

## **D. Chapter III: Performance Assessment**

28. The chapter on performance assessment presents the overall project performance rating. The overall rating is based on separate assessments of four core evaluation criteria, which are then aggregated to produce the overall rating, namely,

- (i) relevance,
- (ii) effectiveness,
- (iii) efficiency, and
- (iv) sustainability.

29. In writing this chapter, evaluators should ensure that the discussion follows a clear and logical path that justifies the conclusions reached, particularly the overall rating. Readers should be able to readily understand how the rating has been derived. The PPER also provides separate assessments of impact and ADB and borrower performance elsewhere, but these are not aggregated into the overall assessment.

### **1. Overall Assessment**

#### **a. Approach**

30. The overall rating is determined by separately evaluating and ranking the four core criteria. Each core criterion is assigned a whole-number rating or scale point between 0 and 3. A clearly defined descriptor corresponding to each scale point is then assigned. An average of the values for the core criteria ratings, weighted using fixed weights, is the overall project assessment rating and ranges between 0 and 3. The assigned weights vary depending on the criterion to reflect the contribution each criterion makes to the overall assessment. Fixed cutoff points are used to assign appropriate descriptors (highly successful, successful, partly successful, or unsuccessful) to the aggregate numeric rating. The table summarizes the approach and shows the relationship between rating values and descriptors. An example of an evaluation matrix spreadsheet, which can be used to estimate core criteria and the overall rating and is available from OED, is included in Appendix 3. The completed matrix is normally included as an appendix to the PPER and is also kept on file.

31. This approach provides a consistent basis for overall assessments. Evaluators are encouraged to carefully appraise and, if necessary, modify the ranking if they come up with large differences between the ranking values of the core criteria. The relative rankings of the core criteria also need to be reviewed for logical consistency, for example, for an ineffective project to have a high rating for sustainability would be unusual. At the aggregate level, for a project to be given an overall ranking of highly successful if its sustainability was in doubt or if its relevance was poor at project completion and beyond would also be unusual. For projects for which an economic internal rate of return (EIRR) is calculated, EIRR should be at least 12% for a project to be rated as highly successful. Particular attention should be given to those assessments where ratings are on the borderline between final rankings.

#### **b. Rating Each Core Criterion**

32. To assist with the process of rating each core criterion and to improve transparency and rigor, subcriteria are assigned to each criterion. Each subcriterion is given a scale value from which the rating value for the criterion is estimated. The subcriteria list appended is not necessarily exhaustive and should be regarded as a checklist. Evaluators are encouraged to

review and modify the list of suggested subcriteria to fit the requirements of a particular evaluation. The proposed list should be included in the position paper. Evaluators will have to decide whether to assign an equal value or a weighted value to each subcriterion, because the contribution of each subcriterion to the criterion rating may not be equal. This judgment should be supported in the position paper.<sup>12</sup> Subcriteria weights may be used to separately rate the contribution of various sector components of multisector projects or of various states or provinces where more than one is involved.

### c. Assessment

33. The overall rating, which is presented in the report as the first sentence in this chapter, could be highly successful, successful, partly successful, or unsuccessful.

- (i) **Highly Successful.** The overall weighted average is greater than or equal to 2.7. This rating is given to projects whose achievements exceed expectations and that have a high probability that the outcome and impact will be achieved sustainably and efficiently over the project's life; that the project remains relevant; and that no significant, unintended, negative effects will occur.
- (ii) **Successful.** The overall weighted average is greater than or equal to 1.6 and less than 2.7. Even though the outcome may not have been completely achieved or some negative results may have occurred that prevent a rating of highly successful, no major shortfall has taken place and the expected outcome and impact will, on the whole, be achieved sustainably over the project's life. The project remains relevant and its implementation and operations are efficient. Any negative effects are small in relation to the gains under the project.
- (iii) **Partly Successful.** The overall weighted average is greater than or equal to 0.8 and less than 1.6. Even though the evaluation anticipates a significant shortfall in achieving the design outcome and impact and may consider full sustainability unlikely, it expects that some project components will achieve major benefits, for example, equivalent to at least half the level originally expected.
- (iv) **Unsuccessful.** The overall weighted average is less than 0.8. In this case, the evaluation considers that the project is a technical (minimal achievement of outcome) and/or economic failure. Any facilities are expected to operate at a low level of installed capacity or at high cost, necessitating a large subsidy. Negative effects may be apparent.

34. The foregoing procedure should also be used to evaluate projects with two or more subprojects, where a subproject is defined as a set of separately executed activities. Separate financial and economic analyses would typically be carried out at appraisal for each subproject, together with overall financial and economic analyses. For the purposes of the overall rating, such a project would be considered a single project and be evaluated accordingly. Achievement of outcome, for example, would be evaluated taking into account the combined outputs of all the subprojects. Where wide differences in subproject performance are apparent, evaluators are encouraged to carry out stand-alone evaluations of each subproject, with the results being reported in an appendix.

35. A similar approach should be used to evaluate sector projects.

---

<sup>12</sup> Where the contributions of subprojects vary widely, the separate assessments may be weighted differently for the purposes of aggregation.

## Overall Assessment Methodology

Criterion	Weight (%)	Definition	Rating Description	Rating Value
1. Relevance	20	Relevance is the consistency of a project's impact and outcome with the government's development strategy, the Asian Development Bank's lending strategy for the country, and the Asian Development Bank's strategic objectives at the time of approval and evaluation and the adequacy of the design.	Highly relevant Relevant Partly relevant Irrelevant	3 2 1 0
2. Effectiveness	30	Effectiveness describes the extent to which the outcome, as specified in the design and monitoring framework, either as agreed at approval or as subsequently modified, has been achieved.	Highly effective Effective Less effective Ineffective	3 2 1 0
3. Efficiency	30	Efficiency describes, ex post, how economically resources have been converted to results, using the economic internal rate of return, or cost-effectiveness, of the investment or other indicators as a measure and the resilience to risk of the net benefit flows over time.	Highly efficient Efficient Less efficient Inefficient	3 2 1 0
4. Sustainability	20	Sustainability considers the likelihood that human, institutional, financial, and other resources are sufficient to maintain the outcome over its economic life.	Most likely Likely Less likely Unlikely	3 2 1 0
<b>Overall Assessment</b> (weighted average of above criteria)		Highly Successful: Overall weighted average is greater than or equal to 2.7. Successful: Overall weighted average is greater than or equal to 1.6 and less than 2.7. Partly Successful: Overall weighted average is greater than or equal to 0.8 and less than 1.6. Unsuccessful: Overall weighted average is less than 0.8.		

## 2. Relevance

36. The relevance criterion addresses three main questions: (i) the extent to which the proposed outcome of the project is consistent with the country's development priorities and ADB's country and sector strategies, both at appraisal and at evaluation; (ii) the extent to which the work used to justify project intervention was satisfactory and based on a sound problem-tree analysis, including consideration of the main constraints to the achievement of results; and (iii) the extent to which the design<sup>13</sup> and the financing instrument selected were an appropriate response to the identified development problem.

37. In assessing relevance, the project impact and outcome are considered in light of ADB's country strategy and program and annual updates; the country's governance, macroeconomic, and sector policy framework; priorities identified in the country's development plans; and

<sup>13</sup> Considered in terms of a series of necessary and sufficient conditions being met such that the inputs proposed were necessary and sufficient to carry out the proposed activities; the activities were necessary and sufficient to produce the planned outputs; the outputs were necessary and sufficient to produce the desired outcome; and the agreed impact objective, adequacy, and quality of risk analysis supporting each necessary and sufficient condition contributed to the outcome.

sociocultural conditions. External factors, such as economic shocks, export prices, and weather and the peace and security situation, which may affect the project's continuing relevance, are discussed as are changes in the political economy. Because projects that ADB approves have to be relevant at the approval stage, assessing the continued relevance of the project as it moves from approval to implementation and operation is important. Accordingly, the evaluation considers the relevance of a project both at the time of approval (ex ante) and at the time of evaluation (ex post). Consideration should also be given to changes made during implementation to ensure that the project remained relevant. If changes were made for reasons that should have been foreseen or as a result of design deficiencies, the need for such changes would be considered a negative in rating this criterion. If changes were needed for reasons that could not reasonably have been foreseen, two possible assessment options arise: a timely response would be considered positive, while an inadequate or delayed response would be viewed as negative. Evaluations should recognize that a good project design has a certain degree of flexibility.

38. The ex post concept is adopted to avoid giving a highly relevant rating to a project that was relevant at the time of approval, but is less relevant at the time of evaluation. For example, a project that is highly successful in a distorted market may not be as successful in a more liberalized environment that came about during its implementation. In rare instances, an ex post situation may have been entirely unpredictable, for instance, due to a natural disaster or an unanticipated, rapid increase in world oil prices. In such a case, the evaluator should make a judgment and clearly indicate the reasons for it. Projects that were highly relevant at the time of approval that were not consistent with the country strategy at the time of evaluation would not be rated as highly relevant.

39. From an analysis and design viewpoint, factors affecting relevance include the quality of consultants' work that contributed to feasibility and design studies, the extent of beneficiary participation and ownership, and the adequacy of provisions at appraisal for the design to be adjusted during implementation. The extent to which lessons from previous related experience were incorporated in the design is a particularly important consideration. Quality at entry issues at the time of appraisal are assessed. These could include (i) adequacy of the justification for the proposed intervention; (ii) adequacy of problem diagnosis; (iii) selection of financing instrument; (iv) relevance of any consulting services proposed; and (v) realism of proposed impact and outcome objectives, required output levels, risk management strategies, and implementation schedule. Any significant changes in design that were caused by, or consistent with, changes in the country strategy and program or the developing member country's policy environment after the project was approved should be considered.

40. The subcriteria checklist for relevance includes the following:

- (i) Adequacy of the assessment of problems, opportunities, and lessons at the time of approval:
  - (a) adequacy of the sector analysis and political economy required to establish an economic rationale for the project,
  - (b) consideration of lessons learned from related projects,
  - (c) consideration of constraints to the achievement of results,
  - (d) appropriateness of project outcome and outputs,
  - (e) appropriateness of the timing of the intervention,
  - (f) soundness of the contribution of any project preparatory TA.

- (ii) Consistency of the project's impact, outcome, and outputs with the government's development strategy (stated and real), ADB's strategy and program for the country, and ADB's strategic objectives:
  - (a) consistency or inconsistency at the time of approval,
  - (b) consistency or inconsistency at the time of evaluation,
  - (c) appropriateness and timeliness of changes made to maintain the project's relevance.
- (iii) Extent to which stakeholders saw the project as their own.
- (iv) Choice of modality and instrument:
  - (a) appropriateness of the project's investment modalities compared with available options,
  - (b) balance between public and private provision,
  - (c) appropriateness of associated TA.
- (v) Extent to which project formulation (design) adopted the correct solution for the identified problem:
  - (a) clarity of the statement of expected results,
  - (b) consideration of alternative responses to the identified problem,
  - (c) soundness of the design in terms of a series of necessary and sufficient conditions being met (footnote 13),
  - (d) adequacy and quality of risk analysis supporting each necessary and sufficient condition,
  - (e) adequacy of proposed risk mitigation measures,
  - (f) adequacy of the incorporation of lessons learned from related projects to avoid problems encountered by previous projects,
  - (g) appropriateness of implementation arrangements,
  - (h) appropriateness of service delivery arrangements and incentives,
  - (i) adequacy of the analysis of the counterfactual situation (what might have happened without the project),
  - (j) adequacy of distribution analysis.
- (vi) Degree of coordination and/or complementarity with development partners.

41. The criterion rating for relevance should be stated as the first sentence of this section. A concise summary of the principal factors supporting the rating should be provided.

### **3. Effectiveness**

42. The effectiveness criterion looks at whether the outcome of the project as defined in the design and monitoring framework was achieved or is expected to be achieved. In writing this section, evaluators should aim for a concise narrative describing what went right, what went wrong, and the outcome. The discussion should open with an evaluation of the actual outcome at the time of project completion against the targets listed in the design and monitoring framework. Subsequent changes are assessed under the sustainability criterion. If a change in scope was made during implementation, the reasons for the change are discussed, the effect on outcome described, and the evaluation made against the new outcome. An assessment of the major factors responsible for any shortfall in achievement or exceeded expectations should follow.

43. Major factors responsible for any nonachievement of outcome are discussed. Of particular importance is an analysis of the government's macro and sector policies and how these have affected financial incentives for beneficiary participation and continuing operations. Other issues may include maintenance procedures; staff capabilities; operation and

maintenance costs; prices; actual versus forecast demand; capability and performance of the entity responsible for operations; and availability of inputs, including skilled labor.

44. Effectiveness may also take into account the influence of the implementation process on project outcomes. Even though project outcomes may be as originally expected, problems during the implementation process may mean that outcomes were not available to beneficiaries until later than intended or that their full potential was not realized. The implementation process may also have positive or negative side-effects that should be considered in relation to effectiveness. Implementation issues could lead to a strengthening or a weakening of the executing agency or of the wider institutional and policy framework or could support or impede the performance of other projects or activities.

45. While assessing effectiveness using the targets and indicators in the design and monitoring framework and the results of project performance monitoring during implementation is desirable, either or both may be inadequate for doing so. In this case, the evaluator will need to propose amended or supplementary targets in light of available data or data that can feasibly be gathered during the OEM. Wherever possible, these targets should be included in the position paper. Attribution issues are discussed where necessary. Sometimes evaluating whether intended outputs have led or will lead to the intended outcome is difficult because of factors outside the project's control. Where the evaluator believes that the project's contribution to the observed outcome is less than envisaged, the rating for effectiveness would be adjusted downward.

46. The section describes the implementation of any remedial measures that were recommended and discusses further efforts and measures needed. Other aspects to be considered where appropriate include the role and activities of other aid organizations; the success or otherwise of partnerships, particularly those with nongovernment organizations and community groups; and the changes in ADB's policies since project appraisal. In addition, if a wide variation is apparent between planned and actual numbers of beneficiaries, the reasons should be investigated and discussed. Assumptions about future project performance should be stated and differences from the benefit flow shown in the RRP should be noted, as these are an important consideration for subsequent reestimation of the EIRR.

47. The criterion rating for effectiveness should be stated as the first sentence of this section. A concise summary of the principal factors supporting the rating should be provided. A rating of highly effective would normally be reserved for projects that substantially exceeded expectations.

#### **4. Efficiency**

48. Efficiency is a measure of how well the project used resources in achieving the outcome. It is measured in economic terms, because it examines whether the project was an efficient use of resources for the country and/or society (not merely for the operating entity). Two main questions are addressed: (i) to what extent has the project achieved, or is expected to achieve, an EIRR higher than the opportunity cost of capital; and (ii) have the economic benefits been achieved at least cost? EIRRs should be estimated whenever feasible, with the details presented in an appendix (see Appendix 4 for an example).<sup>14</sup> Where estimating an EIRR is not

---

<sup>14</sup> The methodology should follow that given in ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila. A comprehensive set of economic analysis material is available at <http://www.adb.org/economics/analysis.asp>, including guidelines for the economic analysis of health, water, and telecommunications projects.

feasible, a least-cost analysis should be carried out, with results summarized in this section. Appendix 5 provides guidelines for converting ex post costs and benefits to constant value terms for purposes of economic analysis. Where the proposed approach to assessing efficiency differs from that used at appraisal or in the PCR, the position paper should discuss the detailed methodology and how the results are to be ranked.

49. The EIRR estimated by OED reflects actual quantifiable benefits and costs realized up to the time of evaluation (expressed in constant values) and judgments as to the most likely pattern of a project's sustainable performance. A critical element in estimating the EIRR is a review of the without project assumptions (the counterfactual) used in the RRP. Experience suggests that without project outputs are frequently underestimated, with the result that incremental benefits ascribed to the project are higher than they would otherwise be. Sensitivity tests on the rates of return based on possible changes in key assumptions are carried out as part of the evaluation. These assumptions should reflect any concerns raised in the assessment of sustainability, for example, the effects if irrigation facilities were not maintained at the levels assumed in the base case analysis, if electricity system losses rose, or if government policies changed. The adoption or rejection of recommendations for improved performance made later in the PPER might also form the basis for sensitivity testing. If the reestimated EIRR is lower than the appraisal estimate but still above the opportunity cost of capital, it is considered acceptable in terms of project efficiency. Where the assumptions made at appraisal, for example, overly optimistic demand forecasts, or the methodology used are found to be inappropriate, this would be reflected in the assessment of ADB's performance.

50. The least-cost or cost-effectiveness analysis carried out at appraisal,<sup>15</sup> especially for projects in public utility sectors, is reexamined and, if practical, a new estimate is made. Cost per beneficiary is important in sectors such as education, health, and urban development, where guidelines for estimating an EIRR were not adopted until relatively recently or where suitable methodologies for doing so may not exist.

51. In cases where the EIRR seems likely to be either quite high or extremely low, arriving at supportable conclusions concerning the level of the EIRR might be possible without making detailed estimates. However, a full analysis is warranted when a project is on the borderline between two assessment categories. Economic benefits and costs for which data or resource constraints prevent quantification may be discussed, supported in some detail, if there are reasons to believe they are significant.

52. The PPER should provide a summary of the reasons for differences between the EIRR at appraisal and as estimated for the PPER. These might include (i) changes in the number of beneficiaries and consequent differences between actual and expected levels of demand, (ii) price changes, (iii) higher than expected procurement and management costs, (iv) implementation delays, (v) higher than expected transaction costs, (vi) unforeseen technical problems, (vii) unforeseen environmental and other mitigation costs, (viii) sustainability concerns, and (ix) changes in scope.

53. When discussing the findings of the EIRR for operating entities that charge for services, comparing these with the findings of a financial internal rate of return (FIRR) analysis may be useful, as this can help reveal the effects of price distortions and subsidies. Care should be

---

<sup>15</sup> Cost-effectiveness analysis seeks to select the project alternative that would deliver the required output at minimum cost.

taken to avoid repeating the financial analysis discussion, which should be addressed primarily in the section on project sustainability.

54. In some circumstances, the assessment of efficiency based on the EIRR may need to be adjusted to reflect wider efficiency impacts beyond the project operating entity. For example, the project could become a drain on the government's budget, thereby affecting wider economic efficiency by having adverse fiscal and macroeconomic impacts. Some supporting financial, and possibly macroeconomic, analysis might be needed to help identify such impacts and to justify any adjustment down (or up) of the rating arrived at using the EIRR.

55. The checklist of subcriteria for efficiency includes

- (i) the EIRR as estimated at performance evaluation compared with a benchmark of an opportunity cost of capital of 12%, and
- (ii) the benefits produced at least cost compared with alternatives.

56. Rating cutoff points for each of these subcriteria are given below. While these are provided for guidance, evaluators should use judgment in assigning a rating and in deciding subcriterion weightings to be used in determining the criterion rating.

57. A project for which an EIRR has been estimated at evaluation would be rated highly efficient if the EIRR was greater than 18%, efficient if the EIRR was between 12% and 18%, less efficient if the EIRR was 6% through less than 12%, and inefficient if the EIRR was less than 6%. Not all costs and benefits can be quantified and included in an EIRR analysis. Evaluators would also take unquantified benefits and costs into account when assigning a rating for this subcriterion that could be used to adjust the rating by a maximum of 2%. A project with a 10% EIRR, for example, could be considered efficient if it had substantial unquantified benefits. The unquantified socioeconomic benefits are covered under Other Assessments.

58. Ratings for cost effectiveness would be assigned as follows:

- (i) sector or industry best practice standards exceeded—highly efficient,
- (ii) sector or industry best practice standards met—efficient,
- (iii) somewhat below sector or industry best practice standards—less efficient, and
- (iv) well below sector or industry best practice standards—inefficient.

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

## **5. Sustainability**

60. The sustainability criterion looks at the probability that the human, institutional, financial, and natural resources are sufficient to maintain the outcome achieved over the economic lifetime of the project and that any risks need to be or can be managed. Sustainability is an integral part of operational performance and is affected by project design and implementation. This section should not duplicate discussion in other parts of the report. Rather, it should provide a focused assessment of sustainability and present any additional relevant material. Evaluators should be aware that sustainability of outputs alone might not be sufficient to ensure sustainability of outcome because, for example, changes in the economic, business, or political environments may mitigate against a sustained outcome even though outputs are maintained.

61. Because evaluation is carried out during the first few years of a project's operational life, evaluators must make assumptions about the sustainability of operational arrangements and probable future operating performance. Important factors affecting sustainability are the project's financial arrangements, such as tariffs and other cost-recovery arrangements or budget allocations for maintenance, the performance of any operating or service entity, and the profitability of beneficiaries' enterprises along with changes in the competitive environment and environmental impacts. These factors are described in detail in other sections of the report, and this section makes only brief reference to them.

62. In the case of operating entities, that is, where a service output is involved, for instance, an irrigation management company, a company producing and distributing electricity, or an entity providing telecommunication services, an organizational and financial analysis of the operating entity is required. If the financial position of the operating entity is related to that of a parent organization, then financial analysis of the parent organization is also required. The rationale for such an analysis is that if service levels are inadequate or uncompetitive, final outputs are likely to be constrained, and in the long term, sustainability is likely to be compromised. In some cases, depending on the project, the financial incentives for beneficiary participation may also need to be examined. The detailed analysis, including the financial revenue-cost streams, should be shown in an appendix.

63. The financial analysis considers both the current and the projected performance of the operating entity and should normally be based on analyses and projections of financial statements, including estimations of financial ratios. The FIRR may also provide a useful additional analysis, where appropriate. The methodology for financial analysis should follow the *Financial Management and Analysis of Projects (2005)*. The aim is to assess the effects of the financial and operating arrangements on the project's financial viability and sustainability. This section assesses the capacity of the operating entity to operate and maintain project facilities adequately and to achieve cost recovery and/or to secure funds for operation and maintenance, for servicing project and other debt, and for meeting covenanted performance targets. The financial analysis evaluates these issues in light of such constraints as internal inefficiencies; tariffs, subsidies, and prices; and competitive or government-imposed limitations on adjusting tariffs and prices. If the project is relatively large, this section considers its impact on the executing agency. Financial statements and derived financial ratios constitute the main supporting information for the analysis of the operating entity.

64. This section also assesses the rationale for and the magnitude and incidence of any subsidies and their implications for fiscal policy and resource allocation. It also considers the adequacy of internal and/or external auditing arrangements and, if necessary, measures to improve them.

65. In instances when the FIRR is calculated, a project for which an FIRR was estimated at evaluation would be rated highly efficient if the FIRR exceeded the weighted average cost of capital by 20%, efficient if the FIRR was equal to or up to 20% above the weighted average cost of capital, less efficient if the FIRR was up to 20% less than the weighted average cost of capital, and inefficient if the FIRR was more than 20% below the weighted average cost of capital.

66. Important determinants of sustainability might include the following:

- (i) the availability of adequate and effective demand for the project's services or products;

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

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

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

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

### **1. Impact**

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

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

---

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