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**ASIAN DEVELOPMENT BANK  
Operations Evaluation Department**

**ANNUAL REVIEW**

**OF EVALUATION ACTIVITIES**

**IN 2001**

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## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CSL	–	crisis support loan
DAC	–	Development Assistance Committee
DEC	–	Development Effectiveness Committee
DMC	–	developing member country
EA	–	executing agency
ECG	–	Evaluation Cooperation Group
ESW	–	economic and sector work
GPS	–	good practice standards
IES	–	impact evaluation study
IMF	–	International Monetary Fund
KESC	–	Karachi Electricity State Corporation
Lao PDR	–	Lao People's Democratic Republic
MDB	–	multilateral development bank
NGO	–	nongovernment organization
NLS	–	nonlending support
O&M	–	operation and maintenance
OECD	–	Organization of Economic Cooperation and Development
OED	–	Operations Evaluation Department
PCR	–	project completion report
PNG	–	Papua New Guinea
PPAR	–	project performance audit report
PPMS	–	project performance management system
PPR	–	project performance report
PPTA	–	project preparatory technical assistance
PRC	–	People's Republic of China
RES	–	reevaluation study
SES	–	special evaluation study
TA	–	technical assistance
TPAR	–	technical assistance performance audit report

## NOTE

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

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## EXECUTIVE SUMMARY

The primary aims of the Asian Development Bank's (ADB) evaluation activities are to (i) provide accountability for use of resources, (ii) derive lessons for future operations, and (iii) recommend follow-up actions to sustain the benefits of interventions supported by ADB. Completed projects, programs, and technical assistance (TA) are selected independently by the Operations Evaluation Department (OED) for performance audits, which allow an assessment of results and impact. Lessons learned are disseminated for incorporation into new operations. Thematic evaluation studies provide a broader assessment of development effectiveness; their subjects are chosen in cooperation with operational departments. This review is the 24th in the annual series prepared by OED. It is based on 37 evaluation reports and other OED activities completed in 2001. Among others, the reports include 16 project and 5 program performance audit reports (PPARs), 5 technical assistance performance audit reports (TPARs), and 6 special evaluation studies (SEs).

OED now comes under the oversight of the ADB Board's Development Effectiveness Committee (DEC), established on 1 January 2001. The DEC reviews OED's proposed evaluation work program, the program for self-evaluation by operational departments (project and TA completion reports), and annual reports relating to OED activities as a whole. The DEC also reviews selected project, program, TA, and thematic evaluation reports. It has strengthened the institutional focus on evaluation at a time when there is a greater concern with measuring development effectiveness.

Forty percent of completed projects, and 100% of programs, all with at least 3 years of operation, are selected for evaluation. In 2001, 17 projects, including sector projects, and 5 programs were evaluated. Of the 22 projects and programs, 3 (14%) were rated highly successful, 9 (41%) successful, and 10 (45%) partly successful. None was rated unsuccessful. The performance audits in 2001 confirm the historic pattern of program ratings as less diverse than project ratings, and, on the whole, lower.

Five criteria are used to derive ratings. Of the 17 projects in 2001, 16 were assessed to be highly relevant or relevant; 1 had lost relevance by the time of completion. Objectives were generally achieved; 11 projects were considered to be highly efficacious or efficacious. Eight were considered to be highly efficient or efficient. The likelihood of eight projects sustaining benefits over their useful life was considered high. Nine projects had significant institutional or other development impacts. The pattern of PPAR ratings for these projects broadly follows that of the project completion reports.

Only three projects were completed within schedule. The average delay for all 17 projects was 1.7 years, slightly below the previous year's 2.0 years. Delays of more than 3 years were caused mainly by suspension of loan implementation due to deterioration in the financial performance of the executing agency (EA), and the need to reformulate the project. Despite delays, 15 projects were implemented with moderate to substantial cost underruns averaging 18% of project cost, while only 2 had a cost overrun. Common reasons for cost underruns were reduced scope of work, lower-than-expected cost of goods and services due to technological advances and efficient construction management, and lower contract prices from local compared with international bidders. Timeframes and cost estimates for future projects should be assessed at appraisal in the light of these findings.

Several other aspects of the projects are highlighted in the evaluations. Relevance and efficacy depend on project design. Projects rated partly successful failed, for example, to address institutional and financial weaknesses, or were too complex in design. Some projects rated successful also had design deficiencies. On the positive side, several projects supported private sector development, particularly infrastructure projects that facilitated upstream production, or road projects that promoted the domestic contracting industry. The private sector was also a major service provider in social sectors where an increasing number of people are prepared to pay for higher-quality and more reliable services. Decentralization of government services was highlighted in several PPARs, with appropriate policy reform measures, including private sector participation, staff rationalization, management strengthening, and more comprehensive service delivery. However, shifting financing responsibility to the district level to foster strong ownership by local governments had mixed results. Some evaluations also found that participatory techniques can improve project performance and sustainability. For example, the success of individual water supply subprojects has been generally proportional to the degree of community participation, a key factor in ensuring that anticipated socioeconomic benefits were realized through proper operation of physical facilities.

Of the 17 projects evaluated in 2001, 6 addressed poverty either as a primary or secondary objective. In Pakistan, a rural training project helped increase household income and improve living standards. A postevaluation survey showed that rural poverty in the project areas was reduced. Project benefits, however, are at risk from the discontinuation of livelihood skills training for beneficiaries after project completion due to budget constraints. Evaluation findings show that 9 of 17 projects risk failing to sustain anticipated net benefits. Projects likely to be sustained exhibited one or more of these characteristics: (i) sound construction works, (ii) satisfactory cost recovery and viable financial performance of the operating entity, (iii) appropriate budgetary allocation for sustained operations and maintenance, (iv) institutional support and commitment by stakeholders, and (v) an enabling policy environment.

These project evaluations have several general lessons. In some cases, a process approach is needed to adjust project design during implementation. A standard investment package may simplify project implementation but at the cost of inefficiency and weak sustainability if the package does not match well with local needs. ADB should improve projects' sustainability, which improves when beneficiary communities are involved in subproject design and implementation, and in operation and maintenance. Continued operation and maintenance can only be assured if the EA is in good financial health and able to allocate sufficient resources. The poor and disadvantaged do not have the means to wait for unpredictable benefits; future social forestry projects, for example, should enhance livelihood opportunities and downstream employment. Project assistance through poorly performing and largely unchanged public institutions will likely produce unsatisfactory results. The quality of educational inputs, for example, can be improved but, without effective management systems and incentives, may not lead to improved educational outputs and efficiency.

Four of five programs evaluated in 2001 were rated partly successful; the Agriculture Sector Program in Kazakhstan was rated successful. The program evaluations yield two common issues. First, program design must be flexible. The time to complete some reforms, particularly issuing of decrees or divestment of enterprises, was too short. More variety in program design, with more flexibility in implementation, is recommended for program lending in general, and for these programs in particular. Second, project impact depends on how program conditions are specified and government commitment and capability. The Kazakhstan Government, under pressure of crisis, demonstrated the highest degree of ownership. However,

substantial TA during implementation in other developing member countries (DMCs) did not yield the same results.

Five TPARs were prepared in 2001, covering 25 TAs, of which 2 were rated highly successful, 11 successful, 7 partly successful, and 5 unsuccessful. Among other lessons, the TPARs highlighted the importance of (i) effective coordination by governments, funding agencies, nongovernment organizations, and the private sector in implementing TAs; (ii) ensuring that trained staff are retained by the government; (iii) sharing data with others; and (iv) incorporating utilization and dissemination of TA outputs into TA design.

Six SESs were completed in 2001. One reviewed ADB's response to the financial crisis that engulfed Indonesia (and other Asian countries) in July 1997. ADB promptly reoriented its operational strategy for Indonesia. The objectives were to augment liquidity and budgetary resources, promote transparency in financial sector governance, provide social protection to the poor, and support important structural reforms related to the crisis. The key lessons learned were that (i) future crisis assistance must (a) be distinguished from normal development assistance, with a focus on restoring investor confidence; and (b) support reforms to remove structural weaknesses directly related to the crisis; and (ii) crisis loans require the same urgency, flexibility, and support during implementation as during approval.

Another SES used a project case study approach to examine the factors influencing the incorporation of gender considerations into ADB operations. Structural barriers of culture, religion, and indifference were the common obstacles to addressing gender issues effectively. Related activities, such as training and social awareness, were given low priority by EAs because they did not generate revenues, the capacity to implement them was not available, and the EAs did not have the appropriate mandate. The SES found that (i) project designs lacked recognition of the most relevant gender issues, (ii) a lack of female staff made implementation of gender provisions difficult, and (iii) targeting provisions contributed little to raising the status of women. Country strategies should be based on accurate analyses of gender relations, disparities, and constraints. Projects should be prepared with a gender-inclusive design. Gender provisions should be monitored during implementation.

A further SES assessed the role and quality of ADB's economic and sector work (ESW), which was good, particularly when it directly supported projects or programs. However, an analysis of stakeholder perceptions concluded that (i) a focus on lending operations led to a low priority for ESW in operational departments, (ii) governments' involvement in planning ESW was limited, and (iii) stakeholders were concerned about the cost-effectiveness of such activities. The key challenge is to change the focus from outputs to results and impacts; the SES found that it should be possible to do this without significantly increasing resources for ESW. SES recommendations included defining ESW as a separate knowledge product, establishing a tracking system to monitor ESW resource use and results, planning greater dissemination of ESW results, and establishing a change agent to mainstream ESW in ADB's development agenda. The SES has already had an impact on ADB's reorganization and business process revision.

The number of ADB public sector loans and advisory TAs directly or indirectly supporting privatization has increased significantly in recent years, complemented by loans without government guarantee and equity investments. The objective of an SES was to understand the global lessons of privatization in different economic and political circumstances, assess ADB involvement and DMC experience, and draw insights for future assistance. Overall, the SES

judged DMC experience of privatization as positive. To make privatization even more successful, the roles and powers of participants should be defined, and legal, regulatory, and enforcement mechanisms should be in place. Economic stabilization and trade liberalization are conducive to the success of privatization. Policy changes such as banking sector deregulation and capital market development should precede any divestment. Complementary social welfare actions help avoid delays and implementation constraints.

An SES assessed the Special Funds period and the first five Asian Development Fund (ADF) commitment periods, altogether 1969-1991. Total concessional resources for ADF I to V amounted to \$10.2 billion, 3.4% of aggregate net resource flows from all external resources and 5.8% of all official development assistance to borrower DMCs. ADF allocations were a reflection of ADB's general strategy during the period. Project loans were the main vehicle for transferring concessional resources. However, program loans became an increasingly important vehicle from 1987 onward, when their purpose changed from financing inputs to supporting policy reform. A substantial assessment of individual projects financed through ADF I to V showed that projects designed to enhance DMCs' productive capacity—in energy, transport and communications, and irrigation—promoted economic growth and indirectly reduced poverty. Projects designed to reduce poverty directly generally produced results below expectations. The SES underscored the need to prepare a project thoroughly, considering not only technical and financial aspects but local culture as well; enhance beneficiary participation and ADB staff capability to deal with stakeholders at the grass-roots level; assess the capability of the EA to match the requirements of the project; and operate with a long-term commitment to a sector. An evaluation of ADF periods VI and VII is now underway, in anticipation of the midterm review for ADF VIII.

Program lending, the main instrument for supporting policy reforms in DMCs, now involves a diverse range of countries, including Pacific DMCs and newer members in Central Asia; and a broad range of activities, including social infrastructure and public sector reforms in addition to the initial focus on the agriculture, financial, and industry sectors. An SES found that programs achieved their immediate targets, with nearly all program conditions met. However, tranche releases and program completion were delayed, program impacts did not always reach their potential, and reforms could not always be sustained. The SES recommended that more options should be considered in program design, including multiple and floating tranches; government authorship of the reform package needs to be complemented by participation of affected groups; and counterpart funds should be used to build government capacity to design and implement programs.

The response to follow-up actions recommended in OED evaluation studies completed in 2000 was assessed. The 153 follow-up actions were specific in relation to what was to be done and who should take action, but only half specified by when. More follow-up actions were directed at ADB than at DMC governments or EAs, reflecting attempts to influence activities and procedures at a policy level, not just the sustainability of particular projects. As some actions from thematic evaluations were directed at more than one government or ADB department, the number of responses exceeded that of actions. Most responses (156) indicated that appropriate actions had been, are, or will be taken, or that ADB had followed up with the EA. In 10 cases the concerned DMC or ADB department did not agree with the follow-up action. In only seven cases, no action at all had been taken because it would involve major resource commitments or policy changes that could not be implemented shortly. Overall, follow-up actions were relevant to operations and reasonably well addressed, but a specific timeframe should be set for them, and communication with DMCs needs to be improved.

In late 1996, the Evaluation Cooperation Group (ECG), comprising the evaluation heads from the multilateral development banks, was established to develop a common methodology and approach for evaluating their portfolios. The purposes were to reduce DMCs' costs of coping with different evaluation procedures and criteria, enhance comparability of results, and provide the basis for joint evaluations where appropriate. The main focus has been the development of good practice standards (GPS), covering the governance structure for evaluation, criteria to be applied in making overall assessments, and dissemination and disclosure of results. Drafts of GPS for public sector projects and private sector operations have been finalized. For public sector projects, current ADB evaluation practice has been formulated around, and is close to, the GPS. The private sector GPS require evaluation of a sample of operations at early operating maturity to complement the annual review of each operation. Significant changes from current ADB practice will be worked out during 2002.

In 2001, OED continued to help enhance capacity for monitoring and evaluation; and the monitorability of project, program, and TA activities. ADB staff had access to a project framework help desk and a training program on the project performance management system. OED also administered two ongoing TAs. In the People's Republic of China, intensive capacity building was provided for the State Development Planning Commission, and especially the Key Project Inspectors Office, including development of best-practice case materials for hands-on learning. In the Philippines, a computerized results-oriented monitoring and evaluation system operating at national and regional levels was established, together with comprehensive training programs, manuals, and action plans to institutionalize the process.

Some conclusions can be drawn from the evaluation activities in 2001. First, converting strategic relevance into results requires greater attention to project design. Second, despite an average delay of 1.7 years, nearly all projects had significant cost underruns. Timeframes and cost estimates need careful review at appraisal. Third, six of seven economic infrastructure projects supported private sector development. The private sector is an increasing provider of education and health services as well. The range of possible private sector involvement is wide and should influence project design, within the constraints of maintaining quality and cost-effectiveness. Fourth, sustainability of benefits remains a concern, particularly for projects aiming at poverty reduction. Follow-up actions proposed in evaluation reports must be implemented. Fifth, evaluation of programs in 2001 revealed two characteristics consistent with the SES on program lending; design and implementation should be more flexible, and achievement of impacts depends on the commitment and capability of the government. Programs need to be more varied in their design, and a significant portion of loan proceeds should be used for capacity building in policy analysis and coordination. Sixth, responses to follow-up actions in 2000 evaluation reports were generally good, but timing of actions needs to be more specific, and communication with DMCs on the actions and responses needs to be improved. Finally, significant progress has been made by the multilateral development banks in harmonizing their approaches to evaluating public sector projects and private sector operations. Changes to move closer to the GPS for the latter are being pursued by ADB.

## I. INTRODUCTION

1. The Operations Evaluation Department (OED) of the Asian Development Bank (ADB) independently evaluates ADB's operations. OED (i) evaluates the performance of completed projects, programs, and technical assistance (TA); (ii) reviews and selectively validates completion reports and other self-evaluation activities of operational departments; (iii) provides real-time feedback on ongoing operations, including the design of new operations; (iv) evaluates the effectiveness of ADB's policies, practices, and procedures; (v) conducts thematic evaluations such as impact, country program, and special evaluation studies; (vi) monitors and reports on actions taken by ADB and its executing agencies (EAs) in response to OED evaluation report recommendations; (vii) builds evaluation capacity within developing member countries (DMCs); and (viii) coordinates evaluation practices with other multilateral development banks (MDBs) and bilateral agencies.

2. The primary aims of all ADB's evaluation activities are to provide accountability for use of resources, derive lessons for future operations, and recommend follow-up actions to sustain the benefits of activities supported by ADB. Completed projects, programs, and TA are selected independently by OED for performance audits, which allow an assessment of how well resources have been used. Lessons learned from performance audits and other activities are disseminated for incorporation into new operations. Thematic evaluation studies more broadly assess development effectiveness; their subjects are chosen in cooperation with operational departments. Together, the evaluation of specific activities and the results of thematic evaluation studies allow an assessment of the development effectiveness of ADB's operations.

3. This review is the 24th in the annual series prepared by OED.<sup>1</sup> The review is based on 37 evaluation reports and other OED activities conducted in 2001. The reports include 16 project and 5 program performance audit reports (PPARs), 5 technical assistance performance audit reports (TPARs), and 6 special evaluation studies (SEs). The other activities included the Annual Review of Evaluation Activities for 2000, three assessing development impact reports for the health, roads, and water supply and sanitation sectors, and one TA completion report (Appendix 1).

4. OED now comes under the oversight of the ADB Board's Development Effectiveness Committee (DEC), established on 1 January 2001. The DEC reviews the proposed work program in the area of evaluation, and selected PPARs, TPARs, and thematic evaluation reports, and reports its findings to the full Board annually. The DEC has strengthened the institutional focus on evaluation at a time when there is a clear requirement to measure the development effectiveness of ADB operations.

5. The structure of this annual review is as follows. Section II summarizes and draws lessons from the performance audits of projects, programs, and TA; and the SEs. Section III reports on follow-up actions recommended in evaluation reports prepared in 2000. Section IV reports on progress made in harmonizing evaluation criteria and procedures of MDBs. Section V describes activities designed to enhance evaluation capacity in DMCs and ADB. Conclusions are drawn in Section VI.

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## II. ASSESSMENT OF 2001 EVALUATION ACTIVITIES

### A. Overview of Performance Audits

6. The selection for evaluation is done on the basis of a 40% sample of completed projects and 100% coverage of programs, both with at least 3 years of operation. About half of OED's work program in 2001 was directed at PPARs; 22 projects and programs—17 project or sector loans and 5 program loans—were evaluated in 21 PPARs. By December 2001, OED had evaluated 606 public sector projects and programs and 8 private sector investments.<sup>2</sup> Of the 22 projects and programs, 3 (14%) were rated highly successful, 9 (41%) successful, and 10 (45%) partly successful. None was rated unsuccessful.

7. In 2001, the evaluated projects and programs in Group-B2 countries recorded higher ratings than those from other country groups, with 80% rated successful (Appendix 2, Table A2.1). About 67% of projects and programs from Group-A and -C countries were rated successful or higher. Only 25% of projects and programs in Group-B1 countries were rated successful, and 75% partly successful. All transport and communications projects were successful or highly successful; social infrastructure projects were split between successful and partly successful; and in the agriculture and natural resources sector only one program was rated successful while the other five projects and programs were rated partly successful (Appendix 2, Table A2.2).

8. Projects and programs rated successful or highly successful accounted for 26% of the total actual project and program cost of \$5.8 billion. Partly successful projects and programs accounted for 74% (Appendix 2, Table A2.3). However, these proportions are heavily influenced by the Social Action Program (Sector) Project in Pakistan, which had an overall cost of \$3.2 billion. Excluding this exceptional project, successful and highly successful projects and programs accounted for 59% of total cost. Highly successful and successful projects and programs accounted for 49% of ADB loan disbursements of \$1.6 billion (Appendix 5, Table A2.4).

9. Of the projects, 65% were rated successful or highly successful, and 35% partly successful. Of the programs, 20% were rated successful and 80% partly successful (Appendix 2, Table A2.1). As in the previous years, ratings for programs were less diverse, and lower, than for projects.

### B. Project Performance Audit Reports

#### 1. Performance Ratings

10. In 2001, 3 (18%) projects were rated highly successful, 8 (47%) successful, and 6 (35%) partly successful. Using the five evaluation criteria, 16 projects (94%) were assessed as either highly relevant or relevant (Table 1). One project was not well formulated and had lost relevance by the time of completion. Objectives were generally achieved; 11 (65%) projects were considered to be highly efficacious or efficacious in achieving their purpose and outcomes. Eight (47%) projects were considered to be highly efficient or efficient in achieving their purpose. The likelihood of eight projects (47%) to sustain project benefits over their full useful life was considered high. Nine projects (53%) had a significant impact on institutional or other development impacts. On average, projects rated successful or better have scored well in terms

<sup>2</sup> No private sector operations were evaluated in 2001.

of relevance; rating values in terms of efficacy, efficiency, and sustainability are also satisfactory. Partly successful projects are generally well chosen and, hence, relevant, but lapses in design and implementation adversely affect their levels of efficacy and efficiency. The risk of failure to sustain benefit streams of partly successful projects is also high.

**Table 1: Rating Values of Projects Evaluated in 2001 by Key Performance Criteria**

Rating Value	Relevance		Efficacy		Efficiency		Sustainability		Institutional Development / Other Impacts	
	No.	%	No.	%	No.	%	No.	%	No.	%
	3	8	47	1	6	4	24	3	18	7
2	8	47	10	59	4	24	5	29	2	12
1	1	6	6	35	9	52	7	41	7	41
0	0	0	0	0	0	0	2	12	1	6
<b>Total</b>	<b>17</b>	<b>100</b>	<b>17</b>	<b>100</b>	<b>17</b>	<b>100</b>	<b>17</b>	<b>100</b>	<b>17</b>	<b>100</b>

Source: Operations Evaluation Department.

## 2. Project Completion and Performance Audit Ratings

11. The project completion reports (PCRs) for all the projects for which PPARs were prepared in 2001 had used the previous three-category rating system. Of the 11 projects rated generally successful at project completion, 9 (82%) were considered either highly successful or successful at the time of performance audit (Table 2). Two generally successful projects at the time of the PCRs (Dhaka Urban Infrastructure Improvement Project in Bangladesh, and Social Action Program (Sector) Project in Pakistan) were rated only partly successful. Of the six partly successful projects, two (Heilongjiang Expressway Project in the People's Republic of China [PRC], and Third Health Project in Pakistan) were reclassified as successful, and four remained partly successful. Overall, the PCR and PPAR ratings were similar; 11 projects were rated as generally successful, or successful and highly successful, while six projects were rated partly successful in both cases.

**Table 2: Overall Assessment of Projects Evaluated in 2001 Compared with PCR Ratings**

PCR Rating	PPAR Overall Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
Generally Successful	3	6	2	0	11
Partly Successful	0	2	4	0	6
Unsuccessful	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>8</b>	<b>6</b>	<b>0</b>	<b>17</b>

PCR= project completion report, PPAR= project performance audit report.  
Source: Operations Evaluation Department.

### 3. Project Implementation

12. Only 3 (18%) projects were completed within the schedule (Appendix 1). In the Heilongjiang Expressway Project in the PRC, not only was loan effectiveness timely, but early implementation was also facilitated through advance action on the award of civil works contracts, procurement of materials and equipment, engagement of consultants, and retroactive financing. Of the 14 projects (82%) that fell behind schedule, 1 had a minor delay of less than 1 year while 8 experienced delays of 1-2 years. The Agricultural Technology Schools Project in Indonesia was slightly delayed by a new government policy that affected consultant inputs, and failure of the implementing agency to give full attention to the project. Project delays of more than 3 years were mainly caused by suspension of implementation due to deterioration in the financial performance of the executing agency (EA) and the need to reformulate the project (Karachi Electricity State Corporation [KESC] Fifth Power Loan and Karachi Sewerage Project in Pakistan). The average delay for all 17 projects was 1.7 years on top of a planned average implementation period of 3.9 years.

13. Projects in India and Pakistan were delayed on average by more than 2.5 years. On average, delays are shorter for Group-C than Group-B2 countries, and for Group-B2 than Group-B1 countries; thanks to two highly successful projects in the Lao People's Democratic Republic (PDR), delays were short for this Group-A representative (Appendix 3, Table A3.1). The project in the power sector was delayed considerably because implementation was suspended. Port and shipping, water supply and sanitation, urban development and housing, and health and population projects were delayed on average by more than 2 years (Appendix 3, Table A3.2).

14. Project delays were attributed to a combination of many factors: (i) start-up delays, including delayed loan effectiveness, and delays in completion of detailed engineering, recruiting consultants, establishing implementation units, and conducting beneficiary training; (ii) changes in the design of project components; (iii) poorly performing contractors, with delay in construction works and additional works; (iv) difficulty in recruiting labor in remote areas; (v) slow approval process due to cumbersome procedures; (vi) weak implementing agency, including inadequate project management experience, unfamiliarity with ADB procedures and requirements, lack of authority in decision making and frequent turnover of project directors; (vii) delays due to natural causes, including excessively hard rock at project site and landslides on project roads; (viii) land acquisition and resettlement problems; and (ix) public strikes or political intervention and unrest. Still, the 1.7-year average delay for all projects is below the 2.0 years for projects evaluated in 2000.

15. Fifteen (88%) projects were implemented with moderate to substantial cost underruns, while two had a cost overrun. Average cost underrun for the 15 projects was about 18% (Appendix 4, Table A4.1). Five projects showed substantial cost underruns of at least 25%. Among DMC projects, those in Thailand showed above-average cost underruns in dollar terms, because of lower-than-expected costs, and those in Pakistan, partly because of currency depreciation. Telecommunications, health and population, and energy projects had the highest cost underruns. The Fourth Road Improvement Project in the Lao PDR had a cost overrun of about 14% due to additional earth and bridge works, and repairs to completed road sections due to landslides.

16. Reasons for cost underruns were also several: (i) reduction in the scope of work; (ii) lower-than-expected cost of goods and services due to technological advances and efficient

construction management; (iii) lower prices of local bidders who won in international competitive bidding; (iv) devaluation of local currencies, reducing the international currency equivalent of local costs; and, in one case, (v) early project completion and resultant savings on contingency provisions. It may be that price contingencies were overestimated in dollar terms at approval when international inflation was decreasing and currencies depreciating, base estimates for the volume of civil works are becoming more accurate, or competitive bidding procedures are more effective in ADB-financed operations. Greater attention, therefore, should be given to assessing timeframes and cost estimates at appraisal.

#### **4. Major Findings**

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

17. The projects evaluated in 2001 confirm the importance of rigorous project preparation in achieving objectives. Of the 17 projects, 10 (53%) were prepared with ADB-financed project preparatory technical assistance (PPTA), and 3 more with preparatory inputs from other multilateral and bilateral agencies. Project design and preparation also included assistance for policy development, establishment of an investment framework, and strengthening of institutional capacity. Eleven (69%) of the evaluated projects were accompanied by 18 TA grants to build capacity for effective project implementation. Close coordination among funding agencies was essential in developing the reform-oriented Social Action Program (Sector) Project in Pakistan, and the crisis-related Special Assistance Project in Kazakhstan.

18. Of 13 evaluated projects with either PPTA or preparatory project or sector work, 6 were rated successful and 3 highly successful. Experience shows the need for adequate quality control during design and preparation in the absence of PPTA. For projects without PPTA, key lessons derived include the need to use international consultants to review project design. One of the partly successful projects with no PPTA was the Karachi Sewerage Project in Pakistan. Project experience confirmed the need to closely monitor design to ensure it is efficient and least-cost, and to involve beneficiaries in project design and any redesign to incorporate their priorities and needs.

19. Weaknesses in design were identified in four partly successful and six successful projects. In the partly successful projects, weaknesses included institutional and financial issues not sufficiently addressed. The Dhaka Urban Integrated Infrastructure Project in Bangladesh failed to include a community awareness campaign. Design of the Upazila Afforestation and Nursery Development Project in Bangladesh underestimated the gestation period needed for development of benefit-sharing arrangements, social and community mobilization, and uptake of emerging social forestry concepts by the EA. In the Social Action Program (Sector) Project in Pakistan, design underestimated bureaucratic resistance and did not incorporate adequate proposals to address institutional processes, capacity, and management. The project placed too much emphasis on increasing expenditure and investment and not enough on the efficiency of existing and incremental expenditure, governance issues, and institutional constraints for effective delivery of social service. For other projects, the design was too complex. The Integrated Irrigation Sector Project in Indonesia proved overly ambitious with respect to objectives, scope, and implementation. A weakness was its inappropriate use of the sector loan modality, due to the limited number of very large, geographically dispersed subprojects already identified and appraised before project implementation. Several small components also disproportionately diverted limited resources from primary project objectives.

20. Some successful projects also had design deficiencies. The Agricultural Technology Schools Project in Indonesia and the Rural Training Project in Bangladesh did not adequately assess and establish a funding source for the operation and maintenance (O&M) of project facilities and services after completion. In the Indonesia project, local governments and communities as well as school representatives could have been invited to participate in subproject design and jointly determine school size and investment package. In the Bangladesh project, components for beneficiary training and institution building were found less relevant as the classroom-based, lecture-oriented training did not match the needs of the uneducated poor; demand for such training was overestimated. In the Heilongjiang Expressway Project in the PRC, lessons learned include the need for a thorough review of design features at appraisal and during implementation to identify deficiencies in technical and safety design; and for careful attention to elucidating project rationale, purpose, and targets, and how these will be realized, to provide a clear basis for monitoring and evaluating benefits.

#### **b. Policy Reform**

21. Policy reform is pursued under all ADB's lending modalities. A number of policy reform measures were included in the projects evaluated in 2001, in particular in (i) private sector participation, (ii) community participation, (iii) cost recovery, (iv) decentralization, and (v) access to credit.

22. Investments in capital-intensive infrastructure support private sector development. For example, the Second Erawan Gas Transmission Project improved Thailand's long-term energy security, and induced private investments in upstream gas exploration and production. The evaluation concluded that ADB should continue its policy dialogue and provide assistance to support government commitment to privatizing key state enterprises, including the Petroleum Authority of Thailand, the EA. In the Second Rural Telecommunications Project in Thailand, policy issues were adequately addressed within the government's agreement with the World Trade Organization to liberalize and deregulate the telecommunications sector, and are expected to lead to the privatization of the Telephone Organization of Thailand, the EA.

23. The Second Ports Project drew attention to sector reforms to improve the efficiency of ports in India. Port tariffs should encourage efficiency and competition, and foreign investments should be promoted to strengthen the profitability and financial sustainability of port projects. However, most policy reforms were not implemented and the evaluation underscored the strong need for political commitment to carry out reforms to improve sector efficiency. For the KESC Fifth Power Project in Pakistan, KESC's recovery from financial insolvency is dependent on restructuring for a more commercial and competitive orientation; external funding support, including equity; and policy changes in tariff setting and revenue collection. The PPAR recommended urgent measures to restructure electricity tariffs to reduce government surcharges and increase net revenue to KESC, and provide it with support to upgrade the distribution system to contain technical losses until privatization. Assistance with restructuring and privatization, including of KESC, has been provided in subsequent ADB operations.

24. The PPAR on the Second IKK Water Supply Sector Project in Indonesia recommended further sector work to develop an integrated approach to water supply and sanitation, including giving the private sector a role in their construction and O&M. The PPAR also recommended undertaking an impact evaluation study to assess the impact of water investments and tariff policies on availability of safe water supply to beneficiaries, particularly the poor.<sup>3</sup> The PPAR on

<sup>3</sup> Such a study is included in OED's 2002 work program.

the Second Rural Telecommunications Project in Thailand concluded that an explicit government subsidy to the company providing the rural telephone service would be preferable if the public sector needed to provide rural telecommunications. The scope for making rural telephone service more profitable is limited as competition in the telecommunications sector is bringing down tariffs and, thus, putting adequate cost recovery at risk.

25. The Social Action Program (Sector) Project in Pakistan included policy reforms in community, private sector, and nongovernment organization (NGO) participation; decentralization; and cost recovery. Results were mixed. Nonetheless, the project significantly raised the profile of the social sectors through increased awareness and political commitment to improving health, education, and general well-being of the population, in particular rural people, infants, and women. The project highlighted the need to redefine the role of the public sector in social service funding and provision to adopt more fee-for-service provision, and targeting of scarce public funds to the most needy through innovative schemes, including public-private sector partnerships.

26. The policy issue of decentralizing government services was raised in several PPARs. The Third Health Project in Pakistan supported priorities in basic health care in line with recent social sector programs for health, and social safety nets for excluded groups. The PPAR cited the need for three policy reform measures to help decentralize health and population, and welfare services to the provinces: (i) private sector participation, (ii) staff rationalization and management strengthening, and (iii) integrated reproductive health approach under more comprehensive primary health care service delivery. During the Agriculture Technology Schools Project, decentralization in Indonesia shifted responsibility for financing schools to the district level to foster strong ownership by local governments as well as enable allocation based on local needs. The PPAR observed mixed results, with financing varying by school, depending on the priorities of district governments and their view of a school's contribution to the local economy. During the Second IKK Water Supply Sector Project in Indonesia, the decentralization policy encouraged local government to employ local contractors and implement many small and geographically dispersed subprojects. The policy also encouraged more alliances between local governments and local water supply enterprises to identify cost-effective water systems, operational improvements, and joint training programs. However, the evaluation found that poor information flow between the central and local governments, and limited information exchange among the local governments, led to an absence of remedial measures to solve common problems.

27. The Rural Training Project in Bangladesh had mixed impacts on government credit policy. Favorable recovery rates encouraged the Government to replicate credit operations using its own funding. The PPAR noted that the credit program design was not much improved, and that recommendations of an accompanying TA for flexible loan products and repayment schedules, delegating authority, and authority to use interest earnings were not incorporated.

### **c. Participatory Process**

28. Participatory techniques can improve project performance and sustainability. Project evaluation experience confirms that stakeholder and beneficiary participation is a key factor in the O&M of project facilities and delivery of services, particularly in the agriculture and social sectors. Participatory processes need to be integrated into the early stages of project preparation and implementation planning to ensure ownership by the targeted beneficiaries. In addition, thorough social assessments before physical implementation can help identify critical

social issues and measures to minimize undesirable effects. Achievements in integrating participation and ensuring stakeholder ownership in projects evaluated in 2001 were mixed.

29. The Second IKK Water Supply Sector Project in Indonesia promoted community participation in design, construction, and O&M of subprojects. The success of individual subprojects was generally proportional to the degree of community participation. Community consultation was essential in determining service coverage, level of service, location of key facilities, and O&M arrangements. Community participation proved a key factor in ensuring that anticipated socioeconomic benefits were realized through proper operation of physical facilities. In the Dhaka Urban Infrastructure Improvement Project in Bangladesh, the PPAR recommended an action plan to improve community participation in light of serious concern about the project reaching its full useful life. The self-help action seeks to induce civic consciousness, ownership, and responsibility for O&M of basic municipal infrastructure and services. A project funded by the Japan Fund for Poverty Reduction to implement the action plan to enhance community participation is being prepared.

30. In the Upazila Afforestation and Nursery Development Project in Bangladesh, participatory initiatives have been impeded by the EA's rigid, top-down, and hierarchical practices. Project participants doubt that they will receive the promised benefits from the plantations and are unhappy with existing benefit-sharing arrangements. Coupled with shortfalls in benefits, such arrangements have led to a feeling of resignation among participants and a potentially hostile social environment. Sustainability of the social forestry initiatives depends on initiatives to strengthen participant organizations, with provisions to decentralize plantation management to local community organizations, in the context of improved benefit sharing. In the Social Action Program (Sector) Project in Pakistan, the need for community participation was also accepted by the government, but deep-seated opposition in the public sector to NGO or private sector participation meant that almost no real progress was made.

31. Projects with strong beneficiary and stakeholder involvement and ownership will most likely be sustainable. The PPAR on the Integrated Irrigation Sector Project in Indonesia emphasized that beneficiaries must participate if they are to feel a sense of ownership and responsibility, which also affects attitude to irrigation service fees and O&M. Irrigation projects should be formulated with mechanisms encouraging and ensuring beneficiaries' full participation and ownership; formation and operational efficiency of water user associations are prerequisites to implement government policy. Beneficiaries need to participate at the earliest possible stage of system planning. Ensuring farmer involvement in tertiary system construction and main system design, before agreement on the modality of subproject development and O&M, is essential.

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

32. Six of seven infrastructure projects involved catalyzing private investments. Privatization of state-owned utilities to improve operational efficiency and generate additional capital was a strategic issue in the Second Ports Project in India, KESC Fifth Power Project in Pakistan, and Second Rural Telecommunications Project in Thailand. Progress in privatization under the Second Ports Project was slow due to a labor-surplus economy and a large cash balance in the Mumbai Port Trust, which obviated one element of privatization: the need to raise capital. Deregulation of Thailand's telecommunication sector and the introduction of mobile telephone service has had a profound effect on rural telecommunications. However, as cost recovery for basic rural telephone service may not be complete, some form of financial incentive may be

necessary. The development of a capable local contracting industry for road sector maintenance was an issue under the Fourth and Fifth Road Improvement Projects in the Lao PDR. The companies are relatively small and have limited capacity to raise funds to compete for larger contracts. So few contracts for road maintenance are available that some companies have work for only about 6 months a year.

33. The social sector can benefit from private sector involvement in operation of social facilities such as schools and health clinics. Design should ensure that projects do not compete directly with the private sector in areas that serve the same clients. In the Agricultural Technology Schools Project in Indonesia, government expansion of school capacity competed directly with private sector schools, which are more responsive to labor market demand and produce required skills at a lower unit cost with no loss of quality. The Third Health Project in Pakistan should have taken into account the role of the private sector, including in running private health clinics, and in repairing and maintaining equipment. In the Social Action Program (Sector) Project in Pakistan, the private sector was found to be a major service provider in most sectors covered. An increasing number of people are prepared to pay for higher-quality and more reliable social services. The private sector has shown itself willing and able to respond to this demand.

34. The decision in the Special Assistance Project in Kazakhstan to target private sector participation with 60% of loan proceeds for private sector enterprises failed to assess the structure of the private sector at the time. The unintended consequence was the financing of finished goods for the commercial sector rather than inputs for the industrial sector.

#### **e. Poverty, Human Development, and Gender**

35. Of the 17 projects evaluated in 2001, 9 (53%) addressed thematic concerns of poverty, human development, and gender. Socioeconomic impacts were substantial, with six projects having met or exceeded project expectations. Project areas benefited from access to infrastructure that served productive purposes (three projects), improved well-being (three), social services (six), and training or awareness campaigns (four). Positive effects of the projects on beneficiaries resulted in impacts or potential impacts on income and employment (six), trade and the prices of goods and services (six), and health status (five).

36. Six projects addressed poverty, either as a primary or secondary concern, by giving the poor, women, and disadvantaged better access to social services and income-generating or employment opportunities. For example, the Rural Training Project in Bangladesh had a major positive impact on its beneficiaries and helped increase household income and improve living standards. The project was the third phase of a government initiative to reduce poverty through youth training, community organization, and credit assistance. A postevaluation survey showed that rural poverty in the project areas was reduced from 53% of project beneficiaries to 46%. Project benefits, however, are at risk from the discontinuation of livelihood skills training for beneficiaries after project completion due to budget constraints as well as weaknesses in using a government agency to deliver credit services.

37. The Integrated Irrigation Sector Project in Indonesia improved the welfare of poor families in the project area. Higher cropping intensities and rice yields resulted in incremental output, increased farmer income, and jobs. These achievements are being offset by deterioration of most irrigation systems after the project due to less-than-adequate O&M funding and management, and slow progress in setting irrigation service fees and developing self-

sustaining water user associations. In both cases, continued impacts on poverty depend on sustaining long-term operations of project facilities.

38. Evaluation experience illustrates the merits of careful social assessment and needs-based design in projects targeting the poor and disadvantaged. While the Second IKK Water Supply Sector Project in Indonesia covered isolated, less urbanized, and poorer areas, most of the subprojects served a smaller number of low-income beneficiaries than envisaged since the project failed to deliberately target them. The Bangladesh Rural Training Project PPAR observed that poverty reduction could have been greater, but the project mainly selected the upper poor with regular jobs and sometimes bypassed the very poor such as casual laborers.

39. Experience confirms the need to strengthen efforts to measure poverty impacts, which is being done systematically under ADB's overarching objective of poverty reduction, but was not always considered at appraisal of the evaluated projects. The Dhaka Urban Infrastructure Project in Bangladesh had a poverty dimension, although the appraisal report did not adequately define the low-income beneficiaries or elaborate on how the project's development impact would be monitored. To deliberately target the poor or specific income groups, a performance management system should be designed during project preparation. Project review activities should utilize baseline data generated by surveys and monitor beneficiaries' distribution and other effects.

40. Initiatives targeting the poor require flexibility to ensure that livelihood needs are adequately addressed. The use of microfinance alone is not sufficient to reduce poverty among the very poor. The loan products under the Rural Training Project in Bangladesh were highly standardized. While standardization simplified credit operations, lack of flexibility excluded the very poor without regular jobs or stable income. Flexible savings schemes are needed to accumulate the small savings of the poor and help them cope with financial shocks, together with supplementary assistance such as basic training in literacy and numeracy skills.

#### **f. Environment**

41. Five projects generated positive impacts on the environment. The Second Erawan Gas Transmission Project helped improve air quality in Bangkok by encouraging substitution of imported fuel oil and coal with domestic natural gas. Potential pipe leaks during transmission were minimized through a sound health and safety management system. The Upazila Afforestation and Nursery Development Project in Bangladesh reestablished tree cover on underutilized and degraded forest land. Trees planted on roadsides and waterway embankments, including coastal areas, stabilized erosion-prone areas and served as windbreaks to reduce wind-induced soil erosion. The Karachi Sewerage Project in Pakistan resulted in the collection and processing of more raw sewage, reduction of suspended solids and biological and chemical oxygen demand, and improvement of the quality of coastal waters. The Second IKK Water Supply Sector Project in Indonesia protected springs and shallow wells for some schemes and encouraged environmental monitoring, particularly quality of source water. The Third Health Project in Pakistan contributed to better management and disposal of medical wastes, and raised awareness on cleanliness, hygiene, and nutrition.

42. One project had generally negative impacts on the environment. For the Dhaka Urban Infrastructure Project in Bangladesh, earth fill for the project site came from fertile crop land. An environmental audit also found other immediate environmental concerns that could have been addressed during implementation.

43. The other 11 evaluated projects showed no adverse effect on the environment. Environmental effects of physical infrastructure projects were minor. Emission and noise levels from the Heilongjiang Expressway Project in the PRC were acceptable and within international limits. Debris disposal in the Fourth and Fifth Road Improvement Projects in Lao PDR was done in a way that allowed vegetation in affected areas to regenerate. Microwave power output from the Second Rural Telecommunications Project in Thailand is too low to be a health risk. Project structures are generally simple and construction does not pose a hazard to their environs. The project facilities from the Second Port Project in India are safe to operate, and minimize potential for oil and chemical spills, which compensates for minor impact on the local marine ecology during construction. The Integrated Irrigation Sector Project in Indonesia helped reduce pesticide usage in the project areas and partly stopped soil erosion from unabated deterioration of nearby project watersheds.

#### **g. Sustainability**

44. Evaluation findings in 2001 show that 9 (53%) of the 17 projects risk sustaining net benefits at a much lower level than expected. Based on project performance, benefits from all six partly successful projects were less likely or unlikely to be sustained. In contrast, only 3 of 11 projects rated successful or better were considered less likely to sustain their benefits (Table 3). Sustainability is a key parameter of the achievement of objectives and the efficiency of project interventions.

**Table 3: Sustainability of Evaluated Projects**

<b>Rating</b>	<b>Highly Successful</b>	<b>Successful</b>	<b>Partly Successful</b>	<b>Unsuccessful</b>	<b>Total</b>
Most likely	3	0	0	0	3
Likely	0	5	0	0	5
Less likely	0	3	4	0	7
Unlikely	0	0	2	0	2
<b>Total</b>	<b>3</b>	<b>8</b>	<b>6</b>	<b>0</b>	<b>17</b>

Source: Operations Evaluation Department.

45. By country, projects less likely or unlikely to sustain benefits at their anticipated level were in Pakistan (four projects), Bangladesh (three), and Indonesia (two). On a sector basis, sustainability of benefits in eight agriculture and social sector projects is problematic, while energy and transport and communications projects were assessed as likely to sustain project benefits. The PPAR noted that only the KESC Fifth Power Project in Pakistan had operations that would not be sustainable without a major restructuring, and measures that included substantial infusion of equity capital, reduction in system losses, improvement of administrative efficiencies, and reduction of indirect taxes on electricity tariffs.

46. Demand for products and services was adequate for nearly all projects at evaluation. Projects likely to be sustained also exhibited one or more of the following characteristics: (i) sound construction works, (ii) satisfactory cost recovery and viable financial performance of the operating entity, (iii) appropriate budgetary allocation for sustained O&M, (iv) institutional support and commitment by stakeholders, and (v) an enabling policy environment.

47. The municipal services and upgrading component of the Dhaka Urban Infrastructure Improvement Project in Bangladesh was not properly operated and maintained. The PPAR recommended implementation of an action plan to improve community cooperation. For the Karachi Sewerage Project in Pakistan, the EA is in poor financial health and revenues are insufficient to cover O&M costs and debt service. The EA also faces difficulties in collecting payments for services provided and little prospect of raising tariffs. Similarly, facilities under the Second IKK Water Supply Sector Project in Indonesia are less likely to be sustained unless financial, technical, and institutional issues are addressed: tariff rationalization, eliminating fund transfer from water supply enterprises to local governments, staff training to deal with technical and managerial problems, and alternative solutions to ensure affordability of socially oriented water supply schemes. If the Third Health Project in Pakistan is to maximize efficiency gains and sustainability of health services, then lack of budgetary allocations and weak management at the district level need to be addressed. In the Social Action Program (Sector) Project in Pakistan, the increased financial allocations to the social sectors have not proven sustainable. The program itself is not financially sustainable in the absence of resource reallocation between sectors and increased revenue generation.

48. The factors undermining sustainability of agriculture projects were inadequate budgetary allocation for sustained O&M of project facilities, and ineffectual ownership and institutional arrangements. In the Rural Training Project in Bangladesh, the livelihood skills training for beneficiaries ceased after project completion due to lack of funding. At the same time, the quantity, quality, and efficiency of the credit component deteriorated sharply due to lack of staff, severe shortage of operating funds, and a lack of authority to use interest earnings. The sustainability of the Upazila Afforestation and Nursery Development Project in Bangladesh is affected by the faltering partnership with participants and the uncertain arrangements for replanting. In the Integrated Irrigation Sector Project in Indonesia, the sustainability of irrigation system operations is at risk due to deterioration of project watersheds, reduced funding for O&M, and slow development of self-sustaining water user associations.

## **5. Assessment of ADB and Borrower Performance**

49. For the 17 projects evaluated in 2001, ADB fielded 167 project administration missions. ADB performance was assessed as satisfactory or better in 15 (88%) of the 17 projects; borrower performance was assessed as satisfactory in 11 (65%). ADB performance was rated satisfactory or better for all projects rated successful or better, and for four of the six partly successful projects. Borrower performance was partly satisfactory or lower in five projects rated partly successful (Table 4). Evaluation experience shows benefit from (i) close cooperation and familiarity with each other's procedures (e.g., Second Erawan Gas Transmission Project in Thailand); (ii) flexible approach to changing situations during project implementation (e.g., Special Assistance Project in Kazakhstan); and (iii) strong ownership of implementing agencies' staff (e.g., Rural Training Project in Bangladesh).

50. ADB's performance could be improved by (i) ensuring careful formulation and review of project designs to avoid delay and design changes (Second Ports Project in India, KESC Fifth Power Project in Pakistan, Heilongjiang Expressway Project in the PRC); (ii) addressing strategic policy reforms during review missions (Second Ports Project in India, Social Action Program (Sector) Project in Pakistan); (iii) monitoring and supervising projects beyond physical targets and disbursements (Rural Training Project in Bangladesh, Second IKK Water Supply Sector Project in Indonesia; Third Health Project in Pakistan); and (iv) providing adequate time

in the field during review missions (Third Health Project in Pakistan), and increasing ADB project supervision in the initial years, especially with new agencies.

**Table 4: ADB and Borrower Performance**

<b>Performance Rating</b>	<b>Highly Successful</b>	<b>Successful</b>	<b>Partly Successful</b>	<b>Unsuccessful</b>	<b>Total</b>
<b>ADB</b>					
Highly Satisfactory	0	0	1	0	1
Satisfactory	3	8	3	0	14
Partly Satisfactory	0	0	2	0	2
Unsatisfactory	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>8</b>	<b>6</b>	<b>0</b>	<b>17</b>
<b>Borrower</b>					
Highly Satisfactory	0	0	0	0	0
Satisfactory	3	7	1	0	11
Partly Satisfactory	0	1	4	0	5
Unsatisfactory	0	0	1	0	1
<b>Total</b>	<b>3</b>	<b>8</b>	<b>6</b>	<b>0</b>	<b>17</b>

Source: Operations Evaluation Department.

51. Weaknesses in borrower performance include (i) lack of skilled, full-time staff, and high staff turnover (Dhaka Urban Infrastructure Project in Bangladesh, and Social Action Program (Sector) Project and Third Health Project in Pakistan); (ii) difficulties in coordinating activities of various implementing agencies, particularly in projects with complex organizational arrangements (Integrated Irrigation Sector Project in Indonesia, Dhaka Urban Infrastructure Project in Bangladesh); (iii) lack of borrower commitment to address institutional and financial issues during implementation (Upazila Afforestation and Nursery Development Project in Bangladesh, Karachi Sewerage Project in Pakistan); and (iv) lack of appreciation for results-oriented monitoring and evaluation (Second IKK Water Supply Sector Project in Indonesia, Third Health Project In Pakistan).

## **6. Lessons Learned**

52. The projects evaluated in 2001 were approved from late 1987 to late 1995 and were completed from late 1995 to mid-1998. Lessons from evaluation, to improve efficacy, efficiency, and sustainability, are similar to those identified in earlier years: (i) design and preparation of projects should be strengthened; (ii) financial and institutional issues, including beneficiary involvement, cost recovery, O&M, and other policy and sector issues, should be adequately addressed; and (iii) monitoring and feedback during project implementation should be improved.

53. Development experience from ADB health projects in Pakistan bears out the importance of providing long-term assistance and policy guidance. Institution building should not be limited to a few years of project implementation but span a series of projects. Desired results are realized only after a series of initiatives, with each one building on another over an extended period of time.

54. Economic and sector work contributes to the development process by providing important analytical links to transform ADB's overall development strategy into operational

programs. A special evaluation study concluded that the overall quality of economic and sector work is good when it directly supports projects and programs (para. 96). The Rural Training Project in Bangladesh was based on a substantial amount of sector work together with World Bank-financed initiatives.

55. Project experience shows the need for adequate quality control during design and preparation, especially in the absence of a PPTA. A process approach is needed to permit flexible adjustment of project design during implementation of some projects, focusing on timely identification of issues as they emerge. A standard investment package may simplify project implementation and obtain better terms in procurement, providing short-term gains. However, these may be offset by long-term costs of inefficiency and weak sustainability if the investment package does not match local needs.

56. ADB needs to improve project sustainability. Evaluation experience confirms that sustainability can only be assured if the EA is in good financial health and able to allocate sufficient resources to maintain project facilities. Community participation is a critical factor to ensure proper O&M. For delivery of social services, a needs-based community project with strong community involvement and ownership is likely to be sustainable. Sustainability improves when beneficiary communities are involved in subproject design and implementation, and in O&M. In the agriculture sector, future irrigation development projects should be formulated with mechanisms for full participation and ownership of beneficiaries. Priority should be given to institutionalize project activities during design.

57. Development initiatives targeted to benefit the most disadvantaged require flexibility to ensure that livelihood needs are addressed. The poor and disadvantaged do not have the means to wait for unpredictable benefits. Future social forestry projects should have broad provisions for investments to enhance livelihood opportunities and downstream employment. The poor need permanent access to financial services. Microfinance, therefore, needs to be provided by institutions able to ensure long-term operations on a commercial basis. Innovative solutions are needed to design flexible saving and loan products that tailor financial services to the needs of the poor. Long-term institutions in the project areas should be developed to provide training and extension services after project completion. The impact of one-off training without continued assistance to the poor is limited.

58. To improve project performance, an enabling policy environment through dialogue and coordination should be maintained. Policy reforms need to be prioritized and sequenced logically. Project assistance through poorly performing and largely unchanged public institutions produces unsatisfactory results. In the education sector, for example, provision of hardware and software inputs to schools can improve the quality of educational inputs, but without effective management systems and incentive schemes such inputs may not lead to improved educational outputs and efficiency.

59. Project objectives should be clearly defined for monitoring, and quantifiable targets established. An assessment of an EA's capacity to establish a project performance monitoring system should also be undertaken at the project preparation stage. In support of ADB and the DMCs' common goal to reduce poverty, more comprehensive efforts should be undertaken to measure poverty impacts. To deliberately target the poor or specific income groups, it is important to generate socioeconomic data during project preparation. Project review activities should utilize such baseline data and monitor performance with respect to beneficiaries by income and distribution effects.

## **C. Program Performance Audit Reports**

### **1. Performance Ratings**

60. Five programs were evaluated in 2001. Four, approved in 1988–1991, were rated partly successful. The most recent, approved in 1995, the Agriculture Sector Program in Kazakhstan, was rated successful. The five programs were completed in 1993–1998. Two had been rated partly successful (under the three-category system) at completion, while two had not been given an overall rating; the Kazakhstan program was rated successful at program completion.

61. The SES on program lending undertaken in 2001 (paras. 104-108) brought out some common features of program design and implementation. All five programs evaluated in 2001 were designed with two-tranche loans, the predominant form (Appendix 5). The second tranche release and program completion for four of the programs were significantly delayed. No conditions for tranche release were formally waived. However, some other conditions, especially for the Second Agriculture Program in Sri Lanka, were not met by program completion, and in the case of the Financial Sector Program in the Lao PDR several conditions were carried over to a subsequent intervention.

62. The Special Assistance Project in Kazakhstan, the first loan to the country, was also evaluated in 2001. The project had several features in common with program lending and was linked to policy-based loans of the World Bank and International Monetary Fund (IMF). The project sought to combine quick-disbursing assistance with sector-level development. The project was rated successful, having been rated generally successful at completion.

### **2. Specific Findings**

#### **a. Agriculture Sector Program, Papua New Guinea**

63. The Agriculture Sector Program in Papua New Guinea was cofinanced by the Japanese Overseas Economic Cooperation Fund. The program focused on encouraging private sector initiatives among smallholders, especially for tree crops. The underlying purpose was to improve productivity through intensified production systems, improved services, and supportive incentives. Early policy changes under the program included withdrawal of subsidies for planting materials and of funding of price stabilization, compensated by provision of specific tax incentives. Subsequent changes involved revisions to investment policy and institutional strengthening for the sector. The loan proceeds were used to meet the local currency costs of agriculture and rural sector projects in the public investment program. The development of the program was not supported by a PPTA, but was implemented with the support of four TAs for agricultural planning, agricultural marketing, farm management, and agricultural credit. Of the 25 program conditions, 22 were met fully and 2 partly, with an overall delay of 12 months (Appendix 5). The program was rated partly successful.

64. The conditions were mostly complied with, but poor specification has resulted in minimal impacts. Tax incidence in agriculture, and for smallholders, is relatively low; the package of tax reforms was not important to investment decisions, and import tariff protection was reintroduced as soon as the conditionality allowed. With a further decline in commodity prices, funding of price stabilization continued, and it was not until much later that most schemes were effectively terminated. Investment laws have been substantially and beneficially revised under the program, but the goal of a one-stop window for potential investors has not yet been achieved.

Corporatization was enthusiastically adopted as a strategy for service delivery. However, this has not led to a greater role for the private sector, some costs are higher, and agricultural services have become fragmented. The TAs had little effect on sector policy, and would have been more effective had they come earlier in the program. During a financial crisis the loan proceeds provided much-needed balance-of-payments and fiscal support, especially for public investments in agriculture. Overall, however, management practices have not improved and smallholders do not use more inputs. Except for oil palm plantations, the estate sector has undergone disinvestment. The beneficial impacts of the program have lain largely outside the program conditions themselves; subsequent ADB assistance has better addressed decentralization and improvement of extension services, and rural credit. A key question for agriculture has not been resolved: What is the sustainable level of support services that can be used effectively, and can it be provided without government assistance?

#### **b. Second Agriculture Program, Sri Lanka**

65. The Second Agriculture Program, Sri Lanka, approved in November 1991, followed on from an agricultural program approved in November 1989. The Second Agricultural Program continued reforms focusing predominantly on export agriculture, to enhance export competitiveness through greater private sector participation. Taxes and subsidies for export crops were to be rationalized. State-owned sugar, livestock, and fertilizer companies were to be commercialized and divested, and pricing systems and the fertilizer marketing system rationalized. An estates development board and a plantation corporation were to be restructured. Measures with a greater domestic focus included rationalization of extension services and streamlining of the seeds subsector. The program benefited from four studies on rationalizing the sugar, fertilizer, and livestock sectors, and on extension services, financed through TA. The program overlapped with the preceding one, whose completion was advanced to coincide with approval of the later one. Some unfinished measures were incorporated in the program. Of 53 conditions, 7 remained unmet at the end of the program, including some divestments, and a reduction in fertilizer subsidies (brought into the program because of a reversal of policy under the previous program). By loan closing, the Second Agricultural Program had been delayed by 31 months, and the second tranche was canceled. As a whole, the program was rated partly successful.

66. The most significant impact of the program was the revitalization of the plantation crops subsector. Adjustment of taxes and privatization of government plantations catalyzed the rehabilitation of plantations; tea production and exports in particular reached historical highs. Export and turnover taxes on plantations were eliminated. Two large state plantation companies were prepared for privatization. Further restructuring and divestment took place, including of two fertilizer corporations and some regional and retail fertilizer stores, a sugar corporation, two seed farms, and three large food corporations. However, agriculture as a whole grew slowly. Reforms relating to domestic agriculture were much more difficult to effect and sustain. This reflects a dichotomy in the Government's strategy that supports not only market-oriented development of export-oriented agriculture but also self-reliance in domestic agriculture. Bipartisan support for policies relating to the domestic market is difficult to establish. Some privatized companies reverted to state ownership, and the 2001 budget included establishment of new state agricultural marketing companies. The extension service remained fragmented and supply-driven. The Government's failure to remove fertilizer subsidies again, or to reach an agreement with IMF on their removal, was a critical setback for reform. For some measures such as divestment of agricultural companies, more realistic timeframes and procedural conditions should have been built into program design.

### **c. Financial Sector Program, Lao PDR**

67. In 1986, the Lao PDR adopted a comprehensive economic reform program. ADB led in initiating financial reforms, providing TA for a sector review, and restructuring the banking system. The Financial Sector Program, Lao PDR, approved in December 1990, contained measures to restore solvency of state-owned commercial banks, introduce market-based interest rates, provide a legal framework for a competitive banking sector, help the development of nonbank financial institutions, and reinforce the monetary authorities' capabilities and instruments. The reforms were supported by two TAs to establish a debt disposal unit and a long-term credit facility. Of 25 conditions, 3 were not met. However, half were met partly; eight were reinforced through incorporation in the Second Financial Sector Program, approved in 1996. Despite this, the Financial Sector Program's second tranche was released ahead of schedule; a recapitalization package for banks was implemented only after the original program period. The program was rated partly successful.

68. The program was ambitious. It overestimated the Government's capacity to implement it, and resulted in a lack of ownership by the borrower. Design was also deficient. The program period was too short for several matters requiring new legislation or decrees; these matters could only be completed much later with additional TA. Recapitalization of the banks was pursued without parallel or prior improvement in their corporate governance and credit appraisal and risk management capacity, and without improvements to corporate governance of enterprises. Several important aspects of the program were implemented: partly financially restructuring commercial banks, loosening control over interest rates, providing a legal framework for domestic enterprises, achieving further progress on privatization, providing tools for the control of money supply, and extending banking services to the northern parts of the country. However, financial services have not been diversified and some of the monetary control tools remain nonoperational. The most critical issue is the continuing unsound credit policies of the state-owned commercial banks, and their doubtful sustainability. The two main lessons are that implementation capacity and government ownership are still lacking, and the design of programs needs to be more sharply focused and tranced.<sup>4</sup>

### **d. Agriculture Sector Program, Kazakhstan**

69. The Agriculture Sector Program in Kazakhstan was formulated soon after independence when incomes declined massively and trading relations were disrupted. Its formulation drew on sector and macroeconomic studies on broad stabilization assistance. The program's goal was to help establish the legal framework for private and market-based agriculture and included social and environmental protection measures. The program's objectives included creating a land market and strengthening farm workers' property rights; encouraging the efficient use of agricultural land under market-based farmgate prices and reducing government regulation; promoting voluntary farmer associations and improving rural financial services; liberalizing international trade for agricultural commodities; strengthening policy formulation; protecting vulnerable groups; and promoting sustainable environmental management in agriculture. Three TAs accompanied the program, directed at second-tranche loan conditions: a study on market reforms, especially legal reforms; a study on rural credit and savings; and TA to strengthen reform implementation. Altogether 42 policy measures were specified, 8 as conditions for second-tranche release. Virtually all the measures were implemented at program completion, and the Government has adopted more measures. Issuance of a decree to establish a land registration system was delayed 6 months. The program is rated as successful.

<sup>4</sup> Further interventions in the financial sector in the Lao PDR may adopt the program-cluster approach.

70. Fully privatizing agricultural land is not acceptable to the Government. Nevertheless, 49-year leases, with rights of sale, inheritance, leasing, and mortgaging were established and reinforced under the Land Law in 2001. Land share certificates for farm workers, to allocate land plots or serve as business capital, were introduced. Government control on markups and price support was eliminated; monopolistic holding companies were dismantled. Trade restrictions on exports were eliminated, and import taxes removed or restricted generally to a level of about 20%. Agricultural prices rose to world price levels. State and collective farms were fully transferred to private hands; consequently, crop productivity increased. However, the land area cultivated declined as marginal lands were taken out of production in response to declining demand; the agriculture sector contracted and incomes declined. This retrenchment exceeded the resources provided under the program for social assistance. The institutional capacity for agricultural policy reform was enhanced. A legal framework for voluntary farmer associations was established, and the program initiatives for environmental protection were completed and largely sustained. Interventions to provide agriculture support at the local administration level remain; targeted unemployment benefits are now administered and provided by local administrations. The program made some progress in enhancing credit for the agriculture sector. However, most commercial banks still regard farms as uncreditworthy, and the Government continues to explore ways of meeting agricultural credit demand. Overall, thanks to strong government commitment and capability, most of the reforms have been sustained and enhanced after the program period. The agriculture sector is in a much better position to efficiently meet future demands for output. A key finding of the evaluation is the need to undertake nonfarm employment creation activities in agricultural areas.

#### **e. Forestry Sector Program, Philippines**

71. The Forestry Sector Program in the Philippines was to stem the serious decline in forested area by accelerating reforestation, repairing environmental degradation, and strengthening policies and institutions. The policy component was accompanied by an investment component for direct forestry activities, financed out of the program loan proceeds. The sector analysis identified poverty as a major contributor to deforestation; part of the solution was to generate income opportunities for the upland poor. The major reform measures aimed at revising policies governing licensing of public forests, and forestation policies and procedures; enforcing forest regulations; promoting private industrial tree plantations; and formulating a master plan for forest development. This agenda was accompanied by five TAs. Two were directed at master plan preparation and the forestry project cycle. The rest were directed at private sector participation through rationalization of wood-based industries, and promotion of investment in industrial tree plantations and rattan plantations. The program contained 26 conditions, 25 of which were met without delay in program completion. Assessment of the policy and investment components has led to a rating of partly successful.

72. The main problem of the program measures is their sustainability. Reforestation of denuded upland areas was initially successful. Protection of watershed areas and cancelation of grazing leases significantly helped repair environmental damage. The most notable accomplishment was local participation in forest management through family and community-based user groups, indicating a significant shift in government thinking. However, the reforms were not supported by legislation and some changes have been nullified by subsequent administrations and different interpretations at the provincial level. Estimates of forest coverage at the time of performance audit are significantly lower than at program completion. The program has not provided long-term income for the upland poor. Implementation was through contracts that generated short-term benefits only. Although incomes have been boosted in

coastal mangrove areas, the main impact elsewhere has come only from wage payments for project activities. The program lessons confirm that poverty should be reduced by making production, not just protection, key to countering forest degradation; legislation must be adopted along with new approaches to forest management; and NGOs' abilities should be incorporated into the program.

#### **f. Special Assistance Project, Kazakhstan**

73. The Special Assistance Project in Kazakhstan was not processed as a program; the two loans were not designed or disbursed in tranches. Nevertheless, like other special assistance projects it had several features similar to program lending. At independence, Kazakhstan's output and trade contracted and inflation was very high. Living standards fell sharply. External assistance was required to stabilize the macroeconomic situation and to bridge the financing gap immediately. The project's goal was to avert the collapse of the health system and further declines in output and employment. Disbursement was against a positive list for medicines and medical equipment, and for industrial enterprise inputs, 60% of which were to be for the nascent private sector. This was ADB's first loan to Kazakhstan; a TA provided training to the EA in ADB's operational requirements. The first part for the health sector was delayed by 18 months while the second part for industrial inputs was completed 12 months ahead of schedule. The project was rated as successful.

74. Delays meant that the balance-of-payments crisis had largely been overcome before disbursements started in the health sector. Not all the medical supplies met priority health needs. Most went for advanced care and to urban residents; vulnerable groups had no special provisions. The enterprise inputs were rapidly procured. However, the condition relating to private sector priority had the unintended effect of directing funds to the import of consumer goods and inputs for the emerging commercial sector, rather than industrial inputs. Impact on output and employment, therefore, was limited. The input supplies were highly concentrated; the top five companies accounted for 85% of the total. The main lesson from the project is that a timely response to an economic crisis may not be consistent with achieving development objectives. Procurement conditions delayed the amelioration of health sector conditions. The private sector condition for industrial inputs was formulated without adequate understanding of Kazakhstan's economic structure. ADB's support to the wider reform program helped establish confidence in the transforming economy, but provided only 5% of total external funding agency support during the project. The special program loan modality may now better meet emergency conditions, with more measured approach to sector issues.

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

75. Although the number of review missions was sufficient, ADB performance was mixed. The wide scope of programs made supervision difficult, which sometimes led to misplaced priorities (e.g., inadequate attention to pricing covenants in changing conditions in PNG). In the Lao PDR, attention to policy reform capacity was inadequate. Greater attention should have been paid to the outcomes of programs and the distribution of benefits. Borrower performance was affected by structural factors. For example, rules and regulations in the Philippines changed frequently; key agencies in the Lao PDR financial sector had insufficient authority; and line ministries in Sri Lanka were reluctant to divest agricultural companies.

#### **4. Common Issues**

76. The five program evaluations yield two common issues. First, the evaluations confirm the need for flexibility in program design. The periods to complete some reforms, particularly issuing of decrees or divestment of enterprises, were too short. Focus on conditions for second-tranche release may have detracted from other program conditions. Some conditions linked to preceding or subsequent programs, allowing a few conditions to be carried over from one intervention to another, which was probably inevitable given the initial design. More variety in program design, with more flexibility in implementation, is recommended for program lending in general, and for these five programs in particular.

77. Second, achievement of impacts depends on how program conditions are specified and how strong the commitment and capability of the government are. The Kazakhstan Government, under pressure of crisis, demonstrated the highest degree of ownership of the Agriculture Sector Program in Kazakhstan and Special Assistance Project in Kazakhstan. Both were successful. The latter's limitations relate to design rather than government capabilities. However, substantial TA during implementation in other countries did not yield the same results. The need to improve program design is more urgent where capabilities for reform are weaker.

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

##### **1. Performance Ratings**

78. Five TPARs were prepared in 2001, covering a total of 25 TAs: 3 to strengthen transport planning and administration, 2 to help develop a policy framework to design and implement social sector reforms, 6 to strengthen evaluation capacity, 6 to address the PRC's urban problems, and 8 to strengthen and build capacity in development finance institutions in Pacific DMCs. Of the 25 TAs reviewed, 2 (8%) were rated highly successful, 11 (44%) successful, 7 (28%) partly successful, and 5 (20%) unsuccessful.

79. Lessons from these TAs highlight the importance of (i) ensuring that the government retains trained staff in the TA area; (ii) promoting not only government ownership but also participation by civil society and NGOs in the project; (iii) sharing data; (iv) exercising flexibility to enable midcourse adjustment in TA scope; (v) paying adequate attention during design to the use of TA outputs; and (iv) effectively coordinating efforts by governments, funding agencies, NGOs, and the private sector in implementing TAs.

##### **2. Specific Findings**

###### **a. Transport Planning and Administration in Cambodia and Viet Nam**

80. Three advisory TAs, two in Cambodia and one in Viet Nam, targeted the urgent need to improve the road network and institutional capacities in transport planning and administration. All three TAs had positive impacts on institutional development of the EAs. In Cambodia, a detailed survey of transport needs to develop a 4-year rehabilitation program laid the foundation for a series of investments to follow. The TAs also included formation of the Transport Planning Unit within the Ministry of Public Works and Transport. The first TA was rated highly successful. The second was rated partly successful as the lack of posttraining support by the Government and ADB compromised long-term impacts. The TA in Viet Nam strengthened the Viet Nam Road Administration and addressed institutional, legal, and technical aspects of road sector

management. A road act was passed. However, other recommendations, notably those regarding privatizing commercial functions, were not adopted; the TA was rated partly successful. All three TAs were assessed as highly relevant. Factors affecting effectiveness were the heavy reliance on outside funding for road maintenance and the higher remuneration package offered to project management units, attracting qualified personnel away from existing road planning and maintenance agencies.

#### **b. Social Sector TAs in Viet Nam and Sri Lanka**

81. The primary objective of the social sector TA in Viet Nam was to help the Government develop a policy framework to design and implement social sector reforms, and guidelines to evaluate social sector projects. The TA helped carry out a comprehensive social survey. The TA for Sri Lanka helped the Government develop a policy framework for reforms in financing of social services, to increase their sustainability. Its major output was the establishment of unit cost resource allocation systems, including a set of formulas for budget allocation in health, education, and population and social welfare services. Both TAs were highly relevant and rated successful. However, their impacts were limited to the immediate participants who were mainly from government departments and ministries. Three main lessons emerged: (i) TA focused on DMC priorities is more likely to succeed; (ii) how TA outputs will be used should be specified in design; and (iii) important findings should be widely disseminated.

#### **c. Strengthening Evaluation Capacity in Nepal, the Philippines, and Sri Lanka**

82. Six TAs (two each for Nepal, Philippines, and Sri Lanka) were designed to build evaluation capacity in the three DMCs. Three TAs, one in each country, had a similar objective: to ensure effective feedback of evaluation results into decision making. In Nepal and the Philippines the TAs built up the capability for postevaluation. However, sustainability was jeopardized by staff transfers in Nepal, with half of trained staff leaving, and by the disbanding of the postevaluation division in the Philippines. The two TAs were rated partly successful. In Sri Lanka a postevaluation capacity in the Ministry of Plan Implementation was established and the TA was rated successful.

83. TAs to strengthen project performance management systems (PPMS) were rated unsuccessful for Nepal, partly successful for the Philippines, and successful for Sri Lanka. The TAs did not result in general adoption of performance management either in the pilot ministries or more widely. However, the TAs provided training to selected staff and increased awareness of the potential results of performance management systems. If evaluation capacity is to be built in DMCs, strong government ownership is essential, backed up by high-level support and strong staffing, participation by all key stakeholders, and creation of awareness among senior decision makers during TA preparation.

#### **d. Urban Advisory TAs in the People's Republic of China**

84. Six advisory TAs in the PRC addressed the problems of the growing urban population and urban management. The first two TAs, approved in 1992-1993, were rated unsuccessful, but the last four, approved in 1995-1998, were rated successful. In recent years, TAs have been more successful as ADB gained more experience in the PRC and focused on aspects of urban development where ADB had a comparative advantage, mainly in water supply and sanitation. Two of the more recent TAs helped formulate and implement build-operate-transfer water

supply projects, and significantly strengthened the relevant institutions. An urban policy workshop provided a venue for dialogue between government agencies, city administrations, and ADB. The EA took into account many of the recommendations in the urban development plan for Hohhot. Three lessons were learned. First, ADB needs to be more thorough in preparing TA projects in the urban development sector. For example, data availability needs to be adequately assessed. Second, ADB needs to ensure that resources are sufficient to meet the requirements of the terms of reference, TA implementation supervision, and translation services. Third, TA that serves as demonstration or pilot projects should include mechanisms to disseminate the results and findings to a wide audience in the country.

#### **e. Development Finance Institutions in Pacific Developing Member Countries**

85. Eight TAs, involving the Republic of Marshall Islands, PNG, Samoa, and Vanuatu, focused on institutional strengthening and capacity building for financial institutions. In the Marshall Islands, the institutions failed to sustain their small-enterprise activities, and the Small Business Development Corporation in the PNG was closed soon after the TA was completed. These TAs were rated unsuccessful. TA was provided to strengthen other banking institutions in the Marshall Islands and PNG. Implementation time was inadequate in the first case, and a corporate plan for the rural development bank was not implemented in the second. Both were rated partly successful. TA to rehabilitate the Development Bank of Western Samoa, strengthen government financial institutions in Samoa, and prepare a strategic plan for the National Bank of Vanuatu provided two lessons: government action to resolve problems should precede TA, and TA should be sufficiently flexible to permit midcourse adjustments. These TAs were rated successful. TA accounts for a significant proportion of ADB operations in the Pacific DMCs. The mixed results in trying to build up these development finance institutions raise the question of alternative mechanisms and institutions to provide financial services.

### **E. Thematic Evaluation Studies**

#### **1. Crisis Management in Indonesia**

86. The SES reviewed ADB's response to the financial crisis that engulfed Indonesia (and other Asian countries) in July 1997. ADB promptly and comprehensively reoriented its operational strategy for Indonesia and provided crisis support loans (CSLs) and nonlending support (NLS). The objectives were to augment liquidity and budgetary resources, promote transparency in financial sector governance, provide social protection to the poor, and support important structural reforms related to the crisis. The lending support included five quick-disbursing CSLs approved during 1998 and 1999, for a total of \$2.8 billion, as part of IMF's crisis assistance package. The CSLs supported financial governance reform, social protection, health and nutrition sector development, community and local government development, and power sector restructuring. The first four focused directly on the origins and consequences of the crisis; power sector restructuring had been under preparation for some time.

87. The SES found the NLS to be appropriate, including measures to rationalize the existing portfolio through greater interaction with other funding agencies, extensive review of the existing loan portfolio to redirect resources to better manage the crisis, and accelerating disbursement mechanisms. The CSLs were accompanied by substantial TA and policy advisory support, to ensure permanent changes in financial and social structures. The CSLs provided liquidity and budgetary support in a timely fashion, although the Government had problems complying with

ADB requirements for the second and subsequent tranches. The social protection program in particular substantially helped ameliorate the social costs of the crisis.

88. ADB had never been faced with a financial crisis simultaneously affecting several of its major borrowers. The key lessons learned in crisis assistance were the following: (i) it must be distinguished from normal development assistance, with a focus on restoring investor confidence as quickly as possible; (ii) crisis assistance must support reforms to remove structural weaknesses and policy distortions that are direct causes of the crisis; (iii) CSLs require the same urgency, flexibility, and support during implementation as during the stages leading to approval. Within the power sector, the crisis increased the impetus to initiate long-overdue reforms. However, the expected benefits were unlikely to materialize in a short timeframe, and would not ameliorate social costs of the crisis.

89. The SES's recommendations include the need to (i) fine-tune the crisis assistance framework, including lending modalities; (ii) be selective in identifying reform areas that are directly related to crisis management or social mitigation; (iii) determine ways to catalyze resources for crisis assistance; and (iv) build ADB's internal capacity to deal with possible future crises.

## **2. Gender and Development**

90. One of the five strategic development objectives adopted by ADB in 1992 was women in development. Later, this was broadened to gender and development. The objective was to mainstream gender considerations into all ADB activities. The SES used project case studies to examine the factors influencing the incorporation of gender considerations into ADB operations. The projects selected were from Bangladesh, Nepal, and Viet Nam and fell into three categories: (i) those designed to address gender considerations and improve the status of women, (ii) those where gender impacts were identified during implementation, and (iii) those chosen on the basis of particular sectors identified as important to women's lives.

91. Structural barriers of culture, religion, and indifference were found to be the common obstacles to solving gender problems. The EAs gave related activities such as training and social awareness low priority because they did not generate revenues, the EAs did not have the capacity to implement the activities, and the EAs did not have the appropriate mandate. In contrast, project components delivering pertinent infrastructure services were easier and had more impact.

92. The SES found that (i) DMC supervision of gender provisions was less than satisfactory and that the incentive structure and institutional systems were not geared to implementing gender provisions; (ii) lack of female staff and difficulties in recruiting women posed problems in implementing gender provisions in most projects; (iii) project designs were based on inadequate baseline data and lacked recognition of the most relevant gender issues; (iv) targeting provisions contributed little to raising the status of women; and (v) monitoring by ADB review missions was inadequate.

93. Several recommendations were derived from the analysis. The issue of gender and development needs to be mainstreamed into ADB's support for good governance and public sector reform. In the short term, ADB may have to consider training and employment of women field workers as an integral component, particularly of rural development projects. Where shortage of female field staff is not a problem, deployment of women field staff should be

included as a loan covenant. More generally, country strategies should be based on accurate analyses of gender relations, disparities, and constraints, an initial social assessment of projects should determine the extent of gender analysis required, projects should be prepared with a gender-inclusive design, and gender provisions should be monitored during implementation.

### **3. Selected Economic and Sector Work**

94. Economic and sector work (ESW) is a crucial input in the development process, providing important links to transform ADB's overall strategy into operational programs. However, until recently ADB has not identified ESW as a separate product or service, and has not formally defined it. The SES, requested by the ADB Board's Audit Committee, sought to identify the scale and scope of ESW, together with existing constraints, and to suggest ways to make ESW effective.

95. No system existed to track ESW activities, which absorb 5-6% of professional staff time, \$3 million–5 million of staff consultant inputs, and \$30 million-50 million of TA resources annually. The SES was based on 50 ESW activities in four countries. Through an analysis of stakeholder perceptions, the SES concluded that (i) staff resources constrain effective ESW outcomes; (ii) focus on lending operations has lowered ESW's priority in operational departments; (iii) governments' involvement in planning ESW is limited; (iv) stakeholders are concerned about cost-effectiveness of such activities; and (v) the quality of ESW is good, particularly when it directly supports projects or programs.

96. The key challenge is to mainstream ESW within ADB by changing the focus from inputs to results. The SES found that it should be possible to do this without significantly increasing resources for ESW. The recommendations of the SES included the need to (i) define ESW as a separate knowledge product service in operations manuals; (ii) establish a tracking system for monitoring ESW resource use and results; (iii) plan to disseminate ESW results more widely; and (iv) establish a change agent, consisting of a small group, which may be given a timebound action program to mainstream ESW in ADB's development agenda. The recommendations have been taken into account in the recent reorganization of ADB and the related revision of business processes.

### **4. Privatization of Public Sector Enterprises: Lessons for Developing Member Countries**

97. Numerous evaluations and empirical studies have documented the role of privatization in governance reforms to improve operational efficiency, increase investment, and strengthen economic growth. Consumer benefits are increased output, improved quality, a wider range of services, and reduced prices (except when price subsidies were prevalent before privatization). With privatization proceeds estimated in excess of \$30 billion in Asia alone, privatization not only enhances governments' capacity to increase social services, retire international and domestic debt, and meet current expenditure, but also generates benefits from savings in capital and subsidy expenditure.

98. The objectives of the SES were to (i) understand the global lessons drawn from privatization and relate these experiences to different economic and political circumstances, approaches, and methods applied; (ii) assess ADB involvement and DMC experience; and (iii) draw insights for future assistance and for identifying principles and critical issues of privatization design. Early ADB support for privatization emphasized improving operational and

financial performance of public sector enterprises by strengthening management autonomy, commercialization, and pricing reforms. These efforts were reinforced with wider macroeconomic liberalization policies to promote competition and, during the 1990s, governance reforms and strengthening of the financial and capital markets. The number of ADB public sector loans and advisory TA directly or indirectly supporting privatization has significantly increased in recent years, and has been complemented by ADB's direct assistance to the private sector in the form of loans without government guarantee, and equity investments of almost \$2 billion.

99. No single institutional framework stands out as the best for privatization. For privatization to be successful, it is essential to define the roles and powers of participants, and ensure that legal, regulatory, and enforcement mechanisms are in place. Economic stabilization and trade liberalization are conducive to the success of privatization; many policy changes (e.g., deregulating the banking sector, and capital market development) should precede any divestment; complementary social welfare actions help avoid delays and implementation constraints. The SES judged the DMC experience in privatization as positive but cautioned that its effects have not been maximized because it has proceeded largely without attention to the sequencing of reforms and appropriateness of approach. DMCs' growing political commitment to privatization provides scope to reposition ADB's country strategies and programs.

## **5. A Review of Asian Development Fund I-V Operations**

100. The SES covered the period under Special Funds (1969-1972) and the first five Asian Development Fund (ADF) commitment periods (1973-1991). The study assessed the consequences of ADF lending in these early periods, including the objectives, policies, and strategies governing the use of ADF; allocation of ADF resources; performance of projects funded under ADF and their development impacts, lessons, and insights; and implications for ADB's strategic direction and operations. Total concessional resources mobilized during ADF I-V amounted to \$10.2 billion, rising from an annual average of \$175 million in ADF I to \$714 million in ADF V. Although ADF commitments were rising, they remained small relative to the total external resource requirements of DMCs; ADF net flows accounted for 3.4% of aggregate net resource flows from all external resources and 5.8% of total official development assistance to borrower DMCs during the whole period.

101. Group-A DMCs, the poorer countries, received 85% of ADF loans; within this group, Bangladesh, Nepal, Pakistan, and Sri Lanka received 76%. Group-B countries received the balance of 15%. Pacific DMCs received a disproportionately high allocation in response to the mandate to give special attention to poorer and smaller DMCs. Agriculture, irrigation, and rural development received the largest portion, 47%. Other major recipients were energy, transport and communications, and social infrastructure. Allocations reflected ADB's general strategy during the period. Project loans were the main vehicle for transferring concessional resources. However, program loans became an increasingly important vehicle from 1987 onward, when their purpose changed from financing inputs to supporting policy reform.

102. The SES reviewed all internal documents on the establishment of the ADF and its operations, and analysis of the 290 (out of 488) projects under ADF I-V that were postevaluated. Over the years, project performance has discernably improved; the proportion of projects rated unsuccessful steadily decreased from a high of 18% in ADF II to 8% in ADF V. Statistically significant differences in project performance were noted under different project classifications: (i) projects in DMCs in Group B performed better than those in Group A; (ii) projects in

Southeast Asia and South Asia performed better than those in the Pacific; (iii) energy, industry, transport and communications, and multisector projects performed better than agriculture, social infrastructure, and financial projects; and (iv) project and sector loans performed better than program loans and development finance institution credit lines. Consistent with ADB's development strategy during the ADF I-V period, the biggest allocation of ADF resources was to physical infrastructure projects to enhance the DMC's productive capacity to promote economic growth. Given the high success rates of these projects, it can be said that the most significant impact of ADF I-V operations was in promoting economic growth, particularly in the Lao PDR, Myanmar, Nepal, Pakistan, and, to some extent, in Bangladesh and Sri Lanka. However, projects designed to directly impact on the poor by creating jobs and income and enhancing well-being (mainly in the livestock, fisheries, industrial crops, agricultural support services, health and population, water supply and sanitation, and development finance subsectors) generally had limited results. Among the reasons for these shortcomings were lack of beneficiary participation and understanding of the local culture, weak monitoring mechanisms and management information systems, inadequate O&M budget after project completion, and other related process variables.

103. The SES concluded that to enhance the impact of ADF resources, efforts should be made to increase the disbursement ratio and the success rate of projects. Increasing the disbursement ratio, which averaged 19% during ADF I-V, depends on DMCs being able to raise counterpart funds and build the institutional capacity of EAs. DMC absorptive capacity can be enhanced through TA to create a conducive policy environment and to strengthen EAs' administrative and technical capabilities. To support poverty-focused projects, ADB staffing should be increased and the skills mix adjusted. On the whole, ADF I-V operations achieved much, but gaps existed between expectations and results. The SES recommended that ADB (i) prepare projects thoroughly, considering not only technical and financial aspects but also the local culture; (ii) enhance beneficiary participation to develop a sense of ownership; (iii) enhance the capability of ADB staff to deal with stakeholders at the grass-roots level; (iv) assess the capability of the EA to match the requirements of the project, and remedy the gap through TA, if necessary; (v) operate with a long-term commitment to a sector; (vi) establish a system to monitor project performance even after completion; and (vii) ensure transparency and accountability in project management. An SES to evaluate experience under ADF VI and VII is being prepared.

## **6. Program Lending**

104. ADB has supported policy reforms in its DMCs mainly through program lending. The modality was used extensively in response to the 1997 Asian financial crisis. From 1987 until the end of 2000, 86 programs or program components of sector development programs were approved, with a combined loan amount of \$14.5 billion or 22% of total ADB lending. Program lending now involves a diverse range of countries, including Pacific DMCs and newer members in Central Asia; program loans now support a broader range of activities, including social infrastructure and public sector reforms, in addition to the initial focus on the agriculture, financial, and industry sectors. The SES assessed the role of program lending in promoting policy reforms in the DMCs and identified generic measures that could enhance its effectiveness.

105. The programs met their immediate targets. Total disbursements for 58 completed programs were only 9% below the approved loan amount. Although ambitious—containing a large number of conditions within a tight timeframe—nearly all program conditions for 40

programs with completion reports were met. However, tranche releases and program completion were delayed; disbursements planned over an average of 15 months from loan effectiveness were actually completed within an average of 24 and a maximum of 52 months. Most programs had been designed with two tranches; 72% of second-tranche releases were delayed and 11% canceled altogether. The reforms supported by programs have been ambitious in scope and in timeframe. The time taken to change policy and institutions has often been underestimated, especially where legislation is concerned. However, delays have not always been detrimental, reflecting a more realistic timeframe for reform and allowing a stronger consensus to emerge.

106. According to the performance reporting system and stakeholder consultations in seven DMCs, program impacts did not always achieve their potential. DMCs made significant progress in adopting more market-oriented policies; however, the recurrence of conditionalities between loans and sectors indicated that reforms could not always be sustained. Reforms in one sector such as agriculture often require reforms in another such as the financial sector. Sequencing of reforms across sectors and with macroeconomic changes requires a broad assessment of policy processes. Some conditions have been poorly specified and could easily be met formally without being met in substance. In several cases, program conditions were enacted after program completion, indicating a problem of process and timing rather than commitment. In other cases, program lending provided insufficient resources for capacity building during policy reform implementation. Greater assistance for capacity building is needed, especially in policy analysis and implementation coordination. Stakeholder consultation and commitment to the reforms, specialized skills in program implementation, and a change in the focus of ESW from outputs to results, would also help make implementation a success. The costs of not reforming need to be disseminated together with the reform program itself.

107. Adjustment costs have played a dominant role in determining loan size, although such costs, which may include the cost of establishing new agencies, retraining and relocating people, making up revenue losses, and funding existing debts cannot be estimated precisely. Possible revenues from program reforms such as privatization proceeds, and a government share of the costs of reform, need to be considered when determining the program loan size. However, adjustment costs also fall on nongovernment and private commercial agencies that may need temporary assistance in meeting them.

108. Overall, program lending has been and will continue to be highly relevant to the needs of DMCs, and has been moderately effective in supporting substantive legislative and policy changes. However, programs have not always been based on achievable rates of change; stakeholder participation in program formulation could be better; and analysis of the incentive structure to change behaviors could be strengthened. The SES recommended some specific actions to increase the efficacy, sustainability, and development impact of program lending: (i) more options should be considered in program design, including multiple and floating tranches, providing a justification in each case; (ii) government authorship of the reform package should be complemented by participation of affected groups, and dissemination of information relating to proposed policy changes and the costs of not changing; (iii) counterpart funds should be used to build government capacity to design and implement programs; (iv) programs, including selected programs during implementation, should be evaluated, and guidelines of program evaluation updated.

### III. FEEDBACK

#### A. Follow-up Actions

##### 1. Study Objective and Approaches

109. The response to follow-up actions recommended in OED's evaluation studies that were completed in 2000—all PPARs, TPARs, and a reevaluation study (RES), which all relate to individual operations—have been assessed. The assessment also includes impact evaluation studies (IESs) and SESs on several activities. The 30 reports in 2000 comprised 20 PPARs, 3 TPARs, 1 RES, 2 IESs, and 4 SESs (Appendix 6).

110. The reports recommended 153 follow-up actions. For the PPARs, TPARs, and RES, the follow-up actions were taken from the related section of the reports. As IES and SES reports normally do not have such a separate section, the follow-up actions were derived from recommendations, using only those that were specific and actionable. Responses to the follow-up actions were assessed through desk research, without site visits. Information was requested from operational and other departments, which sought it from EAs and DMC governments.

111. Follow-up actions were either addressed to ADB or the DMC, for a specific project or policy and strategy purposes. Information on the responses to the follow-up actions was first sought in July 2001. OED reviewed the responses to assess the follow-up actions' specificity and categorize them. In February 2002, the actions were confirmed and updated. After this final confirmation, the 173 responses<sup>5</sup> received were analyzed (Appendix 7).

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

###### a. Quality of Actions

112. The specificity of the follow-up actions was assessed. A good-quality follow-up action should indicate (i) what action is required, (ii) who is to take the action, and (iii) by when. Of the 153 follow-up actions, only one was not specific in stating what was to be done, and only one was not specific about who should take the action. However, 79 follow-up actions, 51% of the total, had nonspecific timeframes.

113. Some follow-up actions indicated a government or ADB as the entity to take action. Specifying the agency within a government or the department within ADB would facilitate implementation and monitoring. Although overall the follow-up actions were specific enough regarding what kind of action should be taken, some were not specific enough for the actions to be monitorable. For example, many follow-up actions required ADB to initiate policy dialogue with DMC governments to solve specific issues but did not specify expected outputs. The quality of follow-up actions depends on how they are described in OED evaluation reports. Greater specificity is now being required.

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<sup>5</sup> For follow-up actions from the IESs and SESs, multiple responses resulted due to the nature of follow-up actions related to several operational departments. Thus, the number of responses exceeded the number of follow-up actions.

## **b. Types of Actions**

114. In all evaluation reports of 2000, more follow-up actions were directed at ADB than at DMC governments or EAs (Table A7.2), reflecting attempts to influence activities and procedures at a policy level, not just the sustainability of particular projects. Out of 153 follow-up actions, 68 (44%) were addressed to DMC governments. Most follow-up actions addressed to DMCs were project specific follow-up actions to be implemented by the EAs. The remaining 85 (56%) follow-up actions were addressed to ADB. Among these, 50 were for ADB to take action to improve specific projects, while 35 concerned ADB's internal processes, guidelines, or strategies. All follow-up actions in the IESs and SESs were addressed to ADB as such broad thematic studies deal with general policy issues (e.g., resettlement or participatory development), and are more relevant to ADB's policies and strategies.

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

115. Among the 173 responses received, 127 (73%) were related to the PPARs, TPARs, and RES, and 46 (27%) to the IESs and SESs (Table A.7.3). Almost two thirds of the responses stated that appropriate actions, at least partly, had been or were being taken. Among the 62 cases where actions had not yet been taken, 10 were not agreed upon by the concerned DMCs or ADB departments. For 34 cases, ADB had followed up with requests to the DMCs, which had not yet replied. For 11 cases, the concerned ADB departments stated that appropriate actions would be addressed in future operations. In only seven cases, 4% of the total, was it clear that no action at all had been taken.

116. The main reasons that no actions were taken at all were that they would involve major resource commitments or policy changes, which could not be dealt with by an EA or ADB department in a short period. On the DMC part, one of the policy-related follow-up actions was that measures be taken for environmental management in Mongolia. However, the priority and role of environmental management is a matter for country strategy and program formulation, and requires time for consideration. Another policy-related follow-up action was NGO involvement in school management. Again, this requires a major change in policy, which can only be explored during policy dialogue with the Government. On the ADB part, three follow-up actions related to a TA on road safety also implied resource commitments: (i) conducting a workshop, (ii) increasing dissemination of ADB Guidelines on Road Safety, and (iii) conducting an accident-cost study. For such follow-up actions, agreement needs to be reached on the precise scope, and funding sources identified. One follow-up action addressed to ADB called for the recruitment of international consultants or NGOs to supervise and monitor agriculture and natural resource research projects, but funds were insufficient. A final follow-up action related to ADB financing for resettlement costs, which is treated as a general policy, rather than project, matter.

## **4. Operational Issues**

117. Overall, the follow-up actions were relevant to operations and reasonably well addressed. However, some practical steps can be taken to improve the response to follow-up actions. First, for IESs and SESs, follow-up actions should be separated from general recommendations and should follow PPAR guidelines by being specific, monitorable, actionable, relevant, and time bound. Second, most follow-up actions still lack a specific timeframe. OED missions need to assess the practicality of proposed follow-up actions and

discuss them with the concerned EA, government, and ADB operational department to agree on a realistic timeframe.

118. For follow-up actions to be implemented by the DMCs, communication needs to be improved. Staff resources are limited and, where the department does not have any regular contact or pipeline of work with the relevant government agency, compliance is difficult to encourage, especially when follow-up actions are project specific. When follow-up actions do not specify tangible outputs, the actions' implementation is not monitorable. Greater specificity of proposed follow-up actions by OED will ease communication and enhance results.

119. When proposed follow-up actions involve major policy changes or resource commitments, appropriate actions are unlikely to be addressed in a short period unless the proposed actions are divided into specific and actionable processes.

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

120. PCRs complete the project cycle from the point of view of operational departments, and assess project outcomes on the basis of self-evaluation. PCRs are undertaken for every public sector project and for 25% of private sector operations. In 1999 and 2000, OED undertook an in-depth review of 50% of PCRs, with a view to assisting operational departments to understand the criteria used for arriving at a project rating, and to improve the overall quality of PCRs. This will provide ADB with a more reliable measure of achievement at project completion based on all projects, and not just the sample chosen for performance audit.

121. These in-depth reviews were undertaken after a PCR was completed and circulated to the Board, with feedback to operational departments. During 2001, ADB decided to change the timing of the review and the manner in which it is carried out. OED staff now review 50% of PCRs parallel to the preparation of the PCR, which means that review and feedback are ongoing on the intended focus and issues before the PCR mission, and on preliminary analysis postmission. The final PCR rating remains the responsibility of the operational department. This focused involvement during preparation of PCRs should have a greater impact on their quality, and their reliability as a measure of ADB achievement. The change was approved in mid-2001, and could not yet, therefore, be applied to PCRs in the 2001 program.

## **IV. HARMONIZATION OF EVALUATION APPROACHES**

### **A. Structure and Scope**

122. In 1996, a development committee task force on MDBs proposed that a common methodology to evaluate their portfolios be developed, and that performance indicators and evaluation criteria be harmonized. Harmonization in evaluation accompanied harmonization in several other aspects of MDB operations. The purpose was to (i) reduce the costs to DMCs of coping with the evaluation procedures and criteria of different institutions, (ii) enhance comparability of results for assessing the achievements of the different MDBs, and (iii) provide the basis for joint evaluation of related activities where appropriate. The Evaluation Cooperation Group (ECG), comprising the heads of evaluation from the MDBs, was established in late 1996,

and has met at least once a year since.<sup>6</sup> An early decision was to separately harmonize evaluation of public sector projects and private sector operations, although the mandate also refers to evaluation of country programs and nonlending services. Harmonization of evaluation approaches would be accompanied by benchmarking of current practices in each MDB, so that movement to harmonization can be assessed.<sup>7</sup>

123. The ECG agenda includes exchange of information on (i) evaluation methods for specific types of activity (public sector projects, private sector operations, country programs, and TA); (ii) management of evaluation activities (costs of evaluation, personnel and performance matters, and governance structure for evaluation); (iii) evaluation capacity development; and (iv) possibilities for joint evaluations. The main focus has been the development of good practice standards (GPS), which relate to the governance structure for evaluation, the criteria to be applied in overall assessments, and the dissemination and disclosure of results.

124. Each MDB has its own loan and TA modalities, and its own emphasis. For example, private sector operations are much larger for the World Bank Group, through the International Finance Corporation, than for the regional MDBs. Private sector operations are also larger for the European Bank for Reconstruction and Development as a proportion of total operations. Another example is the InterAmerican Development Bank, which has reduced the proportion of its project lending and increased the proportion of programs. Some criteria may be accorded a greater importance in evaluating projects than programs. Harmonization may be as relevant to evaluation governance, dissemination, and disclosure as it is to the criteria applied in specific evaluations.

125. The GPS for private sector operations was agreed in 2000. The final draft for the GPS for public sector projects was available by the end of 2001, and will be submitted for approval to the presidents of the MDBs in 2002. This is a major step in achieving the objectives of harmonization. The ECG's future harmonization agenda includes higher level evaluations, such as for policy-based lending and country programs, and standards for reporting on assessment of development effectiveness at an institutional, country, or regional level.<sup>8</sup>

## **B. Public Sector Projects**

126. The work of ECG's Working Group on Evaluation Criteria and Ratings for Public Sector Evaluation was informed by a 1999 study of then current criteria and practice. Subsequent discussions have arrived at three basic principles for criteria and ratings. First, the project performance indicator should have four core criteria : relevance, efficacy, efficiency, and sustainability. Second, possible complementary criteria could include institutional development

<sup>6</sup> The MDBs are the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, InterAmerican Development Bank, and World Bank. The European Investment Bank takes part in all ECG activities related to its own activities in developing countries. In November 2001, IMF also became a member of the ECG, on the appointment of the head of its new evaluation department. Outcomes of ECG meetings are conveyed to subregional international financial institutions (for example, the Caribbean Development Bank) by the relevant regional bank or the World Bank.

<sup>7</sup> The MDBs also observe the Organization of Economic Cooperation and Development's (OECD) Development Assistance Committee's (DAC) Working Group on Evaluation, which comprises mostly the evaluation departments of bilateral agencies of OECD countries. ECG documentation has used a joint glossary of evaluation terms produced by OECD/DAC. The United Nations Development Programme and the OECD/DAC can attend as observers at the ECG.

<sup>8</sup> The heads of the MDBs, at the recent Monterrey Conference on Financing for Development in Mexico, reemphasized the importance of evaluation at different levels through their statement on better measuring, monitoring, and managing for development results.

and other impacts (such as impact on poverty reduction), together with MDB and DMC performance, that can also be aggregated, and that relate to a project's development results. Third, each criterion, and aggregate performance, should be assessed using an even-number rating scale with symmetrical distribution of possible results. The ADB Guidelines for the Preparation of Project Performance Audit Reports of September 2000 generally adhere to these principles.

127. Evaluation should take place in two parts, at project completion and after some years of operation, using the same set of criteria. Completion reports should be prepared for all operations; performance assessments should be prepared for a declared proportion of operating projects, using a transparent selection process. Self-evaluation results should be reviewed in part by the independent evaluation department, with clear procedures for settling differences over ratings. Equally important, lessons should be disseminated in summary form and through annual reviews. Current ADB practice is close to these recommendations, and has been enhanced through revised instructions approved in 2001 for preparing PCRs based on the performance audit criteria and ratings.

128. Evaluation reports for public sector operations normally should be disclosed. The independent evaluation department should make the reports and results available through print and electronically. Internalization of lessons and their application in new operations should be emphasized, including internal reporting centered around a performance management system. Again, current ADB practice is close to the GPS. Evaluations of individual or grouped public sector operations are generally disclosed and easily available, OED staff are involved in the review of new operations, and the PPMS applied in project preparation together with the project performance reports (PPRs) prepared during implementation yield continuous feedback on all public sector operations.

129. The GPS for public sector operations also refer to the governance of an MDB's evaluation system. To ensure independence, the independent evaluation department should operate according to a Board-approved mandate—an evaluation policy statement—and be subject to oversight by the Board. Final evaluation reports should be the responsibility of the independent evaluation department. The reporting line should be independent of operational, policy, and strategy departments, but close coordination must be maintained to ensure corporate ownership of evaluation findings and recommended improvements. The MDBs have different arrangements for appointment of evaluation staff and for reporting. The ADB reorganization implemented from 1 January 2002 preserves a reporting line for OED independent of other departments, and preserves oversight of OED activities by the Board's DEC. OED practice includes consultation with other departments to disseminate lessons and corporate reporting.

### **C. Private Sector Operations**

130. ADB funds in the form of equity or loans are at risk in private sector operations, together with those of the project sponsor and other participants. A much longer involvement in such operations is required, until equity holdings are divested and loans repaid, affecting the timing and focus of evaluation for private sector operations. ECG's Working Group on Private Sector Evaluation completed its GPS in 2000. A benchmarking study, to assess different MDBs' practices in relation to the GPS, and to help draw up action plans to amend current practice, started in late 2001.

131. The evaluation criteria and processes for private sector and public sector operations are significantly different. First, the core criteria relate to economic growth (measured through the economic internal rate of return), contribution to profitability (measured through the financial internal rate of return), contribution to living standards (based in part on the difference between the economic and financial returns), contribution to private sector development, and environmental sustainability. Second, complementary criteria include contribution to the profitability of the MDB through its financial return on equity holdings and loans. Third, MDB performance is also assessed. These three dimensions and underlying indicators are assessed on a 4-6 point scale. Annual reviews should track trends along the three dimensions of evaluation.

132. The timing of evaluation differs from public sector projects. Each year, all projects under implementation and operation are reviewed. Each year a population of projects that have reached early operating maturity (about 18 months of revenue reflected in annual audited accounts for investment-type projects, and 18 months after final disbursement for financial intermediary projects) is the basis for selection of a sample for an expanded self-evaluation annual review. The sample size should be sufficiently large to give results for each dimension with a 95% level of confidence. The expanded annual review constitutes the basic evaluation for private sector operations, and substitutes for a completion report and a performance audit. The independent evaluation department should review a randomly selected number of private sector operations.

133. To protect client confidentiality and the credit rating of the institution, none of the individual reports is disclosed for private sector operations. Lessons can be applied in new operations through internal learning events, however, and quality-control mechanisms that ensure policies relating to disclosure of confidential information are not breached, and are explicitly referred to in the structure of documentation for new operations. The independent evaluation department reports annually on full portfolio performance and main findings of evaluation results. The GPS for private sector operations would require significant changes in criteria and ratings, and processes of ADB evaluation practice for private sector operations. Proposed changes and any resource implications will be worked out during 2002.

## **V. EVALUATION CAPACITY BUILDING**

### **A. Strengthening Capacity in ADB**

134. A key strategy to strengthen evaluation within ADB is to develop real-time evaluation and feedback so that lessons learned can be applied to activities while they are ongoing, not only when they are complete. A well-prepared project framework and identification of project performance indicators is the starting point for effective monitoring and evaluation under ADB's PPMS. Use of the project framework in project design, and the project performance indicators in project implementation, has been institutionalized within ADB over the last years.

135. In 2001, OED continued to emphasize improving the quality of project frameworks and the monitorability of project, program, and TA interventions in its review of documents. In addition, OED and the Central Operations Services Office continued to support the operation of a project framework help desk, involving a dedicated staff consultant employed at key times of the year, providing operations staff with continual technical advice to improve the quality of project frameworks and performance indicators. Parallel to this, the Human Resources Division implemented a training program on the PPMS.

136. Effective monitoring and evaluation under ADB's PPMS, whether real time or ex post, requires the specification of indicators and a monitoring and evaluation mechanism. At the project level, a customized set of targets and indicators are developed for each project and TA. The PPMS provides the established monitoring and evaluation mechanisms. Following substantive revision to increase its utility and effectiveness, a new PPR format became operational in 2001. Aggregate PPR results along with data from other in-house databases, are a source of indicators on portfolio performance, and a lead indicator for achievement of project objectives.<sup>9</sup>

137. Revisions in the Project Administration Instructions were made in 2001. The changes incorporate recent policies and practices to streamline project administration procedures as well as align them to ADB's reorganization from January 2002. Key project administration reports were substantially improved to help strengthen the evaluation process. The PCR format is expected to provide a preliminary evaluation of the achievement of the immediate objectives (purpose) of the project and the project's contribution to achievement of long-range objectives (goals). The criteria to determine the overall assessment have been aligned to the PPAR, the key building blocks of self-evaluation being relevance, efficacy in achievement of purpose, efficiency in achievement of outputs and purpose, preliminary assessment of sustainability, and institutional and other development impacts. PCRs and TA completion reports now use the four-category rating system of highly successful, successful, partly successful, and unsuccessful to measure overall performance.

## **B. Strengthening Capacity of DMCs**

138. In 2001, OED administered two ongoing TAs to strengthen performance evaluation capability in the PRC and Philippines. In the PRC, intensive capacity building of the State Development Planning Commission included an international exposure program for officials of the Key Project Inspectors Office, and essential technical and logistical support during in-country training workshops on project monitoring and management. The TA helped disseminate best practices and develop case materials for hands-on case study learning. In the Philippines, a computerized results-oriented monitoring and evaluation system operating at national and regional levels was established, together with comprehensive training programs, and manuals and action plans to institutionalize the system for real-time feedback on development impacts.

139. A TA completion report on strengthening project performance management in Nepal highlighted the importance of full stakeholder participation at the preparatory and implementation stages of a TA, and careful assessment of beneficiaries' capability. While the TA failed to meet the key objective of establishing an accountable and results-oriented institutional framework, the TA generated awareness of the merits of the project framework, for inclusion in project proposals.

## **VI. CONCLUSIONS**

140. Of the many conclusions and recommendations contained in the evaluation reports prepared in 2001, the following may have particular significance for the success of ADB's operations.

141. Nearly all projects, at the time of evaluation, experienced adequate demand for the products and services they provided. Nearly all projects are assessed as having a high degree

<sup>9</sup> A special evaluation study on performance management in ADB and DMCs is in OED's work program for 2002.

of relevance to government objectives and ADB operational strategies. Successful projects score highly on efficacy, efficiency, and sustainability, as well. These other criteria can be affected by lapses in design. Design weaknesses were identified in 10 of the 17 projects evaluated, including 6 rated successful. Converting strategic relevance into actual results requires greater attention to project design.

142. Only 3 of 17 projects were completed on time. The average delay for all projects was 1.7 years, somewhat less than for projects evaluated in 2000. Despite the delays, substantial cost underruns occurred. Only two projects had cost overruns. The average underrun for 15 projects was 18%, and five projects had cost underruns of more than 25%. This pattern of evaluation results is similar to that in 2000. Price contingencies may have been overestimated at approval relative to low international inflation and depreciating currencies, or base estimates for the volume of civil works may be becoming more accurate, or competitive bidding procedures may be playing a more effective role in ADB-financed operations. Timeframes and cost estimates should be carefully reviewed at appraisal.

143. Evaluation of programs in 2001 revealed two common characteristics. First, design and implementation should be more flexible. For example, the time taken to achieve specific outputs, such as government decrees or divestment, is often underestimated and uncertain. Second, achievement of impacts depends on the commitment and capability of the government, as in the agricultural program in Kazakhstan, which was rated successful. These findings are consistent with those of the program-lending SES. Programs met their immediate targets for conditions and disbursements despite delays. However, the programs' impact was less clear. Programs need to be designed in a more participatory manner, with dissemination of the costs of not reforming. Programs need to be more varied in their design, with long-term commitments to a sector. A significant component of loan proceeds should be used for capacity building in policy analysis and coordination.

144. Private sector development is seen as a key means of meeting the overarching objective of poverty reduction. Six of the seven infrastructure projects evaluated in 2001 supported private sector development. They ranged from upstream exploration and production as a result of a gas transmission project in Thailand, to development of the contracting industry for the road sector in the Lao PDR. The private sector provides more and more education and health services as well, as was found for the social action program in Pakistan. In Indonesia, the government technology schools compete with private sector equivalents. The range of possible private sector involvement is wide, and should influence project design, within the constraints of maintaining quality and cost effectiveness.

145. The net benefits of some evaluated projects risk not being sustained at the expected levels and not only because of lack of budgetary resources or financial revenues. Likely sustainability is higher when beneficiary communities are involved in project design. Some projects' ability to reduce poverty is also threatened if project components in livelihood skills training or credit delivery, for example, cannot be continued after completion.

146. PPARs include follow-up actions to sustain project benefits. Thematic evaluation studies contain follow-up actions for specific activities and for ADB policies and procedures. An assessment of follow-up actions recommended in evaluations completed in 2000 found that only a small number had not been addressed at all by early 2002, mostly because they involved policy changes or substantial resource commitments and, therefore, required more time to implement. In general, responses to follow-up actions were good, but the actions need to be

made more specific and monitorable, and communication with DMCs on the actions and responses needs to be improved.

147. The MDBs have been seeking to harmonize their approaches to evaluation, particularly for public sector projects and private sector operations. Harmonization relates to governance factors for evaluation units, the criteria and ratings for specific activities, and policies on dissemination and disclosure. The ADB approach to public sector projects is close to GPS that have been developed, and as an institution ADB operates with transparency in its evaluation activities. The scope, timing, and procedures in GPS for evaluation of private sector operations are different. ADB needs to change its approach to private sector evaluations.

## PROFILE OF OPERATIONS EVALUATED IN 2001

Type/Title	Report No.	Loan/TA No.	Date Approved	Loan Amount (\$million)/		Project Cost			Completion Date		Time Overrun/ (Underrun) (Years)	Performance
				TA Amount (\$'000) Approved	Disbursed	Expected (\$ million)	Actual (\$ million)	Overrun/ (Underrun) (%)	Expected	Actual		
<b>A. Project Performance Audit Reports</b>												
Second Rural Telecommunications Project	PE-567	1239 THA	29-Jun-93	84.1	46.6	373.3	160.3	(57.1)	31 Dec 1996	30 Jun 1998	1.5	S
Second Erawan Gas Transmission Project	PE-568	1276 THA	02-Dec-93	100.0	70.4	671.0	482.3	(28.1)	30 Apr 1997	30 Apr 1997	0.0	HS
Heilongjiang Expressway Project	PE-570	1324 PRC	29-Sep-94	142.0	141.5	330.0	309.2	(6.3)	30 Sep 1998	30 Aug 1997	(1.1)	S
Upazila Afforestation and Nursery Development Project	PE-571	956 BAN (SF)	30-Mar-89	43.5	40.9	50.4	46.8	(7.1)	30 Jun 1994	31 Dec 1995	1.5	PS
Dhaka Urban Infrastructure Improvement Project	PE-573	942 BAN (SF)	12-Jan-89	24.2	22.1	29.5	23.8	(19.3)	31 Dec 1993	30 Jun 1996	2.5	PS
KESC Fifth Power (Sector Loan) Project	PE-574	925 PAK	24-Nov-88	100.0	98.4	389.8	277.4	(28.8)	31 Dec 1991	31 Dec 1997	6.0	PS
Social Action Program (Sector) Project	PE-577	1301 PAK (SF)	23-Jun-94	100.0	103.2	4,020.0	3,236.6	(19.5)	30 Jun 1997	24 Apr 1997	(0.2)	PS
Second IKK Water Supply Sector Project	PE-578	1069 INO	18-Dec-90	39.0	37.4	52.0	52.3	0.6	31 Dec 1994	30 Jun 1996	1.5	S
Rural Training Project	PE-580	1066 BAN (SF)	13-Dec-90	16.3	10.4	19.4	16.9	(12.5)	31 Dec 1995	31 Dec 1997	2.0	S
Karachi Sewerage Project	PE-572	1001 PAK (SF)	14-Dec-89	85.0	80.2	110.2	101.7	(7.7)	31 Aug 1994	31 Dec 1997	3.3	PS
		1002 PAK										
Special Assistance Project	PE-581	1337 KAZ (SF)	06-Dec-94	60.0	58.9	60.0	59.6	(0.7)	30 Jun 1996	01 May 1998	1.8	S
		1338 KAZ										
Agricultural Technology Schools Project	PE-582	1050 INO	13-Nov-90	85.0	77.2	119.5	86.8	(27.4)	30 Jun 1997	30 Sep 1997	0.3	S
Fourth and Fifth Road Improvement Projects	PE-583	1009 LAO (SF)	21-Dec-89	39.0	44.7	42.8	48.6	13.6	01 Dec 1994	01 Jun 1996	1.5	HS
		1108 LAO (SF)	29-Oct-91	34.0	36.0	37.7	37.1	(1.6)	01 Dec 1995	01 Jun 1997	1.5	HS
Second Ports Project	PE-584	1016 IND	29-Mar-90	129.0	109.3	181.0	153.8	(15.0)	31 Mar 1995	30 Sep 1997	2.5	S
Third Health Project	PE-585	850 PAK (SF)	29-Oct-87	30.4	21.0	37.2	26.8	(28.1)	30 Mar 1993	31 Dec 1995	2.8	S
Integrated Irrigation Sector Project	PE-586	1017 INO	17-Apr-90	200.0	198.0	264.0	250.1	(5.3)	31 Mar 1995	31 Mar 1997	2.0	PS
		1018 INO (SF)									0.0	
<b>B. Program Performance Audit Reports</b>												
Agriculture Sector Program	PE-569	997 PNG (SF)	12-Dec-89	56.0	59.3				31 Dec 1991	30 Jun 1992	0.5	PS
		998 PNG	12-Dec-89	24.0	24.0				31 Dec 1991	30 Jun 1992		
Second Agriculture Program	PE-575	1127 SRI (SF)	26-Nov-91	60.0	30.1				30 Jun 1994	31 Dec 1996	2.5	PS
Financial Sector Program	PE-576	1061 LAO (SF)	06-Dec-90	25.0	24.7				30 Jun 1993	09 Sep 1992	(0.8)	PS
Agriculture Sector Program	PE-579	1406 KAZ	23-Nov-95	100.0	100.0				31 Dec 1997	31 Dec 1997	0.0	S
Forestry Sector Program	PE-587	889 PHI (SF)	28-Jun-88	60.0	58.3				31 Dec 1992	31 Dec 1993	1.0	PS
		890 PHI	28-Jun-88	60.0	60.0							
<b>C. Technical Assistance Performance Audit Reports</b>												
Selected TAs for Strengthening Evaluation Capacity in DMCs	TE-34	1967 NEP	22-Oct-93	100.0	100.0				28 Feb 1995	30 Jun 1996	1.3	PS
		2954 NEP	19-Dec-97	500.0	400.0				01 Aug 1999	01 Dec 1999	0.3	US
		1650 PHI	07-Jan-92	100.0	100.0				01 Jan 1993	26 Apr 1994	1.3	PS
		2782 PHI	16-Apr-97	300.0	200.0				31 Dec 1999	24 Nov 1999	(0.1)	PS
		1579 SRI	17-Oct-91	100.0	100.0				-	20 Aug 1992	-	HS
		2810 SRI	16-Jun-97	400.0	300.0				01 Dec 1998	01 Oct 1999	0.8	S
ADTAs for Institutional Strengthening in Transport Planning and Administration	TE-35	1866 CAM	31-Mar-93	1,300.0	1,200.0				31 Dec 1994	31 May 1995	0.4	HS
		2416 CAM	02-Oct-95	800.0	700.0				26 Nov 1998	26 Nov 1998	0.0	PS
		1996 VIE	29 Nov 93	1,900.00	1,820.00				30 Nov 1996	27 Oct 2000	3.9	S

## Profile of Operations Evaluated in 2001 (continued)

Type/Title	Report No.	Loan/TA No.	Date Approved	Loan Amount (\$million)/		Project Cost			Completion Date		Time Overrun/ (Underrun) Years	Performance	
				TA Amount (\$'000)		Expected (\$ million)	Actual (\$ million)	Overrun/ (Underrun) (%)	Expected	Actual			
				Approved	Disbursed								
Selected ADTAs to Social Sectors	TE-36	2441 SRI	10 Nov 95	350.00	330.00				12 Nov 1996	05 Jun 1997	0.6	S	
		2135 VIE	12 Aug 94	580.00	580.00				30 Apr 1996	31 Jul 1996	0.3	S	
Urban Development ADTAs to the PRC	TE-37	1784 PRC	17 Nov 92	600.00	600.00				27 Mar 1995	24 Oct 1995	0.6	US	
		2015 PRC	14 Dec 93	480.00	380.00				10 Mar 1995	23 Nov 1995	0.7	US	
		2504 PRC	22 Dec 95	100.00	100.00				01 May 1999	04 May 1999	0.0	S	
		2804 PRC	02 Jun 97	600.00	550.00				20 Dec 2000	12 Jan 2001	0.1	S	
		2893 PRC	14 Oct 97	430.00	580.00				31 Oct 1999	08 Nov 1999	0.0	S	
ADTAs to Selected Development Financial Institutions in PDMCs	TE-38	3096 PRC	11 Nov 98	150.00	150.00				01 Sep 1999	01 Dec 1999	0.2	S	
		1453 RMI	26 Dec 90	220.00	180.00				01 Mar 1992	30 May 1992	0.2	PS	
		2204 RMI	23 Nov 94	200.00	180.00				15 Sep 1996	19 Mar 1997	0.5	PS	
		2205 RMI	23 Nov 94	300.00	260.00				01 Jul 1996	01 Jun 1997	0.9	US	
		1661 PNG	15 Jan 92	580.00	500.00				30 Mar 1993	27 Sep 1994	1.5	PS	
		2446 PNG	16 Nov 95	260.00	200.00				01 Jun 1996	01 Sep 1999	3.3	US	
		1399 SAM	25 Oct 90	200.00	160.00				31 Dec 1991	01 Oct 1992	0.8	S	
<b>D. Special Evaluation Studies</b>		2989 SAM	19 Feb 98	950.00	620.00				15 Feb 2002	15 Feb 2002	0.0	S	
		2961 VAN	12 Dec 97	150.00	130.00				30 Apr 1998	01 May 1998	0.0	S	
		ADB's Crisis Management Interventions in Indonesia	SS-45	5916 INO	18-May-00								
		Selected Economic and Sector Work in ADB	SS-46	5979 REG	15-Mar-01								
		Gender and Development Program Lending	SS-47	5903 REG	09-Feb-00								
		A Review of Asian Development Fund I-V Operations	SS-48	5903 REG	09-Feb-00								
<b>E. Technical Assistance Completion Reports</b>		Privatization of Public Sector Enterprises: Lessons for DMCs	SS-49	5979 REG	15-Mar-01								
		SS-50	5916 REG	18-May-00									
<b>F. Assessing Development Impact Series</b>		Strengthening the Project Performance Management System		2954 NEP	19 Dec 97	0.50	0.31						
									30 Sep 2000	30 Sep 2000	0.0	US	
<b>G. Miscellaneous Evaluation Studies</b>		Fighting Poverty through Health Care											
		Paving the Way to Poverty Reduction through Better Roads											
		Improving Life for the Poor through Water Supply and Sanitation											
<b>G. Miscellaneous Evaluation Studies</b>		Annual Review of Evaluation Activities in 2000											
		Evaluation Highlights of 2000											

38 Appendix 1

ADB = Asian Development Bank; ADTA = advisory technical assistance; DMC = developing member country; GS = generally successful; HS = highly successful; KESC = Karachi Electricity State Corporation; PDMC = Pacific developing member countries; PS = partly successful; S = successful; TA = technical assistance; US = unsuccessful.  
Source: Asian Development Bank's internal databases.

## RATING OF PROJECTS AND PROGRAMS EVALUATED IN 2001

Table A2.1: Performance by Country Group and Country

Country Group/Country	Highly Successful		Successful		Partly Successful		Unsuccessful		All
	Number	%	Number	%	Number	%	Number	%	Number
<b>Group A (ADF only)</b>									
Lao People's Dem. Rep.	2	66.7	0	0.0	1	33.3	0	0.0	3
<b>Subtotal (A)</b>	<b>2</b>	<b>66.7</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>33.3</b>	<b>0</b>	<b>0.0</b>	<b>3</b>
<b>Group B (ADF-OCR blend)<sup>a</sup></b>									
Country Group B1									
Bangladesh	0	0.0	1	33.3	2	66.7	0	0.0	3
Pakistan	0	0.0	1	25.0	3	75.0	0	0.0	4
Sri Lanka	0	0.0	0	0.0	1	100.0	0	0.0	1
<b>Subtotal (B1)</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>25.0</b>	<b>6</b>	<b>75.0</b>	<b>0</b>	<b>0.0</b>	<b>8</b>
Country Group B2									
China, People's Rep. of	0	0.0	1	100.0	0	0.0	0	0.0	1
India	0	0.0	1	100.0	0	0.0	0	0.0	1
Indonesia	0	0.0	2	66.7	1	33.3	0	0.0	3
<b>Subtotal (B2)</b>	<b>0</b>	<b>0.0</b>	<b>4</b>	<b>80.0</b>	<b>1</b>	<b>20.0</b>	<b>0</b>	<b>0.0</b>	<b>5</b>
<b>Subtotal (B)</b>	<b>0</b>	<b>0.0</b>	<b>6</b>	<b>105.0</b>	<b>7</b>	<b>53.8</b>	<b>0</b>	<b>0.0</b>	<b>13</b>
<b>Group C (OCR only)</b>									
Kazakhstan	0	0.0	2	100.0	0	0.0	0	0.0	2
Papua New Guinea	0	0.0	0	0.0	1	100.0	0	0.0	1
Philippines	0	0.0	0	0.0	1	100.0	0	0.0	1
Thailand	1	50.0	1	50.0	0	0.0	0	0.0	2
<b>Subtotal (C)</b>	<b>1</b>	<b>16.7</b>	<b>3</b>	<b>50.0</b>	<b>2</b>	<b>33.3</b>	<b>0</b>	<b>0.0</b>	<b>6</b>
<b>Total</b>	<b>3</b>	<b>13.6</b>	<b>9</b>	<b>40.9</b>	<b>10</b>	<b>45.5</b>	<b>0</b>	<b>0.0</b>	<b>22</b>
of which:									
Projects	3	17.6	8	47.1	6	35.3	0	0.0	17
Programs	0	0.0	1	20.0	4	80.0	0	0.0	5

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

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

Source: Asian Development Bank's internal databases.

Table A2.2: Performance by Sector and Subsector

Sector/Subsector	Highly Successful		Successful		Partly Successful		Unsuccessful		All
	Number	%	Number	%	Number	%	Number	%	Number
<b>A. Agriculture and Natural Resources</b>									
Irrigation and Rural Development	0	0.0	0	0.0	1	100.0	0	0.0	1
Forestry	0	0.0	0	0.0	2	100.0	0	0.0	2
Agricultural Support Services	0	0.0	1	33.3	2	66.7	0	0.0	3
<b>Subtotal (A)</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>16.7</b>	<b>5</b>	<b>83.3</b>	<b>0</b>	<b>0.0</b>	<b>6</b>
<b>B. Energy</b>									
Electric Power	0	0.0	0	0.0	1	100.0	0	0.0	1
Natural Gas	1	100.0	0	0.0	0	0.0	0	0.0	1
<b>Subtotal (B)</b>	<b>1</b>	<b>50.0</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>50.0</b>	<b>0</b>	<b>0.0</b>	<b>2</b>
<b>C. Transport and Communications</b>									
Roads and Road Transport	2	66.7	1	33.3	0	0.0	0	0.0	3
Ports and Shipping	0	0.0	1	100.0	0	0.0	0	0.0	1
Telecommunications	0	0.0	1	100.0	0	0.0	0	0.0	1
<b>Subtotal (C)</b>	<b>2</b>	<b>40.0</b>	<b>3</b>	<b>60.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>5</b>
<b>D. Social Infrastructure</b>									
Water Supply and Sanitation	0	0.0	1	50.0	1	50.0	0	0.0	2
Education	0	0.0	2	66.7	1	33.3	0	0.0	3
Urban Development and Housing	0	0.0	0	0.0	1	100.0	0	0.0	1
Health and Population	0	0.0	1	100.0	0	0.0	0	0.0	1
<b>Subtotal (D)</b>	<b>0</b>	<b>0.0</b>	<b>4</b>	<b>57.1</b>	<b>3</b>	<b>42.9</b>	<b>0</b>	<b>0.0</b>	<b>7</b>
<b>E. Finance</b>									
Capital Market Development	0	0.0	0	0.0	1	100.0	0	0.0	1
<b>Subtotal (E)</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>1</b>
<b>F. Multisector/Others</b>									
Multisector	0	0.0	1	100.0		0.0	0	0.0	1
<b>Subtotal (F)</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>1</b>
<b>Total</b>	<b>3</b>	<b>13.6</b>	<b>9</b>	<b>40.9</b>	<b>10</b>	<b>45.5</b>	<b>0</b>	<b>0.0</b>	<b>22</b>

Source: Asian Development Bank's internal databases.

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

Country Group and Sector	No. of Projects Evaluated	Highly Successful		Successful		Partly Successful		Unsuccessful		Total Amount (\$ million)
		Amount (\$ million)	%	Amount (\$ million)	%	Amount (\$ million)	%	Amount (\$ million)	%	
<b>Group A</b>	<b>3</b>	<b>85.7</b>	<b>77.6</b>	<b>0.0</b>	<b>0.0</b>	<b>24.7</b>	<b>22.4</b>	<b>0.0</b>	<b>0.0</b>	<b>110.4</b>
Finance	1	0.0	0.0	0.0	0.0	24.7	100.0	0.0	0.0	24.7
Transport and Communications	2	85.7	100.0	0.0	0.0	0.0	0.0	0.0	0.0	85.7
<b>Group B1</b>	<b>8</b>	<b>0.0</b>	<b>0.0</b>	<b>43.7</b>	<b>1.2</b>	<b>3,715.7</b>	<b>98.8</b>	<b>0.0</b>	<b>0.0</b>	<b>3,759.4</b>
Agriculture	2	0.0	0.0	0.0	0.0	76.8	100.0	0.0	0.0	76.8
Energy	1	0.0	0.0	0.0	0.0	277.4	100.0	0.0	0.0	277.4
Social Infrastructure	5	0.0	0.0	43.7	1.3	3,361.5	98.7	0.0	0.0	3,405.2
<b>Group B2</b>	<b>5</b>	<b>–</b>	<b>0.0</b>	<b>602.1</b>	<b>70.7</b>	<b>250.1</b>	<b>29.3</b>	<b>0.0</b>	<b>0.0</b>	<b>852.2</b>
Agriculture	1	0.0	0.0	0.0	0.0	250.1	100.0	0.0	0.0	250.1
Social Infrastructure	2	0.0	0.0	139.1	100.0	0.0	0.0	0.0	0.0	139.1
Transport and Communications	2	0.0	0.0	463.0	100.0	0.0	0.0	0.0	0.0	463.0
<b>Group C</b>	<b>6</b>	<b>482.3</b>	<b>42.9</b>	<b>319.9</b>	<b>28.5</b>	<b>321.6</b>	<b>28.6</b>	<b>0</b>	<b>0.0</b>	<b>1,123.8</b>
Agriculture	3	0.0	0.0	100.0	23.7	321.6	76.3	0.0	0.0	421.6
Energy	1	482.3	100.0	-	0.0	0.0	0.0	0.0	0.0	482.3
Transport and Communications	1	0.0	0.0	160.3	100.0	0.0	0.0	0.0	0.0	160.3
Multisector	1	0.0	0.0	59.6	100.0	0.0	0.0	0.0	0.0	59.6
<b>All DMCs</b>	<b>22</b>	<b>568.0</b>	<b>9.7</b>	<b>965.7</b>	<b>16.5</b>	<b>4,312.1</b>	<b>73.8</b>	<b>0.0</b>	<b>0.0</b>	<b>5,845.8</b>
Agriculture	6	0.0	0.0	100.0	13.4	648.5	86.6	0.0	0.0	748.5
Energy	2	482.3	63.5	0.0	0.0	277.4	36.5	0.0	0.0	759.7
Finance	1	0.0	0.0	0.0	0.0	24.7	100.0	0.0	0.0	24.7
Social Infrastructure	7	0.0	0.0	182.8	5.2	3361.5	94.8	0.0	0.0	3,544.3
Transport and Communications	5	85.7	12.1	623.3	87.9	0.0	0.0	0.0	0.0	709.0
Multisector	1	0.0	0.0	59.6	100.0	0.0	0.0	0.0	0.0	59.6

DMC = developing member country.

Source: Asian Development Bank's internal databases.

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

Country Group/Sector	No. of Projects Evaluated	Highly Successful		Successful		Partly Successful		Unsuccessful		Total Amount (\$ million)
		Amount (\$ million)	%	Amount (\$ million)	%	Amount (\$ million)	%	Amount (\$ million)	%	
<b>Group A</b>	<b>3</b>	<b>80.7</b>	<b>76.6</b>	<b>0.0</b>	<b>0.0</b>	<b>24.7</b>	<b>23.4</b>	<b>0.0</b>	<b>0.0</b>	<b>105.4</b>
Finance	1	0.0	0.0	0.0	0.0	24.7	100.0	0.0	0.0	24.7
Transport and Communications	2	80.7	100.0	0.0	0.0	0.0	0.0	0.0	0.0	80.7
<b>Group B1</b>	<b>8</b>	<b>0.0</b>	<b>0.0</b>	<b>31.4</b>	<b>7.7</b>	<b>374.9</b>	<b>92.3</b>	<b>0.0</b>	<b>0.0</b>	<b>406.3</b>
Agriculture	2	0.0	0.0	0.0	0.0	71.0	100.0	0.0	0.0	71.0
Energy	1	0.0	0.0	0.0	0.0	98.4	100.0	0.0	0.0	98.4
Social Infrastructure	5	0.0	0.0	31.4	13.3	205.5	86.7	0.0	0.0	236.9
<b>Group B2</b>	<b>5</b>	<b>0.0</b>	<b>0.0</b>	<b>365.4</b>	<b>64.9</b>	<b>198.0</b>	<b>35.1</b>	<b>0.0</b>	<b>0.0</b>	<b>563.4</b>
Agriculture	1	0.0	0.0	0.0	0.0	198.0	100.0	0.0	0.0	198.0
Social Infrastructure	2	0.0	0.0	114.6	100.0	0.0	0.0	0.0	0.0	114.6
Transport and Communications	2	0.0	0.0	250.8	100.0	0.0	0.0	0.0	0.0	250.8
<b>Group C</b>	<b>6</b>	<b>70.4</b>	<b>14.7</b>	<b>205.5</b>	<b>43.0</b>	<b>201.6</b>	<b>42.2</b>	<b>0.0</b>	<b>0.0</b>	<b>477.5</b>
Agriculture	3	0.0	0.0	100.0	33.2	201.6	66.8	0.0	0.0	301.6
Energy	1	70.4	100.0	0.0	0.0	0.0	0.0	0.0	0.0	70.4
Transport and Communications	1	0.0	0.0	46.6	100.0	0.0	0.0	0.0	0.0	46.6
Multisector	1	0.0	0.0	58.9	100.0	0.0	0.0	0.0	0.0	58.9
<b>All DMCs</b>	<b>22</b>	<b>151.1</b>	<b>9.7</b>	<b>602.3</b>	<b>38.8</b>	<b>799.2</b>	<b>51.5</b>	<b>0.0</b>	<b>0.0</b>	<b>1,552.6</b>
Agriculture	6	0.0	0.0	100.0	17.5	470.6	82.5	0.0	0.0	570.6
Energy	2	70.4	41.7	0.0	0.0	98.4	58.3	0.0	0.0	168.8
Finance	1	0.0	0.0	0.0	0.0	24.7	100.0	0.0	0.0	24.7
Social Infrastructure	7	0.0	0.0	146	41.5	205.5	58.5	0.0	0.0	351.5
Transport and Communications	5	80.7	21.3	297.4	78.7	0.0	0.0	0.0	0.0	378.1
Multisector	1	0.0	0.0	58.9	100.0	0.0	0.0	0.0	0.0	58.9

42 Appendix 2

DMC = developing member country.

Source: Asian Development Bank's internal databases.

## AVERAGE IMPLEMENTATION PERIOD OF PROJECTS EVALUATED IN 2001

Table A3.1: By Country Group and Country

Country Group and Country	Number of Projects	Average Implementation Period (Years)		Average Delay
		Estimate	Actual	
<b>Group A</b>	<b>2</b>	<b>4.2</b>	<b>5.7</b>	<b>1.5</b>
Lao, People's Democratic Rep. of	2	4.2	5.7	1.5
<b>Group B1</b>	<b>7</b>	<b>4.0</b>	<b>6.6</b>	<b>2.6</b>
Bangladesh	3	4.6	6.6	2.0
Pakistan	4	3.7	6.7	3.0
<b>Group B2</b>	<b>5</b>	<b>4.4</b>	<b>5.5</b>	<b>1.3</b>
China, People's Rep. of	1	3.4	2.3	0.0
India	1	4.4	6.9	2.5
Indonesia	3	4.8	6.1	1.3
<b>Group C</b>	<b>3</b>	<b>2.4</b>	<b>3.5</b>	<b>1.1</b>
Kazakhstan	1	1.3	3.2	1.9
Thailand	2	2.9	3.7	0.8
<b>Total/Average</b>	<b>17</b>	<b>3.9</b>	<b>5.6</b>	<b>1.7</b>

Source: Asian Development Bank's internal databases.

Table A3.2: By Sector and Subsector

Sector and Subsector	Number of Projects	Average Implementation Period (Years)		Average Delay (Years)
		Estimate	Actual	
<b>Agriculture and Natural Resources</b>	<b>2</b>	<b>4.7</b>	<b>6.4</b>	<b>1.8</b>
Irrigation and Rural Development	1	4.5	6.5	2.0
Forestry	1	4.8	6.3	1.5
<b>Energy</b>	<b>2</b>	<b>2.8</b>	<b>5.8</b>	<b>3.0</b>
Electric Power	1	2.8	8.8	6.0
Natural Gas	1	2.8	2.8	0.0
<b>Transport and Communications</b>	<b>5</b>	<b>3.9</b>	<b>5.0</b>	<b>1.2</b>
Roads and Road Transport	3	3.9	4.6	0.6
Ports and Shipping	1	4.4	6.9	2.5
Telecommunications	1	3.0	4.5	1.5
<b>Social Infrastructure</b>	<b>7</b>	<b>4.4</b>	<b>6.1</b>	<b>1.7</b>
Water Supply and Sanitation	2	3.9	6.4	2.4
Education	3	4.4	5.1	0.7
Urban Development and Housing	1	4.6	7.1	2.5
Health and Population	1	4.9	7.7	2.8
<b>Multisector/Others</b>	<b>1</b>	<b>1.3</b>	<b>3.2</b>	<b>1.9</b>
Multisector	1	1.3	3.2	1.9
<b>Total/Average</b>	<b>32</b>	<b>3.9</b>	<b>5.6</b>	<b>1.7</b>

Source: Asian Development Bank's internal databases.

**AVERAGE COST UNDERRUN AND OVERRUN OF PROJECTS  
EVALUATED IN 2001**

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

<b>Country Group and Country</b>	<b>Projects with Cost Underrun</b>		<b>Projects with Cost Overrun</b>	
	<b>Number</b>	<b>Average (%)</b>	<b>Number</b>	<b>Average (%)</b>
<b>Group A (ADF only)</b>	<b>1</b>	<b>(1.6)</b>	<b>1</b>	<b>13.6</b>
Lao, People's Dem. Rep. of	1	(1.6)	1	13.6
<b>Group B1 (ADF-OCR blend)</b>	<b>7</b>	<b>(17.6)</b>	<b>0</b>	<b>0.0</b>
Bangladesh	3	(13.0)	0	0.0
Pakistan	4	(21.0)	0	0.0
<b>Group B2 (ADF-OCR blend)</b>	<b>4</b>	<b>(13.5)</b>	<b>1</b>	<b>0.5</b>
China, People's Rep. of	1	(6.3)	0	0.0
India	1	(15.0)	0	0.0
Indonesia	2	(16.3)	1	0.5
<b>Group C (OCR only)</b>	<b>3</b>	<b>(28.6)</b>	<b>0</b>	<b>0.0</b>
Kazakhstan	1	(0.7)	0	0.0
Thailand	2	(42.6)	0	0.0
<b>Total/Average</b>	<b>15</b>	<b>(17.6)</b>	<b>2</b>	<b>7.1</b>

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

Source: Asian Development Bank's internal databases.

Table A4.2: By Sector and Subsector

Sector and Subsector	Projects with Cost Underrun		Projects with Cost Overrun	
	Number	Average (%)	Number	Average (%)
<b>Agriculture and Natural Resources</b>	<b>2</b>	<b>(6.2)</b>	<b>0</b>	<b>0.0</b>
Irrigation and Rural Development	1	(5.3)	0	0.0
Forestry	1	(7.1)	0	0.0
<b>Energy</b>	<b>2</b>	<b>(28.5)</b>	<b>0</b>	<b>0.0</b>
Electric Power	1	(28.8)	0	0.0
Natural Gas	1	(28.1)	0	0.0
<b>Transport and Communications</b>	<b>4</b>	<b>(20.0)</b>	<b>1</b>	<b>13.6</b>
Roads and Road Transport	2	(3.9)	1	13.6
Ports and Shipping	1	(15.0)	0	0.0
Telecommunications	1	(57.1)	0	0.0
<b>Social Infrastructure</b>	<b>6</b>	<b>(19.1)</b>	<b>1</b>	<b>0.5</b>
Water Supply and Sanitation	1	(7.7)	1	0.5
Education	3	(19.8)	0	0.0
Urban Development and Housing	1	(19.3)	0	0.0
Health and Population	1	(28.1)	0	0.0
<b>Multisector/Others</b>	<b>1</b>	<b>(0.7)</b>	<b>0</b>	<b>0.0</b>
Multisector	1	(0.7)	0	0.0
<b>Total/Average</b>	<b>28</b>	<b>(17.6)</b>	<b>4</b>	<b>7.1</b>

Source: Asian Development Bank's internal databases.

## TRANCHING AND CONDITIONS OF PROGRAMS EVALUATED IN 2001

	Agriculture Sector Program Papua New Guinea	Second Agriculture Sector Program Sri Lanka	Financial Sector Program Lao PDR	Agriculture Sector Program Kazakhstan	Forestry Sector Program Philippines
Number of Tranches	2	2	2	2	2
Planned Period	12	27	27	13	25
Actual Period (months)	24	58	20	19	25
Delay (months)	12	31	-7	6	0
<b>Number of Conditions</b>					
First Tranche	11	5	0	7	0
Second Tranche	7	19	13	8	26
<b>Total Program</b>	<b>25</b>	<b>53</b>	<b>25</b>	<b>42</b>	<b>26</b>
<b>Conditions Met</b>					
First Tranche (Fully)	10	5	0	7	0
(Partly)	0	0	0	0	0
Second Tranche (Fully)	5	12	7	8	25
(Partly)	2	2	1	0	0
<b>Total Program (Fully)</b>	<b>22</b>	<b>38</b>	<b>9</b>	<b>39</b>	<b>25</b>
<b>(Partly)</b>	<b>2</b>	<b>8</b>	<b>13</b>	<b>3</b>	<b>0</b>
Not Met	1	7	3	0	1
Waived	0	0	0	0	0
Rating	PS	PS	PS	S	PS

Lao PDR = Lao People's Democratic Republic; PS = partly successful; S = successful.

**2000 EVALUATION REPORTS FOR ASSESSMENT  
OF FOLLOW-UP ACTIONS**

1. PPA: SRI 19190: *Second Road Improvement Project*, June 2000.
2. PPA: BAN 23441: *Second Industrial Program*, July 2000.
3. PPA: INO 15059: *Marine Sciences Education Project*, July 2000.
4. PPA: IND 22139: *Telecommunications Project*, June 2001.
5. PPA: PAK 21124: *Primary Education (Girls) Sector Project*, September 2000.
6. PPA: PAK 22272: *Agriculture Program*, October 2000.
7. PPA: INO 27078: *Flores Emergency Reconstruction Project*, October 2000.
8. PPA: PRC 23032 and PPA: PRC 24335: *Shenyang-Benxi Highway and Jilin Expressway Projects*, October 2000.
9. PPA: MLD 24342: *Second Male Port Project*, October 2000.
10. PPA: BAN 23152: *Primary Education Sector Project*, November 2000.
11. PPA: INO 22264; PPA: INO 23212; PPA: INO 20104: *Secondary Cities Urban Development (Sector) Project*, November 2000.
12. PPA: NEP 22268: *Forestry Sector Program*, December 2000.
13. PPA: PHI 16070: *Sorsogon Integrated Area Development Project*, December 2000.
14. PPA: NEP 24003: *Tourism Infrastructure Development Project*, December 2000.
15. PPA: MLD 24009: *Second Power System Development Project*, December 2000.
16. PPA: PRC 21197: *Shanghai Investment and Trust Corporation Project*, December 2000.
17. PPA: LAO 24104: *Southern Provincial Towns Water Supply Project*, December 2000.
18. PPA: MON 25359: *Industrial Sector Program*, December 2000.
19. PPA: SRI 19025: *Kirindi Oya Irrigation and Settlement Project*, December 2000.
20. PPA: CAM 25347: *Special Rehabilitation Assistance Project*, December 2000.
21. TPA: MON 2001-01: *Selected Technical Assistance in the Environment Sector in Mongolia*, January 2001

22. TPA: BAN 2000-02: *Technical Assistance Performance Audit Report on Railway Technical Assistance in Bangladesh*, January 2001.
23. TPA: IND 2000-21; TPA: PRC 2000-21; TPA: STU 2000-21: *Technical Assistance Performance Audit Report on Selected Technical Assistance in Road Safety*, January 2001.
24. IES: BAN 15003: *Health and Family Planning Services Project*, March 2000.
25. IES: NEP 2000-18: *Impact Evaluation Study of the Asian Development Bank Assistance to the Roads Sector in Nepal*, December 2000.
26. IES: REG 2001-04: *Impact Evaluation Study on ADB's Rural Credit Assistance in Bangladesh, People's Republic of China, Indonesia, Nepal, Philippines, Sri Lanka, and Thailand*, January 2001.
27. SST: OTH 2000-08: *Special Evaluation Study on the Policy Impact of Involuntary Resettlement*, September 2000.
28. SST: STU 2000-17: *Special Evaluation Study on the Policy Implementation and Impact of Agriculture and Natural Resources Research (ANRR)*, December 2000.
29. SST: OTH 2000-07: *Special Evaluation Study on Participatory Development Processes in Selected Asian Development Bank Projects in Agriculture, Natural Resources, and Social Infrastructure Sectors*, December 2000.
30. SST: STU 2001-02: *Special Evaluation Study on Sustainability of Policy Reforms Through Selected Advisory Technical Assistance*, January 2001.

## ANALYSIS OF FOLLOW-UP ACTIONS

**Table A7.1: Categories of Actions**

### **Types of Actions:**

#### **Addressed to Developing Member Countries**

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

#### **Addressed to Asian Development Bank**

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

### **Status of Implementation:**

#### **Actions Addressed to Developing Member Countries**

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

#### **Actions Addressed to Asian Development Bank**

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

**Table A7.2 : Types of Follow-up Actions**

Type	PPAR/TPAR/RES	IES/SES
1	54	0
2	10	0
3	4	0
4	42	8
5	10	25
<b>Total</b>	<b>120</b>	<b>33</b>

IES = impact evaluation study, PPAR = project performance audit report, RES = reevaluation study, SES = special evaluation study, TPAR = technical assistance performance audit report.  
Source: Operations Evaluation Department.

**Table A7.3: Status of Implementation**

Category	PPAR/TPAR/RES	IES/SES
A1	13	0
A2	15	0
B1	2	0
B2	34	0
B3	2	0
C1	30	26
C2	15	12
D1	3	5
D2	10	1
D3	3	2
<b>Total</b>	<b>127</b>	<b>46</b>

IES = impact evaluation study, PPAR = project performance audit report, RES = reevaluation study, SES = special evaluation study, TPAR = technical assistance performance audit report.  
Source: Operations Evaluation Department.