early signs of vulnerability are given special attention to arrest further deterioration of project quality. Intensive recovery efforts on impaired and nonperforming investments, mostly of earlier discontinued investments in manufacturing and industry, have achieved substantial results with the closure of two such projects in 2002. ADB's experience from these impaired investments provides crucial lessons for future investment activities. For details, see tables 10–13 in the Statistical Annex.

## Resource transfers

Compared with the net transfer of resources from ADB to its DMCs of \$464.3 million in 2001, there was net inflow of \$1.4 billion to ADB from its DMCs in 2002. During the year, net transfers from ADB to ADF borrowers increased from \$658.4 million in 2001 to \$717.8 million in 2002. However, there was a net inflow of \$2.1 billion (\$194.1 million in 2001) to ADB from OCR borrowers/investees in 2002, mainly resulting from higher prepayments of \$2.0 billion (\$52.5 million in 2001) of OCR pool-based loans. For details, see tables 29 and 30 in the Statistical Annex.

### Disbursements and Net Transfer of ADB Resources to DMCs, 2002 (\$ million)



See page 66 for classification of countries.

## Resource Transfers to Developing Member Countries (\$ million)

	2001	2002
<b>OCR</b>		
Loan Disbursements	2,850	3,067
Principal Repayments <sup>a</sup>	(1,196)	(3,334)
Payments of Interest/Charges	(1,843)	(1,814)
Net Equity Investment	(5)	(17)
Net	(194)	(2,098)
<b>ADF</b>		
Loan Disbursements	1,024	1,136
Principal Repayments	(219)	(262)
Payments of Interest/Charges	(147)	(156)
Net	658	718
<b>TOTAL</b>	<b>464</b>	<b>(1,380)</b>

( ) Represents resource inflow from developing member countries.

<sup>a</sup> Includes prepayments of \$1,977.1 million (\$52.5 million in 2001).

Loan disbursements in 2002 totaled \$4.2 billion, comprising 100% of the target for the year. Of the total, OCR disbursements were \$3.1 billion or 73% and ADF disbursements were \$1.1 billion or 27%. For details, see tables 8 and 15 in the Statistical Annex.

Loan service payments reached \$5.6 billion in 2002, compared with \$3.4 billion in 2001. The increase was mainly because of higher prepayments (\$2.0 billion in 2002, \$52.5 million in 2001).

In 2002, the four largest net resource transfers from ADB were to Viet Nam, Sri Lanka, Indonesia, and Afghanistan (by magnitude) (see tables 29 and 30 in the Statistical Annex).

## Performance evaluation and development impact

The Operations Evaluation Department (OED) independently evaluates ADB's operations, including the performance of selected projects, programs, and technical assistance about 3 years after completion. It also undertakes thematic evaluation studies in the form of impact, special, and country assistance program evaluations. In 2002, OED completed 48 evaluation reports. This included 31 project or program performance audit, 6 technical assistance, 3 country assistance program, 6 special and impact evaluation, and 2 annual reports. OED prepared for the first time a report evaluating the performance of ADB's portfolio of ongoing projects and programs. OED was further strengthened in 2002 with an advisor post for identifying appropriate indicators for measuring development effectiveness.

### Project and program performance audit reports

In 2002, 27 public sector projects and 6 programs that were completed in or around 1998 were assessed in 30 reports. Based on five evaluation criteria—relevance, efficacy, efficiency, sustainability, and institutional/other development impacts—4 projects/programs (12%) were rated highly successful, 23 successful (70%), and 6 partly successful (18%). None was rated unsuccessful. These results continue a trend toward higher success rates for projects and programs. There is little difference in success rates among country groups. Partly successful and successful projects/programs appeared in all four country groups (A, B1, B2, and C; see box on country classification on page 66), and highly successful projects in three of them. Of 15 infrastructure projects and programs—6 in energy and 9 in transport and communications—3 were highly successful, 11 successful, and 1 program partly successful. Of 10 agriculture and 5 social sector projects, 10 were successful and 5 partly successful. The other 3 projects/programs were successful or highly successful. In addition, one private sector project was evaluated and rated successful. To view evaluation reports, go to <http://www.adb.org/evaluation/>.

Of the six programs, four (67%) were rated successful and two (33%) were partly successful. All four successful

programs, including agriculture sector programs for the Kyrgyz Republic and Viet Nam, achieved their program purpose with impacts likely to be sustained. On the other hand, the partly successful Agriculture Sector Program in Mongolia accomplished only three fourths of policy reform measures and experienced some key policy reversals. Of the 27 public sector projects, 4 (15%) were rated highly successful, 19 (70%) successful, and 4 (15%) partly 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. The highly successful Laiwu Steel Modernization Project in the PRC has been a model for modernization in the steel industry and the reform of state-owned enterprises. On the other hand, the four partly successful agriculture projects showed some weaknesses in their design and implementation. The Employment Generation Project in Mongolia and Second Barani Area Development Project in Pakistan were not effective in reaching out to the majority of their intended poor beneficiaries. For some successful projects, outcomes were constrained by the lack of beneficiary participation and limited impact on poverty.

The performance audit reports confirmed project completion report ratings for 27 public sector projects/programs, and reclassified 6. The Bangladesh Railway Recovery Program was reclassified from generally successful to partly successful owing to a relapse in both program components and progress toward financial sustainability. Exceptionally, another five projects/programs were reclassified from partly successful to successful in recognition of sustainable achievements, and associated institutional and socioeconomic development impacts.

**Lessons:** The evaluations provided several lessons. For poverty reduction, the evaluations highlight the importance of beneficiary participation and stakeholder ownership, multiple synergistic interventions based on client demand, capacity building for local government, social preparation for the poor prior to physical investments, and arrangements for effective implementation with nongovernment organizations and communities. For program lending, the success of a reform process depends on the sustained commitment of all stakeholders to policy reforms, stemming from ownership built before reforms, a sharply focused program design that recognizes implementation capacity and the sensitivity of reforms, and flexible program implementation.

### Special and impact evaluation studies

#### Beneficiary perceptions of the impact on poverty reduction of agriculture and social infrastructure projects:

A special evaluation study using surveys examined beneficiary perceptions of the impact on poverty reduction of selected agriculture and social infrastructure projects in six DMCS. Depending on the type of impact,

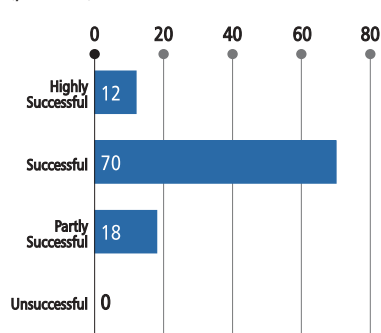
24–50% of the beneficiaries felt they gained substantially from ADB-financed operations. The proportion was higher for income and general well-being benefits than for more specific benefits to women and the environment. Projects approved in the 1990s were more effective than those approved in the 1980s. A significant survey finding was that among the poor, only a small improvement in income was needed for them to perceive themselves as no longer poor. Major lessons included the need for a balanced program of poverty intervention projects at the macro level; consultation with beneficiaries during project preparation and implementation; more time and resources in promoting social capital for every poverty intervention project; beneficiaries' trust in development partners; and timing in the projects' turnover to beneficiaries prepared to handle the responsibilities.

**Impact of rural road improvements on poverty reduction:** A case study-based impact evaluation examined the impact on poverty reduction of ADB-financed rural road improvements in road project investments and rural development projects. Better rural roads are a necessary but not sufficient condition for graduating from poverty. The poor first need to accumulate a surplus, for example by reducing time for collecting water, allowing them time to seize new opportunities from motorized transport. The study recommends designing interventions that concentrate on removing access and mobility constraints of the poor in their existing livelihoods, through improved transport modalities and carrying capacity; providing transport services by the government as a public service obligation and later developing sustainable private transport services; establishing transparent criteria for selecting a particular road; and encouraging labor-based technology for income generation.

**Investment fund operations (IFOs):** An evaluation study examined the development impacts of 29 IFOs relating to infrastructure, venture capital, portfolio investment, and special purposes, representing about 19% of cumulative private sector and about 59% of cumulative equity investment operations of ADB. The IFOs had significant impact on mobilizing resources particularly for infrastructure, supporting small- and medium-sized enterprises, developing capital markets, and generating employment opportunities. However, financial performance was generally modest, affected by the Asian financial crisis; changes in regulations such as in the telecommunications sector; and the ability of fund managers to identify, appraise, and supervise projects. The study recommended follow-up actions for ADB in the selection and remuneration of fund managers, administration of IFOs, monitoring and evaluation of projects financed by IFOs, and an exit policy for ADB.

**Water supply and sanitation projects:** An impact evaluation study of water supply and sanitation activities

### Project and Program Performance Ratings, 2002<sup>a</sup> (percent)



<sup>a</sup> Performance audit ratings based on five evaluation criteria: relevance, efficacy, efficiency, sustainability, and institutional/other development impacts.

reviewed 50 loans and technical assistance and undertook 6 in-depth assessments in selected DMCS. All projects substantially increased water consumption by households, with more than half the beneficiaries living below the poverty line, although satisfaction with improved water services from piped connections varied among domestic and nondomestic consumers. Sanitation received less attention than water supply systems; its impact has been limited and mixed. None of the water utilities concerned had achieved full cost recovery. Important lessons were the need to include sanitation, hygiene, and health promotion in more projects; apply further measures to manage demand

and reduce nonrevenue water; assess alternative means of distributing water, such as bottled water for drinking; involve beneficiaries at all stages of rural water supply projects; and aim utility pricing at full cost recovery to ensure continued and expanded water supply and sanitation services. The recommended actions are consistent with the Water for Asian Cities Program, announced by ADB President Tadao Chino at the World Summit on Sustainable Development in Johannesburg.

**Primary education projects:** A special evaluation study examined government and nongovernment provision of primary education in three DMCS, to assess whether the private sector provided higher quality, better school management, and greater access to primary education. Using interviews with primary education stakeholder groups and secondary data, the evaluation concluded that private provision reduces the financial burden on government and improves access; and that while for-profit private schools also improve quality and efficiency, they may do so at a cost to poor families. The quality of education continued to be a problem: teachers lacked qualifications and the number of classroom hours was inadequate.

The study showed that a long-term sector framework should be developed on interaction between government and nongovernment, religious, and general agencies, and formal and nonformal schooling systems; more resources are required for reaching and retaining in school the children from the remote areas; school management and committees need legal powers, budget, and training; local governments, communities, and parents should be included in capacity-strengthening efforts; and financial norms should be established to maintain a minimum acceptable level of per student and nonsalary proportion of recurrent expenditure.

### Country assistance program evaluations

Three country assistance program evaluations were undertaken for Bangladesh, Mongolia, and Philippines.

**Bangladesh:** From 1973 to 2001, Bangladesh received 141 public sector and 8 private sector loans and equity investments, and 272 technical assistance grants. Of 52 postevaluated projects, 38% were classified as generally

Asian Development Fund (ADF) resources, a key instrument for poverty reduction through concessional lending to low-income developing member countries (DMCs), have funded about 28% of ADB's total lending activities. The 2002 evaluation of ADF operations during 1992–2000 (ADF VI–VII) assessed projects, processes, and policies. Sources included ADB databases, such as the loan financial information system, project performance monitoring system, and project completion and evaluation reports. Project case studies were undertaken in five DMCs covering five sectors and three thematic areas. Governments, project stakeholders, representatives from the private sector, and other bilateral and multilateral agencies were consulted.

Ten 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 project quality, (ix) adopting a policy on country graduation, and (x) introducing a more formal process for ADF allocation.

There were 318 concessional projects approved during ADF VI–VII with loans totaling \$12 billion, about 24% of ADB's total approval,

and about 4% of the total net resources to ADF borrowing countries.

ADF VI coincided with the introduction of five strategic development objectives for project classification: economic growth, human development, poverty reduction, gender and development, and environmental and natural resource management. Several new policies were successively introduced, such as governance, resettlement, inspection, indigenous peoples, nongovernment organizations, and gender.

While almost 60% of projects financed under ADF VI–VII are still under implementation, there is evidence of satisfactory progress, although uneven, in meeting the ADF VI–VII objectives. The evaluation reached the following conclusions.

- **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 and project selection and design have followed the strategic directions.

- **Satisfactory.** Project investments directed toward stimulating balanced economic growth have continued and show a solid rate of return. Practices on project-related issues that affect the poor, such as resettlement and environmental damage mitigation, have improved. While family planning activities have not been sustained, investments in human development have

continued to expand. Poverty reduction investments have improved with experience, a greater institutional understanding of the issues, and more defined targets and goals. ADF project quality and performance have improved. More work is needed, however, in project monitoring and management. ADF allocations have been generally consistent with the formal performance-based measures adopted for the ADF VIII.

- **Partly satisfactory.** Improving environmental management has proceeded unevenly within ADB. The number of projects specifically addressing environmental issues is low. ADB's lending for policy adjustments—program lending—has had mixed success. Reform programs sometimes have been over-ambitious and governments have lacked the capacity, or the will, to implement difficult reforms. Some countries have graduated formally from the ADF under the Graduation Policy. However, changes in access criteria have had little effect on country borrowing patterns.

- **Unsatisfactory.** Incorporating gender concerns continues to be difficult for ADB. Project selection and design have not effectively supported this development objective. Mainstreaming gender concerns under the Gender and Development Policy has had limited impact.

Overall, ADB has adapted to the change agenda for ADF VI–VII, in a way that has affected all operations, not just those financed by the ADF.

successful, 52% partly successful, and 10% unsuccessful, showing a much higher proportion of partly successful projects than ADB's average. ADB's country strategies and operations recognized the need for mainstreaming governance issues, took a long-term approach to structural reform, and provided a significant impact on economic growth and poverty reduction through infrastructure projects.

Weaknesses included failure to achieve sufficient structural reform in some sectors, inability to implement governance reforms affecting local communities, inadequate support for health and education, and failure to mainstream the environment in the country program.

There is a need for

- a more proactive approach to governance, both at central and local government levels;

- more lending for small enterprise development for employment generation;

- support for increasing the recurrent budget for health and education; and

- focus on fewer sectors to enhance poverty reduction and development effectiveness. The last of these implies reduced support in sectors 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.

**Mongolia:** An assessment of all operations in Mongolia since 1991 focused on four themes: policy reform, economic diversification, capacity building, and financial system reform. Policy reform assistance was

all-encompassing in the context of transition and development, and led to a major change in ownership patterns. However, policy matrixes were overloaded, and policy-based lending to agriculture and industry was only partly successful. Changes in price and trade policies with investment in infrastructure sectors laid the foundation for unbundling industries and increasing private sector involvement. Capacity building was supported in all operations, but mostly focused on inputs and was equated with training and the provision of consulting services. The fragmented approach did not promote overall public sector resource management. The sector strategy became clearer in the mid-1990s partly through assistance to the financial sector, which was starting to have a positive impact in the late 1990s. All three country operational strategies recognized key transition issues, but did not convert them sufficiently into sector strategies and projects. Overall, ADB's country assistance program made significant contributions to transition, with an acceptable portfolio performance. Its impact on poverty is difficult to assess because of external and natural influences.

The evaluation underscored the importance of

- providing strategic guidance to operations;
- undertaking necessary background work to, and

using a logical framework approach in, formulating country strategies and programs (CSPs); and

- setting specific monitorable targets for country operations.

**Philippines:** ADB's operational strategy for the Philippines tracked the national strategy and lent support to the country's overall development objectives of macroeconomic stabilization, poverty reduction, and social development. The outcome of investment projects was disappointing: 33% of all completed projects from 1986 to 2001 were rated unsuccessful, although there was some improvement through 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.

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.
- The success of the assistance program depends on the degree of institutional development.

### **Technical assistance performance audit reports**

Six technical assistance performance audits were undertaken in 2002. Thirty-three technical assistance activities were evaluated: 6 were rated highly successful, 18 successful, 8 partly successful, and 1 unsuccessful.

**Capital market development:** Six technical assistance supported reforms and institutions for capital market development in Pakistan. Expected results were largely realized with a stronger regulatory framework in

the capital market; effective functioning of the Securities and Exchange Commission; updating of regulations on mutual funds; privatization of public sector mutual funds; and enactment of a new insurance law and issuance of rules. Two public sector insurance entities were restructured and interest rates on the national savings were rationalized and are being adjusted periodically based on market signals.

The main lessons are that strong government ownership is critical to the success of policy and institutional reform, and sharply focused technical assistance projects have a better chance of success.

One technical assistance was rated highly successful, three successful, and two partly successful.

**Road sector institutional development:** Five technical assistance projects for institutional development and policy support in the road sector were attached to projects in Kazakhstan, Kyrgyz Republic, and Mongolia; and a regional technical assistance for road design and construction standards in Kazakhstan, Kyrgyz Republic, Mongolia, and Uzbekistan. Initial assistance supported organizational change. Progress was made in developing road departments to manage the road network and become the client for maintenance and construction contractors. Follow-on technical assistance had less impact; the governments failed to implement some politically sensitive recommendations such as establishing a road board in Mongolia, and giving control of the road fund to the road department in the Kyrgyz Republic. The revised design and construction standards from the regional technical assistance are not in use in Kazakhstan and the Kyrgyz Republic; in Mongolia, some are in use.

The main lessons are that 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 funds will be provided to meet sector needs; greater clarity is required on the issue of road funds among development partners; and regional activities should take note of government priorities and relevant ongoing activities.

The three initial technical assistance were rated successful, the two follow-on technical assistance partly successful, and the regional technical assistance unsuccessful.

**Education sector reform:** Six technical assistance for reform of the education sector in Central Asian countries were evaluated. For Kazakhstan, a comprehensive sector review led to planning and establishing the rationalization process, developing curriculum reforms, strengthening textbook development capabilities, and training teachers. One technical assistance for the Kyrgyz Republic produced a blueprint of policy reforms; a second suffered from uncooperative consultant team members and frequent changes of senior counterpart staff. In Uzbekistan, a functional reform monitoring system was developed, as were strategies for improving the cost-effectiveness of the education system.

Lessons included the following: inception missions should familiarize consultants with the goals and objectives

of the technical assistance, and establish the critical achievement factors; technical assistance designs should allow for flexibility; continuous dialogue on education policies is needed to respond to changing needs and aspirations of the beneficiaries; and evaluation capacity development should include training in data management.

The two technical assistance in Kazakhstan were rated successful, one each in the Kyrgyz Republic successful and partly successful, and the two in Uzbekistan highly successful.

**Pacific audit capability:** Six technical assistance for strengthening audit capability in 12 Pacific DMCs included four regional technical assistance cofinanced by supreme audit institutions. The design and purpose were appropriate. The expected benefits were improved audit knowledge and skills of the Office of the Auditor General staff, improved internal audit work and work processes, increased number of trained audit staff, and enhanced sharing of audit experiences and solutions. 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 purpose of the technical assistance; amend legislation to expand the scope of auditing; and ensure follow-up after auditing to increase the overall effectiveness of the process.

Three technical assistance were assessed highly successful and three successful.

**Road sector management:** Four technical assistance for improving road sector management included two technical assistance attached to road improvement projects in the Lao PDR and the Philippines for promoting privatization and management of road sector institutions, respectively; and two stand-alone technical assistance to Papua New Guinea (PNG) for supporting the establishment of a road asset management system (RAMS) for the central and provincial governments. The privatization of some transport sector functions in the Lao PDR, and restructuring in the Philippines, were carried out. The first PNG technical assistance established the RAMS in the central Government; the second has not yet installed the RAMS in the provinces.

The lessons were that a politically sensitive technical assistance attached to a loan may be a more effective mechanism than a stand-alone technical assistance; long-term involvement of external funding agencies is necessary to maintain momentum; where staff retrenchment is considerable, transition arrangements need to be designed to minimize social and political costs; and management buyouts may be considered an appropriate form of privatization for transition economies like the Lao PDR.

Three technical assistance were rated successful and the technical assistance aimed at the provinces in PNG, partly successful.

**Agricultural planning in Nepal:** Five technical assistance supporting agricultural planning, statistics, and institutional strengthening in Nepal were designed to assist

the Government in setting a new direction for the agriculture sector through a 20-year Agriculture Perspective Plan. The policy directions of the first technical assistance were relevant. Two subsequent technical assistance, in the context of an agriculture program loan, assisted in shifting the strategy toward less reliance on public investment and subsidies, and more on deregulation and market forces.

The lessons were as follows: difficulties can arise with a change in ADB staff; participation needs to be properly managed to create the opportunity to introduce innovative approaches; and without extensive local participation the plan produced was overambitious.

Discontinuing the institutional structure established for plan implementation, and the Government's reluctance to publish the updated agricultural statistics, limited the impact of the other two technical assistance. Overall, three were rated successful, and two partly successful.

### **Portfolio performance**

An annual evaluation report on portfolio performance showed a reduction in the percentage of problem projects, from 31% in 2000 to 25% in 2001; a substantial gap between projected and actual contract awards with only 69% achievement; and declining compliance on the submission of audited project accounts.

The report concluded that to improve portfolio performance and reduce the number of projects at risk, high-level support is needed for ADB's project performance management system by highlighting the results of project performance report assessments in management decision making; assigning adequate resources for project performance report preparation and validation; and providing adequate resources for internal skills development. *For more on annual evaluation reports, see <http://www.adb.org/Evaluation/annualreports.asp>.*

### **Other activities**

OED provides direct support to operations through its review of new projects and project completion reports. In 2002, it also assessed the new loan classification system, and took the lead in reviewing the process for performance-based allocation of ADF resources.

The ADB Board of Directors' Development Effectiveness Committee's discussion of the annual report of evaluation activities for 2001 resulted in a study in 2003 on project cost estimation, recognizing the high number and extent of cost underruns in recent years. *For more on the Development Effectiveness Committee, see the 2002 in Review: Board of Directors' Report chapter.*

The Evaluation Cooperation Group of the multilateral development banks (MDBs), having completed good practice papers for individual public and private sector operations, turned its attention to higher-level evaluations, including country assistance programs and evaluation of policy-based lending, a study for which OED has prepared a framework and terms of reference. OED and the other evaluation departments are responding to the MDB presidents' statements in 2002 on the need for results-based monitoring and management.