

**ASIAN DEVELOPMENT BANK  
Independent Evaluation Department**

**SPECIAL EVALUATION STUDY**

**ON THE**

**ASIAN DEVELOPMENT FUND OPERATIONS:  
A DECADE OF SUPPORTING POVERTY REDUCTION  
IN ASIA AND THE PACIFIC REGION**

In this electronic file, the report is followed by Management's response, and the Board of Directors' Development Effectiveness Committee (DEC) Chair's summary of a discussion of the report by DEC.





## Evaluation Study

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# The Asian Development Fund Operations: A Decade of Supporting Poverty Reduction in the Asia and Pacific Region

Independent Evaluation Department

Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ANR	–	agriculture and natural resources
CAPE	–	country assistance program evaluation
CPR	–	country portfolio review
CPS	–	country partnership strategy
DFID	–	Department for International Development
DMC	–	developing member country
EIRR	–	economic internal rate of return
FCAS	–	fragile and conflict-affected situation
GACAP	–	Governance and Anticorruption Action Plan
GAD	–	gender and development
GHG	–	greenhouse gas
GMS	–	Greater Mekong Subregion
HSP	–	health and social protection
ICT	–	information and communication technology
IDA	–	International Development Association
IED	–	Independent Evaluation Department
Lao PDR	–	Lao People's Democratic Republic
MDG	–	Millennium Development Goal
MfDR	–	Managing for Development Results
NGO	–	nongovernment organization
O&M	–	operation and maintenance
OCR	–	ordinary capital resources
OECD	–	Organisation for Economic Co-operation and Development
PBA	–	performance-based allocation
PCR	–	project completion report
PPP	–	public–private partnership
PSD	–	private sector development
PSDS	–	Private Sector Development Strategy
PSM	–	public sector management
PVR	–	project/program completion report validation report
RCI	–	regional cooperation and integration
RSDD	–	Regional and Sustainable Development Department
SDR	–	special drawing rights
SES	–	special evaluation study
SME	–	small and medium-sized enterprises
SPD	–	Strategy and Policy Department
SWAp	–	sector-wide approach
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund
WMIS	–	water and other municipal infrastructure and services
WSS	–	water supply and sanitation

## NOTE

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

### Key Words

adb, adf, aid effectiveness, aid harmonization, asian development bank, asian development fund, concessional lending, country performance assessment, development effectiveness, evaluation, poverty reduction, special evaluation study

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- A. Country Presentations

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## **EXECUTIVE SUMMARY**

### **Development Context**

The past decade was marked by strong economic growth and a reduction in income poverty in the developing world, particularly in Asia and the Pacific. However, while income poverty rates have come down substantially, absolute numbers of poor have far less due to population growth. In some countries eligible for Asian Development Fund (ADF) support (i.e., Lao People's Democratic Republic, Nepal, Papua New Guinea, Timor-Leste), the numbers of extreme and vulnerable poor have actually been increasing. More than 300 million people in ADF countries still live on less than \$2 a day.

Moreover, there has been insufficient progress with regard to human development and non-income Millennium Development Goals (MDGs) targets, especially primary education completion, access to water and sanitation and child mortality. Meanwhile, growing inequities and environmental degradation present severe challenges to the sustainability of progress. ADF countries and others are facing the growing impact of the worldwide financial and economic stress, while climate change and related natural disasters threaten lives, livelihoods and well-being.

The ADF seeks to promote economic and social development in poorer developing member countries (DMCs) of the Asian Development Bank (ADB). From 2001–2010 alone, ADB approved \$20 billion in ADF loans and grants for 29 countries. The largest recipients were Bangladesh, Viet Nam, Pakistan, Afghanistan, and Nepal, in that order, accounting for 64% of loan and grant approvals, although less populated, smaller, and Pacific countries received a higher level of per capita ADF resource allocation regardless of their relative levels of human development. The continuing and tough challenges that ADF countries are expected to face will require both the availability of additional resources and, equally, their more effective utilization for greater development effectiveness. In these circumstances, ADB's engagement in the ADF countries remains crucial. The pressure on achieving stronger outcomes from any volume of resources is augmented by the tougher global environment for development going forward. For stronger results, that involvement will need to be two-fold: help meet the need for resources; and at the same time, help achieve better outcomes from the use of the resources.

This special evaluation study (SES) reviews the development effectiveness of ADF operations approved during ADF VIII and ADF IX (2001–2008) and reports on progress in the first 2 years of implementing ADF X (2009–2010). It focuses on the development effectiveness of ADF-financed operations. The Independent Evaluation Department (IED) is preparing a separate SES on Managing for Development Results (MfDR) covering ADB's results orientation. This study draws on findings from country assistance program evaluations (CAPEs) and sector assistance program evaluations in 12 ADF countries, completion reports for projects approved during ADF VIII–X, project case studies in five countries, and feedback obtained from senior DMC officials during a consultation workshop. It identifies key issues, and offers recommendations for strengthening ADF operations in DMCs.

### **Development Effectiveness of ADF Support**

Seventeen of the 31 ADF-eligible countries had average annual gross domestic product growth in excess of 5% during the review period, the most notable exceptions among larger countries being Kyrgyz Republic, Nepal, and Pakistan, all countries affected by significant political instability. In the majority of ADF countries, relatively high economic growth rates have

also translated into a reduction of income poverty rates, although the impact of economic growth on poverty levels has been reduced by persisting or increasing inequality between rich and poor, and urban and rural populations. Better development outcomes are closely linked not only to the pace of growth but, crucially, also to improvements in its inclusiveness and its social and environmental sustainability.

Even though attribution is difficult to establish given that ADF financed only a small share of recipient countries' investment expenditures, ADF has likely contributed to economic growth by helping countries (i) improve connectivity through transport investments; (ii) increase the level and reliability of power supplies; (iii) develop legal, regulatory and institutional frameworks for finance and commerce; and (iv) increase agricultural production. To a far lesser extent, ADF also sought to support efforts to make growth more inclusive and promote social development through measures to enhance access of smaller enterprises to resources and investments in rural and social infrastructure, albeit on a somewhat smaller scale than its support for core infrastructure investments. In a number of ADF countries, this seems to have helped to expand and improve urban and social services, increase rural connectivity and electrification levels, and enhance economic participation levels.

Seven out of 12 recent CAPEs assessed the development effectiveness of ADF operations to be satisfactory. While countries affected by political instability had lower performance ratings, such ratings were also linked to lack of sector or geographical focus; lack of rigorous analysis of development problems; unaddressed government capacity weaknesses, particularly in countries implementing fiscal decentralization and the devolution of public services to local government levels; insufficient project implementation support and suboptimal use of resident missions; systemic sustainability problems affecting physical and social infrastructure; and governance weaknesses and the lack of sustained reform commitment due to government changes.

An analysis of CAPEs and sector assistance program evaluations shows that physical infrastructure investments (particularly in energy and transport) were relatively effective in achieving envisaged development outputs and outcomes, but not the support related to capacity development and institutional or policy reforms. However, unless issues affecting the utilization and maintenance of assets or demand for services had been effectively addressed, infrastructure investments did not generate or sustain optimal economic benefits.

Evaluation findings suggest that for stronger outcomes, not only are the results of individual projects and their sustainability important but vitally also their connectivity within and across sectors—with each other and with reforms in policies, administration and governance. Potential socioeconomic benefits of new or improved rural roads were not fully realized in the absence of efforts to enhance rural income opportunities, and improvements in education and health facilities. Financed irrigation systems did not always translate into land improvements or increases in agricultural productivity in the absence of adequate extension services, marketing support, or value chains. Some rural water supply schemes did not result in expected increases in household connections due to affordability issues and lack of appreciation of potential benefits. Although interventions in the education sector substantially delivered most envisaged outputs in terms of classrooms built or upgraded, teachers trained, and institutional measures, in a number of cases, these did not translate into expected school enrollment rates or student performance due to a lack of effective measures to attract and retain teachers, improve the quality of teaching, enable poor children to attend schools, or maintain facilities.

The corporate success rate of ADF projects remains low at 66%. The figure is strongly influenced by Pakistan projects with a success rate of only 19%. Excluding Pakistan, the success rate of ADF projects rises to 80%, an improvement over the rates achieved by ADF projects approved prior to 2001. ADF investment projects have performed somewhat better than ADF program loans (69% vs. 63%), which confirms above CAPE findings, although differences in performance have narrowed.

## **Pressing Themes**

The performance of ADF operations improved with respect to key operational ADF commitments. Aid coordination and harmonization have improved between ADB and its partners as well as with DMCs. ADB has met Paris Declaration targets for alignment, technical assistance (TA), use of public financial management systems, reduction of parallel project implementation units, and coordination of missions with other development partners. It has also made progress in meeting its commitments under the Accra Agreement.

The approach to fragile and conflict-affected situations (FCASs) through the ADF in concert with other development partners has been timely and effective in addressing their needs flexibly through a differentiated approach based on country contexts and capacity development support requirements.

Promoting good governance in its DMCs remains a challenge. ADB is currently reviewing its governance agenda of the past 15 years to identify key areas for improvement. The performance of public sector management operations, which account for a significant share of ADF projects with governance objectives, is not satisfactory with a success rate of 54%.

ADB is on track for meeting ADF targets for gender mainstreaming and private sector development. A special IED evaluation found that there is a need to review the gender classification of projects during implementation. Stronger efforts are needed to ensure results through better monitoring and strengthening of related DMC capacity. The study also highlighted the difficulties associated with mainstreaming gender objectives in infrastructure operation and the need for sector-based gender assessments and strategies. The effectiveness of support for strengthening the enabling environment for private sector operations is being assessed under an ongoing IED study.

Work is ongoing on several environmental initiatives related to climate change, clean air in Asian cities, energy efficiency, sustainable transport, and the nexus between environment and poverty. These have contributed to an increase in the share of projects with environmental sustainability objectives from 8% in ADF VIII to 34% in ADF X. As these initiatives are fairly new, it is too early to assess their results, but in view of the growing difficulties in this area, their effectiveness will be vital to the development prospects of the region.

Four major regional cooperation and integration strategies and programs (the Greater Mekong Subregional Economic Cooperation Program, Central Asia Regional Economic Cooperation, South Asia Subregional Cooperation, and Pacific Approach) were initiated. The appearance of regional cooperation and integration as a theme has increased from 7% in ADF VIII to 31% in ADF X. The difference in the outcomes achieved with regional programs in the Greater Mekong Subregion and South Asia indicates that success of regional programs is largely dependent on the level of interest of participating countries and their incentives for cooperation.

## **New Challenges**

A poverty-free Asia and Pacific region remains unfinished business for ADB and its development partners, and new challenges have emerged that exert additional pressure on ADF's resources over the coming decade. Examples of such challenges are lack of food security and soaring food prices; increasing competition for natural resources; adverse impact of climate change and increased vulnerability to natural disasters; environmental fragility; rapid urbanization and its implications for water, sanitation, and waste management services; and macroeconomic volatility. ADB, together with its development partners, will need to respond with far greater effectiveness to address these challenges.

Importantly, income inequality is increasing in 9 out of 16 ADF countries for which data are available. Also, progress towards other (non-income) MDG targets in several ADF countries has been inadequate. Comparatively limited ADF support was provided to enhance access to health, education, and water supply and sanitation. While the share of energy and transport sector operations in total ADF approvals almost doubled from 22% during ADF VIII to 40% during ADF X, the share of approvals for education, a core area under Strategy 2020, declined from 15% to 5%. The share of water and sanitation projects, another Strategy 2020 operational priority, increased only marginally from 11% to 12% during the period, as did the share of health and social protection sector approvals (3% to 4%). These trends, together with low or reduced levels of investment in rural infrastructure (electrification, roads, water supply and sanitation) and rural environment, suggest that ADF must contribute more to the achievement of non-income MDGs and the reduction of growing inequalities.

## **Financing Needs**

The growing vulnerability of ADF countries to external shocks, climate change, and natural disasters, signal the need for adequate resources as well as their effective use. In recent replenishment periods, the availability of ADF resources has increased due to growing reflows, which in ADF X has accounted for 59% of ADF resources. The donors' contributions have increased only marginally in real terms since ADF VI. In spite of the growing reflows, net resource flows remained positive for most recipient countries throughout the review period, except for Pacific DMCs in recent years. However, the increasing use of ADF grants rather than loans may cause a gradual depletion of ADF's capital after 2013 in the absence of growing donor contributions. The grant mechanism that was introduced in 2005 has accounted for a relatively higher share of ADF approvals in ADF X (30%) compared with ADF IX (22%).

The global economic and financial crisis of 2008–2009 severely affected nearly two-thirds of DMCs, and a majority of these were ADF countries. There is no established mechanism to support responses to economic crises in ADF countries. ADB responded to the 2008–2009 financial crisis with an allocation out of the ADF commitment authority of \$400 million to help the most fiscally stretched ADF-only countries. In addition, front-loading of up to 100% of their biennial allocation for 2009–2010 to support ADF-only eligible borrowers in facing the global economic crisis provided additional relief. However, countries most affected by the crisis received relatively less additional resources, in part due to the inflexibility in the performance-based allocation of the ADF.

There is also need for additional TA resources at the country level. ADF X has an earmarked allocation for TA activities (TA Special Fund IV), and 49% of this allocation has been used for funding regional TA. Meanwhile, TA resources from all sources available for country-level TA, particularly for project preparation, have been declining in relation to lending volumes,

which may have adverse impact during implementation and ultimately negative impact on project success.

### **Stronger Actions**

Efforts must be made to improve and sustain project and country-level performance. The reasons for underperformance of ADF operations in certain countries and sectors (particularly finance and public sector management) need to be further investigated and addressed.

Pakistan was one of the five largest ADF clients, receiving approval for 15% of ADF loans and grants during the period under review. While the success rates for Pakistan projects approved during ADF VI–VII were already lower than the portfolio performance average of 72% for that period, substantial increases in lending to the country during ADF VIII–IX possibly compounded existing capacity problems in an increasingly challenging macroeconomic and political environment. Management is undertaking steps to improve the portfolio performance. In addition, identifying the fundamental causes of project failure would enable lessons to be drawn for operations that are forthcoming. IED plans to do a CAPE for Pakistan in 2013 to feed into the next country partnership strategy.

Only 63% of completed ADF projects were assessed as *effective* or *highly effective*, 57% *efficient* or *highly efficient*, and 61% *likely* or *most likely sustainable*.

Forty-two percent of completed program loans that had been approved from 2001–2010 were not effective. Although more than 90% of program policy conditions were technically met, many of them failed to produce adequate levels of meaningful outputs or outcomes, as they failed to address binding constraints to sector development. Lack of wider political support for substantial policy reforms rather than inadequate problem analysis was responsible for the selection of ineffective policy actions under program loans. Also, the focus of ADB's policy dialogue during program design and implementation was on policy conditions rather than outcomes. Thirty-one percent of the reviewed project loans were not effective. Of these, almost all had problems achieving most of their envisaged project outputs. The reasons for this included lack of stakeholder support, design and construction issues, lack of counterpart funds and weak implementation capacity, changes in external conditions, and the cancellation of project components due to cost overruns. Identified effectiveness issues need to be addressed through better project design and proactive project implementation support, both of which require adequate staff and consultant resources. Particular emphasis needs to be on advocacy work and the development of a range of project design/policy options based on which consensus of stakeholders can be built for the best approach.

Many projects suffered from process efficiency issues. ADB introduced a number of measures during the review period to improve project administration, which significantly reduced project implementation delays for ongoing loans.

The sustainability of ADF-supported investment and policy reform outcomes in DMCs remains a challenge. For project loans, sustainability issues were generally related to weak institutional capacity of relevant government agencies, inadequate budget provisions or self-financing mechanisms for the operation and maintenance of infrastructure assets including insufficient cost recovery in revenue-generating projects, and limited local ownership of ADB operations. For program loans, sustainability issues were associated mainly with insufficient political reform commitment due to government changes, vested interests, or lack of wider support. ADB needs to improve the sustainability of its operations through more effective policy

analysis and stakeholder consultations, systemic policy dialogue on adequate budget provisions or self-financing mechanisms for the operation and maintenance of infrastructure, more attention to sustainability and their mitigation during project preparation and implementation, postcompletion monitoring of selected projects, as well as support for developing related institutional capacity at the central and local government levels.

Weak institutional capacity is a threat to project effectiveness and sustainability. Past support for capacity development has not always achieved envisaged levels of institutional capability or change. Capacity constraints are particularly severe at subnational levels. Country-level evaluations have found that ADB did not systematically assess institutional capacity and capacity constraints, or use a capacity development strategy to guide its assistance. The majority of capacity development efforts involved the provision of one-off TA rather than holistic approaches addressing the institutional context determining effectiveness including the sector policy environment, legal or regulatory powers, financial resources, and staff incentives. CAPEs confirm the findings of an IED evaluation of the effectiveness of ADB's capacity development assistance, which concluded that the following features enhance the success of capacity development: (i) basing capacity development strategies on comprehensive and adequate capacity assessments, (ii) using results-based approaches to implementing capacity development, (iii) having long-term engagement, (iv) encouraging participatory approaches to enhance government ownership, and (v) cooperating with other development partners for preparing capacity development programs. Apart from strengthening technical capabilities, capacity development should also cover organizational and contextual issues.

## Recommendations

These evaluation findings provide the rationale for five sets of actions that could help both the mobilization of adequate financing and, at the same time, greater effectiveness in their use. They concern both aggregate-level issues and project-specific ones that can go in tandem with more financing.

- **Seek additional funding for ADF operations, particularly for ADF-only countries, to further reduce poverty (income and non-income) and enable them to better cope with vulnerabilities.** Additional ADF resources would help ADF countries reduce comparatively higher poverty levels and vulnerability to natural disasters by alleviating their limited options for external financing of development projects and programs. A special crisis facility would help ADB respond more flexibly and substantially to the needs of poorer and smaller crisis-affected countries (para. 212).
- **Increase education, rural infrastructure, water and sanitation, and environment operations to help achieve related MDG targets.** Further attention needs to be given to sectors that cater to non-income MDGs and promote economic development in rural areas. Balancing infrastructure investments with institutional reforms and complementary investments by ADB and development partners in education, environment, health, social protection, agriculture and natural resources, and efforts to create income-earning opportunities will be crucial to making growth inclusive, helping arrest the widening inequities seen in many countries, and making development more socially and environmentally sustainable. Evaluation findings suggest that coordination of sector-based support efforts is preferable to complex multisector projects with a large number of non-core sector components (para. 213).
- **Strengthen capacity development efforts on the basis of capacity development strategies at country and sector levels.** ADF countries are not only poorer than other DMCs,

they also tend to have lower capacity. Support for capacity development has not achieved envisaged levels of institutional improvement mainly due to unresolved issues related to sector policies, institutional powers and incentives for change, which need to be addressed on the basis of agreed upon sector-based capacity development strategies. Cross-sector issues that have a bearing on the performance of institutions (e.g., decentralization, devolution of services, civil service conditions, state enterprise restructuring, budget allocation processes) need to be identified and addressed through more effective policy dialogue on public sector management reforms (para. 214).

- **Strengthen ADF operations through adequate allocation of TA resources to improve project design and country institutional capacity.** TA allocations for country-level project preparation and advisory services have decreased in recent years relative to financial assistance volumes, which is likely going to exacerbate project design and implementation issues related to inadequate problem analysis, stakeholder consultation, and DMC institutional capacity. Adequate levels of project preparatory TA resources would facilitate better project design and buy-in. TA resources are also needed to support the development of effective DMC institutions (para. 215).
- **Improve the development effectiveness of ADF operations further by adopting a proactive, holistic approach to addressing sustainability concerns in country strategies and programs.** The sustainability of ADF-supported investments and policy reforms remains a challenge. At the country level, only 5 of the 12 reviewed CAPEs assigned a rating of *sustainable* or better. Only 61% of projects achieved a rating of *sustainable* or better. A recent IED report focusing on postcompletion sustainability suggested that to improve sustainability it is necessary to identify and mitigate risks to project sustainability during country and sector assistance programming, pay more attention to risks to sustainability and their mitigation during project preparation and implementation, and monitor selected projects after completion (para. 216).

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## I. INTRODUCTION

### A. The Asian Development Fund

1. The Asian Development Bank (ADB) established the Asian Development Fund (ADF) for concessionary lending to poorer developing member countries (DMCs) by reconstituting an earlier Special Fund in 1974. The ADF's purpose is to promote economic and social development in those DMCs.<sup>1</sup> Its resources are replenished every 3–5 years<sup>2</sup> by donors and are allocated to eligible DMCs according to a formula (known as performance-based allocation [PBA])<sup>3</sup> that is based on the country performance assessment rating, per capita income (or gross national product where national income estimates are not available), and population. ADF donors' reports, prepared at the conclusion of replenishment negotiations, provide the framework for ADF resource allocation to eligible countries. These reports also contain commitments or statements agreed upon during negotiations. ADF resources are used for providing loans;<sup>4</sup> technical assistance (TA); and, since 2005, grants under certain conditions.

### B. Previous Evaluations of ADF Operations

2. During the past decade, there have been three special evaluation studies (SEs) of the ADF (2001, 2003, and 2007). The first SES, covering ADF I–V operations (1973–1991),<sup>5</sup> concluded that the operations were *partly successful* and estimated the project success rate to be 45%. It found that projects aimed directly at the poor to promote employment and income generation had limited results. The SES recommended better definition and targeting of poor beneficiaries.

3. The second SES, covering ADF VI–VII operations (1992–2000),<sup>6</sup> established that ADF had significantly improved its portfolio performance, became more selective in its lending allocations, recast its mission to address poverty reduction, and strengthened the country focus of operations. It concluded that more effort was needed in linking country assistance strategies to project selection and poverty outcomes, ensuring greater consistency in program lending, dedicating sufficient funds to environmental activities and incorporating gender objectives in projects.

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<sup>1</sup> "The purpose of the Fund shall be to enable the Bank more effectively to carry out its purpose and functions by providing resources on concessional terms for the economic and social development of the DMCs of the Bank, having due regard to the economic situation of such countries and to the needs of the less developed members." Source: ADB. 2006. Regulations of the Asian Development Fund. Manila (Section 1.01).

<sup>2</sup> Every 4 years since 1997.

<sup>3</sup> ADB. 2001. *Policy on Performance-Based Allocation for Asian Development Fund Resources*. Manila.

<sup>4</sup> ADF loan projects (including TA loans) have a maturity period of 32 years, programs and emergency assistance have maturities of 24 years and 40 years, respectively. The grace period is 8 years for project and program loans and 10 years for emergency assistance. The project and program loans incur an annual interest rate of 1.5% during amortization and 1% during the grace period. Emergency assistance loans carry an annual interest rate of 1%, with principal repayment at 2% per year for the first 10 years after the grace period, and 4% per year thereafter. ADB does not charge a commitment fee, but all loans are equally amortized. The hard-term facility loan has an interest rate of 150 basis points below the weighted average of the 10-year fixed swap rates of the special drawing rights basket of currencies plus the ordinary capital resources (OCR) lending spread, or the current ADF rates, whichever is higher. The rest of the hard-term facility terms are the same as the current ADF terms. The ADF grant framework resembles the World Bank's International Development Assistance approach. Grants are expected to ease the debt burden of the poorest countries and to support post-conflict ADF countries in their transition to peace and stability. Details are available in Sections A3/BP, D2/BP, D7/BP and D12/BP of the Operations Manual, and <http://www.adb.org/ADF/about.asp>. The grant mechanism for ADF operations was introduced in ADF IX (2005 onward) on a pilot basis.

<sup>5</sup> ADB. 2001. *Special Evaluation Study: A Review of the Asian Development Fund I–V Operations*. Manila.

<sup>6</sup> ADB. 2003. *Special Evaluation Study: Asian Development Fund VI–VII Operations*. Manila.

4. The third SES, covering ADF VIII–IX<sup>7</sup> operations from 2001 to 2007, found the operations *relevant* for many of the ADF countries and their poor populations, but less so for the poor in Asia and the Pacific overall.<sup>8</sup> The study concluded that ADF VIII outcomes were likely to be *less effective* because increased goal congestion in ADF operations and more complex project designs due to the inclusion of pro-poor components and governance ambitions in regular investment projects led to implementation problems in the absence of commensurate staff resources. Although ADF IX outcomes were not rated, the SES saw some signs of improved performance and noted that ADB's Enhanced Poverty Reduction Strategy of December 2004 had appropriately done away with setting targets for operations directly targeting the poor. Country assistance programming was considered somewhat less burdensome over the period of ADF IX than before, thereby freeing up more time for project processing and administration. The study regarded the PBA policy as *inefficient*, but viewed some recent changes as appropriately benefiting weakly performing countries. The SES found that transparency of the complex PBA mechanism to DMC governments, as well as the staff time needed to maintain it, remained a concern. A number of internal ADB reforms and business process changes approved in 2004–2006 were, however, seen as likely to improve the efficiency and enhance the effectiveness and sustainability of the ADF.

5. The SES made 10 recommendations: (i) the ADF's size should increase if it is to accelerate the achievement of the Millennium Development Goals (MDGs); (ii) ADF donors should consider the role and credibility of ADF as ADB's main special purpose vehicle for addressing poverty and achieving the MDGs in the Asia and Pacific region; (iii) ADF X should avoid goal congestion in operations and in ADB as a whole; (iv) the ADF needs to be more selective in its support for sectors (and within these, subsectors) in many countries; (v) poverty reduction is an appropriate goal for ADF operations, and requires more than direct targeting of the poor in each country; (vi) an ADF geared to poverty reduction and governance is staff intensive and needs specialized skills; (vii) aid harmonization and coordination remain necessary elements of the ADF approach; (viii) major governance issues should be primarily addressed through program lending, with agreed reforms being supported by advisory and capacity building TA; (ix) ADB should undertake a rigorous analysis to test the validity of the various country performance assessment indicators; and (x) ADB needs to pursue a varied approach to debt distress of ADF countries and not rely mainly on the institution of an ADF grant mechanism. Progress in the implementation of these recommendations is discussed in paras. 166–168.

### C. Purpose and Scope

6. This current SES was undertaken to (i) identify what has worked well for the ADF and what further improvements are needed to guide future ADF operations by ADB, and (ii) provide the Independent Evaluation Department's (IED) feedback to the ADB Board members, and through them, to ADF donors and ADB Management in the context of forthcoming discussions for the 10th replenishment (ADF XI). The SES focuses on operational aspects related to development effectiveness rather than on organizational aspects.<sup>9</sup> It gives an update on ADF VIII and IX operations (2001–2008) and reports on first 2 years of ADF X (2009–2010).<sup>10</sup>

<sup>7</sup> ADB. 2007. *Special Evaluation Study: Asian Development Fund VIII and IX Operations*. Manila.

<sup>8</sup> 82% of the poor live in countries that do not have access to ADF resources.

<sup>9</sup> Progress on organizational aspects including reform agenda was presented by ADB Management and discussed during the 2010 Midterm Review of ADF X in November 2010.

<sup>10</sup> The discussion in the SES relates primarily to the first 2 years of ADF X, i.e., 2009 and 2010, which are referred to as ADF X for the sake of brevity. When the complete cycle of ADF X, 2009–2012, is meant, it is explicitly stated.

7. Chapter II analyzes key trends in ADF allocations over the last three ADF cycles and Chapter III provides an assessment of ADF performance at the country, sector, and project levels. Chapter IV reports on progress made in addressing key commitments/statements pertaining to several crosscutting areas summarized in Appendix 1, Table A1.1. The areas discussed include poverty reduction and attainment of the MDGs, good governance, gender mainstreaming in ADF operations, environmental sustainability, private sector development, regional cooperation and integration, sector selectivity and concentration, partnerships and aid coordination/harmonization, the PBA system, addressing the needs of ADF countries in fragile and conflict-affected situations (FCASs), and TA performance in ADF countries. As the previous SES (footnote 7) undertook a detailed analysis of the PBA policy, and this present study considers that the findings remain valid, it did not undertake a similar analysis. Likewise, the SES is not covering ADB's results framework, which is being assessed by another stand-alone IED SES. The other remaining reform agenda items emphasized in the ADF X report that are not discussed in the SES are shown in Appendix 1, Table A1.2. The final chapter of the SES presents key findings and issues, and offers recommendations for the donors and ADB Management to consider.

#### **D. Methodology**

8. The SES adopted a similar methodology to that applied in preparing the ADF VIII–IX SES in 2007 (footnote 7). It analyzes portfolio data for 590 ADF loan and grant operations (466 projects) approved by ADB from 1 January 2001 to 31 December 2010 (the report period), 95 of which have project completion reports (PCRs).<sup>11</sup>

9. Information for the study was obtained from (i) ADB databases; (ii) interviews with relevant ADB staff at Headquarters and in resident missions; (iii) recent IED evaluation studies including 12 country assistance program evaluations (CAPEs) and associated sector assistance program evaluations, three impact evaluation studies, SESs (on capacity development, project sustainability, support for countries in FCASs, and ADB's implementation of the Paris Declaration), and 32 PCR validation reports (PVRs); (iv) interviews with stakeholders in 4 recipient countries regarding ADF themes and issues; and (v) 51 ADF case study projects in five DMCs—Bangladesh, Lao People's Democratic Republic (Lao PDR), Nepal, Pakistan, and Viet Nam. The case studies include 25 projects covered in the last SES on ADF operations (footnote 7) approved during the first 2 years of ADF VIII, and another 26 projects approved in the first 2 years of ADF IX. Projects for case studies were selected through stratified random sampling and represent relevant sectors of ADF operations in the respective DMCs during the review period. A stakeholder consultation workshop was held in Bangkok (27–28 January 2011) with 15 senior officials from ten DMCs<sup>12</sup> to discuss emerging findings of the study and to seek participants' experience and perspectives on the ADF. The detailed methodology adopted for the study appears in Appendix 2.

<sup>11</sup> By comparison, the 2007 SES on ADF VIII–IX covered 245 ADF operations, of which only 22 had been completed and only 8 had PCRs.

<sup>12</sup> Represented countries included Bangladesh, Bhutan, Lao PDR, Mongolia, Nepal, Pakistan, Solomon Islands, Sri Lanka, Timor-Leste, and Viet Nam. Representatives from Afghanistan, Cambodia, and Kyrgyz Republic could not attend the workshop.

## II. FINANCING ADF OPERATIONS (2001–2010)

### A. Introduction

10. This chapter provides a brief background of key attributes of ADF VIII, IX, and X and presents ADF resource allocation over the three replenishment periods<sup>13</sup> under four broad categories: (i) overall availability of ADF resources; (ii) allocation to eligible DMCs; (iii) allocation by sector and theme; and (iv) other areas covering allocation to blend countries, cofinancing, targeted assistance, grant assistance, financing modalities, and TA resources.

11. As evident from the key commitments and statements of the ADF donors' reports, poverty reduction in poorer DMCs has consistently remained the focus of ADF support in all three ADF cycles covered by this SES.<sup>14</sup> ADF VIII introduced three new initiatives: (i) a PBA system, (ii) support for postconflict recovery in Afghanistan and Sri Lanka, and (iii) increased emphasis on regional cooperation and integration (RCI). These initiatives have been strengthened over time and integrated into ADB operations. During ADF VIII, Azerbaijan became a new ADF recipient.

12. In ADF IX, donors recognized special problems faced by small island DMCs because of their geographic isolation and location, high transaction costs, lack of natural resources, and limited access to credit markets; hence, they approved a dedicated share (4.5% of the resources distributed under PBA) for the Pacific pool. In addition, they also approved use of ADF resources for a grant mechanism mainly to help ADF-eligible DMCs with debt distress problems (up to 18% of total ADF IX operations). Armenia, Georgia, and Timor-Leste became additional ADF-recipient countries.

13. In ADF X, the PBA system was modified to address the needs of the weakest performing countries while simultaneously upholding the principle of rewarding performance.<sup>15</sup> In addition, a portion of ADF resources (\$0.2 billion equivalent to 3% of ADF replenishment) was earmarked for financing of Technical Assistance Special Fund (TASF) IV<sup>16</sup> in ADF-eligible DMCs. Further developments include (i) suspension of the phase-out of postconflict assistance (with a projected allocation of \$548 million) to Afghanistan for the period 2011–2012; and (ii) approval of a waiver of the ADF program lending limit (22.5% of ADF lending) in 2009 and 2010 covering the periods 2007–2009 and 2008–2010, respectively.

14. In 2007, the Board of Directors also introduced the ADF hard-term facility for eligible blend countries.<sup>17</sup>

<sup>13</sup> The decade 2001–2010 covers the seventh, eighth, and ninth ADF replenishments (correspondingly ADF VIII, ADF IX, and ADF X).

<sup>14</sup> ADB. 2000. *ADF VIII Donors' Report: Fighting Poverty in Asia*. Manila; ADB. 2004. *ADF IX Donors' Report: Development Effectiveness for Poverty Reduction*. Manila; and ADB. 2008. *Asian Development Fund X Donors' Report: Towards an Asia and Pacific Region Free of Poverty*. Manila.

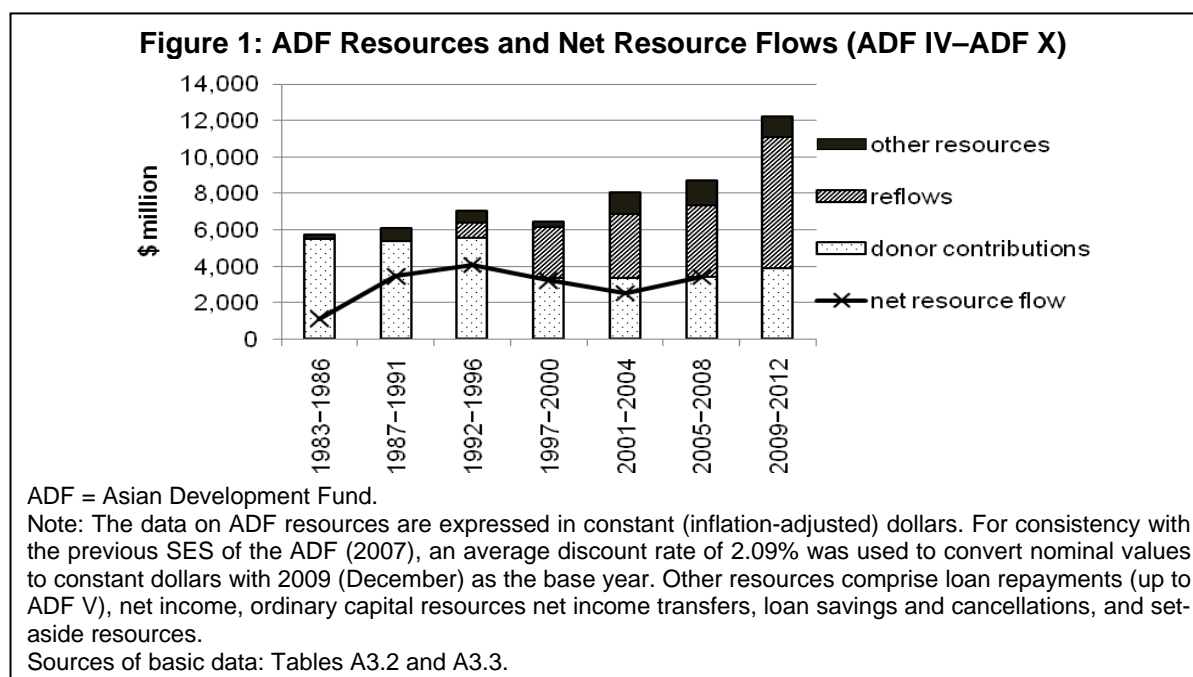
<sup>15</sup> Refinement of PBA included modification of the PBA of blend borrowers, which was expected to free up resources that could be redistributed among other ADF countries according to the PBA mechanism, with the exception of Pacific DMCs, for which 4.5% of resources was earmarked.

<sup>16</sup> This is a part of the TASF that is replenished through regular TASF replenishments together with ADF replenishments, and limits the use of the resources to countries eligible for the ADF, and for regional TA and research and development TA for the benefit of such DMCs.

<sup>17</sup> The new hard-term ADF lending facility is defined in footnote 4. In general, only blend countries with per capita income not exceeding the International Development Association (IDA) operational cutoff for more than 2 consecutive years and with an active OCR lending program are eligible to borrow from this new facility. In 2010, two loans were approved under this facility, and the interest rate was set at 2.22% for the life of the loan. For details, see ADB. 2011. *Annual Report 2010*. Manila (Volume 2, Financial Report, p. 25).

## B. Overall Availability of ADF Resources

15. While the size of the ADF has increased more than 15-fold in nominal dollars and more than seven times in constant dollars between ADF I and ADF X, the sources of growth have changed over time (Appendix 3, Tables A3.1–A3.2).<sup>18</sup> Donor contributions were the primary source of the ADF until ADF V with small contributions in funding from other resources (Figure 1). Since ADF VI, the contribution of reflows steadily increased and changed the composition of sources of funds substantially during ADF VIII–ADF X. Correspondingly, the share of donors began to decline as their real (at constant prices) contribution in absolute terms remained more or less steady since ADF VII. At the end of 2010, the share of donor contributions, reflows, and other resources represented 36.6%, 50.7%, and 12.7%, respectively.



16. Net resource flows<sup>19</sup> were positive throughout the period 1981–2010 (Appendix 3, Table A3.3). They registered the highest level in 2009, due largely to frontloading of ADF allocations for 2009–2010, and provision of an additional ADF commitment authority of \$400 million to meet the crisis support needs of DMCs. Net resource flow in 2010 declined sharply due to the front loading. At the country level, most of the concerned DMCs received positive net resource flows during ADF VIII–ADF X, with the exception of certain Pacific island countries (e.g., Cook Islands, Papua New Guinea, Solomon Islands, Tonga, and Vanuatu) (Appendix 3, Table A3.4). The net resource flow by ADF cycle (Figure 1) shows that net resource flow continued to increase until ADF VI, largely due to high levels of donor contributions. It then dropped during ADF VIII as a result of a relative decline in donor contributions, which became smaller than reflows and contributions from other resources combined. In ADF IX and the first 2 years of ADF X, ADF grants, first introduced in 2005, represented about 22% and 30% of total approved loans and grants, respectively. ADB’s Treasury Department expects the ADF principal to decline from 2013 onwards. This could have an adverse impact on net resource flows in the future in the absence of new donor contributions or additional funding from other sources.

<sup>18</sup> Unless mentioned otherwise, data in this report refer to nominal dollars.

<sup>19</sup> Net resource flow = loan disbursements – loan repayments (including any prepayments) – other charges. It excludes private sector operations. Other charges include interest and/or service charges collected and capitalized.

### C. Allocation of ADF Resources by Region and Country

17. The Central and West Asia region received the largest share of ADF approvals in all three ADF cycles due mostly to approvals for operations in Afghanistan and Pakistan (Table 1). The allocation to Pacific DMCs doubled in ADF IX compared with ADF VIII, as desired by the donors due to the creation of a dedicated allocation to meet the unique needs of the region. The allocation under ADF X appears on track to achieving the target (4.5% of the resources distributed under PBA) for assistance to Pacific DMCs. Yet, many Pacific DMCs received negative net resource flows in the run-up to and during the global economic crisis of 2008–2009 (Appendix 3, Table A3.4).

**Table 1: Regional Distribution of ADF Approvals**  
(2001–2010; %)

Region	Regional Share			Total ADF VIII–ADF X (2001–2010)
	ADF VIII (2001–2004)	ADF IX (2005–2008)	ADF X (2009–2010)	
East Asia	2.4	1.8	2.9	2.3
Southeast Asia	30.9	25.6	26.4	27.4
South Asia	31.7	30.4	28.5	30.2
Central and West Asia	33.1	38.1	38.4	36.7
Pacific	1.8	3.7	4.0	3.2
Regional	0.0	0.4	0.0	0.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

ADF = Asian Development Fund.  
Source: Appendix 3, Table A3.5.

18. The number of ADF-eligible DMCs<sup>20</sup> increased from 29 in ADF VIII to 31 in ADF X (Appendix 3, Table A3.6).<sup>21</sup> Country-level allocations for the review period show that the top five DMCs (Bangladesh, Viet Nam, Pakistan, Afghanistan, and Nepal, in descending order) collectively accounted for 64% of total approvals (Table 2) and about a similar share of actual disbursements.<sup>22</sup> Average annual per capita ADF approvals by ADF cycle are presented in Table 3, which shows that, as expected, smaller, less populated and Pacific DMCs received higher per capita ADF approvals.

**Table 2: Top Recipients of ADF Resources, by ADF Cycle**  
(2001–2010; \$ million)

Country	ADF VIII	ADF IX	ADF X	Total ADF VIII–ADF X
Afghanistan	487.2	865.0	685.1	2,037.3
Bangladesh	873.7	1,490.6	876.9	3,241.2
Nepal	359.3	418.2	598.7	1,376.2
Pakistan	1,045.6	1,458.8	515.0	3,019.4
Viet Nam	832.0	1,245.0	1,103.0	3,180.0

ADF = Asian Development Fund.  
Source: Appendix 3, Table A3.7.

<sup>20</sup> Includes India, which accounts for 50% of the total number of poor in Asia and the Pacific (960 million) as per the international poverty line of \$1.25 (purchasing power parity); however, India does not currently have access to ADF.

<sup>21</sup> Azerbaijan became eligible during ADF VIII, followed by Armenia, Georgia, Palau, and Timor-Leste during ADF IX. In early 2009, Indonesia graduated from being ADF eligible. Only 17 countries were eligible for ADF resources when the Fund was established.

<sup>22</sup> Examining the actual ADF disbursement for the period under review, the highest amount of ADF resources has been disbursed to Pakistan (\$3.2 billion), followed by Bangladesh (\$2.4 billion), Viet Nam (\$2.3 billion), Sri Lanka (\$1.4 billion), and Indonesia (\$0.74 billion). All these are blend countries. The next in order, having the highest ADF disbursements among ADF-only countries, is Cambodia with \$0.69 billion.

Table 3: Population and Per Capita ADF Approval by DMC

Country	Population (million) <sup>a</sup>			Per Capita ADF Approval per Year (\$)		
	2000	2004	2008	ADF VIII	ADF IX	ADF X
<b>A. ADF-only Countries</b>						
<b>Ordinary Situation<sup>b</sup></b>						
Bhutan	0.6	0.6	0.7	6.8	57.9	43.1
Cambodia	12.5	13.3	14.0	7.1	5.1	10.9
Kyrgyz Republic	4.9	5.1	5.3	7.4	7.9	23.4
Maldives	0.3	0.3	0.3	23.8	17.2	60.8
Mongolia	2.4	2.5	2.8	14.2	14.5	32.5
Samoa <sup>a</sup>	175.1	178.2	182.5	20.0	85.5	43.8
Tonga <sup>a</sup>	99.4	101.1	102.8	25.2	27.9	48.6
<b>Exited FCASs</b>						
Lao PDR	5.1	5.5	6.0	11.1	5.1	21.2
Nepal	22.3	24.4	26.6	4.0	4.3	11.3
Tajikistan	6.2	6.7	7.3	5.9	7.9	12.5
<b>Current FCASs</b>						
Afghanistan	21.3	23.2	25.0	5.7	9.3	13.7
Kiribati <sup>a</sup>	84.5	90.4	97.7	0.0	0.0	61.4
Solomon Islands <sup>a</sup>	420.5	469.6	524.0	0.0	10.3	30.5
Timor-Leste <sup>a</sup>	779.0	952.0	1,081.0	0.0	4.2	21.3
Tuvalu <sup>a</sup>	9.5	10.0	11.0	100.4	81.0	0.0
<b>B. Blend Countries<sup>c</sup></b>						
<b>Ordinary Situation</b>						
Armenia	3.2	3.2	3.2	0.0	6.6	21.9
Bangladesh	128.1	135.2	142.4	1.7	2.8	3.1
Cook Islands <sup>a, d</sup>	17.9	20.3	22.1	30.7	119.6	0.0
Georgia	4.4	4.3	4.4	0.0	6.4	35.7
Indonesia <sup>d</sup>	205.8	217.1	228.5	0.4	0.5	0.0
Pakistan	139.8	151.1	162.4	1.9	2.4	1.6
Sri Lanka	18.5	19.5	20.2	6.8	4.8	5.5
Viet Nam	77.6	81.4	85.1	2.7	3.8	6.5
<b>Exited FCASs</b>						
Azerbaijan	8.1	8.4	8.8	1.3	0.4	0.0
Uzbekistan	24.7	25.9	27.3	0.0	1.5	6.0
<b>Current FCASs</b>						
Micronesia <sup>a</sup>	107.0	107.8	108.0	63.6	0.0	0.0
Palau <sup>a</sup>	19.1	19.8	20.3	0.0	0.0	83.7
Papua New Guinea <sup>a</sup>	5,190.0	5,689.1	6,213.3	1.5	7.6	10.0
Marshall Islands <sup>a</sup>	50.7	51.5	53.9	74.0	0.0	88.1

ADB = Asian Development Bank, ADF = Asian Development Fund, DMC = developing member country, FCAS = fragile and conflict-affected situation, Lao PDR = Lao People's Democratic Republic, TA = technical assistance.

<sup>a</sup> Population data for Pacific countries is expressed in thousands.

<sup>b</sup> Excludes Myanmar, which currently has no access to the ADF.

<sup>c</sup> Only the ADF-financed component of loans is counted for blend countries; excludes India, which currently has no access to the ADF.

<sup>d</sup> At the time of loan approval, these countries were still ADF eligible.

Sources: ADB Database on Loan, TA, Grant and Equity Approvals (as of 31 December 2010); ADB Key Indicators for Asia and the Pacific 2010.

#### D. Allocation of ADF Resources by Sector and Theme

19. The combined share of energy, and transport and information and communication technology [ICT] projects (largely dominated by road construction and rehabilitation) almost doubled to 40% from ADF VIII to ADF X, while the combined share of agriculture and natural resources (ANR) and education projects declined from 36% to 17% during the review period (Table 4). The share of other sectors did not change significantly. The trend to more infrastructure financing has been pronounced in ADF-only countries, where the share of energy

and transport projects increased to 55% of ADF approvals during ADF X. By comparison, blend countries received more ADF funds for operations in “soft” sectors including ANR, public sector management (PSM), and water and other municipal infrastructure and services [WMIS]. More than 60% of ADF approvals during the first 2 years of ADF X were for projects in core areas of operations under Strategy 2020. The share was substantially higher in ADF-only countries (more than 66%) than in blend countries (more than 47%).

**Table 4: Amount of ADF Loan and Grant Approvals,<sup>a</sup> by Sector**  
(percent share of ADF replenishment period total)

Sector	Country Classification/Replenishment Period								
	ADF-Only			Blend <sup>b</sup>			Total		
	ADF VIII	ADF IX	ADF X	ADF VIII	ADF IX	ADF X	ADF VIII	ADF IX	ADF X
Agriculture and Natural Resources	17.2	15.3	10.4	23.0	12.6	13.4	21.0	13.4	12.2
Education	10.9	6.2	6.9	16.9	9.7	3.6	14.9	8.6	5.0
Energy	6.1	18.0	13.8	4.7	1.8	9.0	5.2	6.7	11.1
Finance	3.9	8.3	3.7	3.7	3.6	2.0	3.8	5.0	2.7
Health and Social Protection	3.3	2.2	3.7	2.5	6.3	4.9	2.8	5.4	4.4
Industry and Trade	4.7	1.7	0.6	4.4	1.5	2.8	4.5	1.6	1.8
Multisector	17.8	0.9	9.0	8.5	26.4	10.0	11.7	18.5	9.6
Public Sector Management	7.3	8.8	3.2	10.2	9.7	18.6	9.2	9.4	12.1
Transport and ICT	21.2	33.0	40.9	13.8	13.7	20.8	16.3	19.6	29.3
Water and Other Municipal Infrastructure and Services	7.7	5.7	7.8	12.5	14.6	14.9	10.8	11.8	11.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Approved Amount</b> (\$ million)	<b>1,927.3</b>	<b>2,453.4</b>	<b>2,668.3</b>	<b>3,705.3</b>	<b>5,548.6</b>	<b>3,633.1</b>	<b>5,632.6</b>	<b>8,001.9</b>	<b>6,301.4</b>

ADF = Asian Development Fund, ICT = information and communication technology

<sup>a</sup> Excludes regional loans and grant approvals in ADF IX amounting to \$34.5 million (\$33.0 million in the health and social protection sector, and \$1.5 million in transport and ICT).

<sup>b</sup> Only the ADF component of a blend financing is counted. Includes Cook Islands and Indonesia, which at the time of loan approval were still ADF eligible.

Source: Appendix 3, Table A3.8, which shows ADF approvals by sector during the review period 2001–2010.

20. Except for some deviations, ADB’s allocation of ADF resources to different sectors generally followed the indicative sector allocations provided in ADF donor reports. In ADF X (2009–2010), the approval shares in terms of value for the education and finance sectors were half of the indicative figures although these sectors are core areas under Strategy 2020. Similarly, the share of ANR deviated from the indicative figure (12% actual vs. 5% indicative) (Appendix 3, Table A3.9). Higher levels of support for ANR may have been partly driven by client demands as a result of spiraling food prices and increasing concerns for food security.

21. In general, the presence of various themes has improved over time in ADF operations over the review period. However, it is difficult to accurately assess the thematic allocation of ADF resources during 2001–2010 for two reasons: (i) the full loan/grant amount is counted under the respective thematic classifications, and (ii) ADB’s thematic classification system has undergone changes.<sup>23</sup> Prior to 2009, a project or program could be classified into up to three

<sup>23</sup> Prior to 2004, projects/programs were classified according to seven themes: economic growth, human development, good governance, environmental protection, gender and development, private sector development, and regional cooperation. The classification system was further adjusted to support monitoring and reporting on sectors, thematic, and target areas. Economic growth was renamed sustainable and pro-poor economic growth; human development became inclusive social development; good governance was changed to governance; environmental protection became environmental sustainability; and a new theme, capacity development, was



themes, but the current system has a provision for classification into up to four themes. Table 5 shows the thematic classification of the ADF loan and grant portfolio. In broad terms, economic growth has consistently been the dominant theme in ADF operations. It received a further boost in recent ADF cycles. This is very much reflective of the emphasis on infrastructure-led growth, consistent with core areas of operation stated in Strategy 2020. Likewise, environmental sustainability, private sector development, and regional cooperation have emerged as growing themes due to the strong emphasis on these areas in ADF operations. The gender equity theme, which had declined sharply during ADF IX, was revived during ADF X. Capacity development as a theme was introduced in ADF IX, which could have reduced thematic classifications under governance. The theme of social development showed only a modest increase during the three replenishment periods. Details are provided in Appendix 3, Table A3.10.

**Table 5: Thematic Distribution of ADF Operations**  
(% of number of projects or programs)

Theme	ADF VIII	ADF IX	ADF X
Capacity Development <sup>a</sup>		36	63
Economic Growth	53	69	77
Environmental Sustainability	8	12	34
Gender Equity	24	18	22
Governance	26	27	24
Private Sector Development	9	16	24
Regional Cooperation	7	14	31
Social Development	36	39	42

ADF = Asian Development Fund.

<sup>a</sup> Capacity development as a theme was introduced in ADF IX.

Note: Themes for ADF VIII and ADF IX are restated as per footnote 23.

Source: Appendix 3, Table A3.10.

## E. Other ADF Resource Allocation Patterns

### 1. Allocation for Blend Countries

22. In all, 14 countries classified as blend borrowers—eligible for both ordinary capital resources (OCR) and ADF support—accounted for \$12.9 billion of ADF approvals in 2001–2010. The share of ADF in total ADB assistance to blend countries has been declining over the three replenishment periods (40% in ADF VIII, 35% in ADF IX, and 30% in ADF X). Seventy-six percent of ADF in these countries was used for projects that did not receive any OCR financing (69% in ADF VIII, 78% in ADF IX, and 80% in ADF X) (Appendix 3, Table A3.11). A significant share of these stand-alone ADF projects provided support for ANR, social sectors, and water and sanitation, often in rural areas (Table 6). During ADF X, blended ADF-OCR funding was used exclusively for infrastructure and PSM projects. The ratio of OCR to ADF in blended projects/programs increased from 2.7 in ADF VIII to 3.8 in ADF X. Thus, DMCs implemented such projects with a lower share of ADF resources. Blend borrowers have generally used ADF resources for nonrevenue-generating operations.

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introduced. Private sector development and regional cooperation remained unchanged. In order to align with Strategy 2020, the thematic classification was further adjusted in 2009. Sustainable and pro-poor economic growth was designated as economic growth; inclusive social development became social development; gender and development was changed to gender equity; and all others remained unchanged. Prior to 2009, projects/programs could be classified into only up to three categories. ADF X operations can be classified into up to four themes.

**Table 6: ADB Financing of Projects<sup>a</sup> in Blend Countries, by Sector**  
(2001–2010; % share in terms of amount)

Sector	ADF VIII			ADF IX			ADF X			ADF VIII–X		
	ADF Only	ADF Blend	Total ADF	ADF Only	ADF Blend	Total ADF	ADF Only	ADF Blend	Total ADF	ADF Only	ADF Blend	Total ADF
Agriculture and Natural Resources	26.2	15.6	23.0	14.2	6.8	12.6	16.8	0.0	13.4	18.1	8.5	15.8
Education	24.4	0.0	16.9	12.4	0.0	9.7	4.5	0.0	3.6	13.2	0.0	10.0
Energy	0.0	15.2	4.7	0.0	8.2	1.8	8.6	10.6	9.0	2.6	11.4	4.7
Finance	4.5	1.8	3.7	4.1	1.6	3.6	2.5	0.0	2.0	3.7	1.3	3.2
Health and Social Protection	2.2	3.1	2.5	8.1	0.0	6.3	6.1	0.0	4.9	5.9	1.1	4.8
Industry and Trade	4.6	3.9	4.4	2.0	0.0	1.5	3.5	0.0	2.8	3.1	1.4	2.7
Multisector	2.6	21.9	8.5	31.2	9.4	26.4	12.5	0.0	10.0	18.2	11.8	16.7
Public Sector Management	4.2	23.9	10.2	4.0	29.9	9.7	10.1	52.8	18.6	5.9	33.0	12.4
Transport and ICT	16.7	7.1	13.8	7.9	34.4	13.7	20.1	23.7	20.8	13.8	21.8	15.7
Water and Other	14.7	7.5	12.5	16.0	9.6	14.6	15.3	13.0	14.9	15.5	9.6	14.1
Municipal and Infrastructure Services												
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Approved Amount (\$ million)</b>	<b>2,567.7</b>	<b>1,137.6</b>	<b>3,705.3</b>	<b>4,332.7</b>	<b>1,215.9</b>	<b>5,548.6</b>	<b>2,913.1</b>	<b>720.1</b>	<b>3,633.1</b>	<b>9,813.5</b>	<b>3,073.5</b>	<b>12,887.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, ICT = information and communication technology.

<sup>a</sup> Includes loans and grants.

Source: ADB database on Loan, Technical Assistance, Grant and Equity Approvals.

## 2. Cofinancing

23. The ADF played an important role in leveraging additional cofinancing<sup>24</sup> from other external sources, including bilateral and multilateral agencies in both ADF-only and blend countries. One dollar of ADF financing attracted 83 cents of cofinancing during 2005–2008 and 58 cents in 2009–2010. The drop in cofinancing in 2009–2010 is largely associated with the global economic crisis. Viet Nam, Bangladesh, and Cambodia (in descending order) received the largest amounts of cofinancing during 2005–2010 (Appendix 3, Table A3.12).

## 3. Targeted Assistance

24. ADF VIII was driven by ADB's 1999 Poverty Reduction Strategy, which sought to target the poor disproportionately through pro-poor components. However, a review of ADB's poverty reduction strategy by the Management<sup>25</sup> found that its approach to reducing poverty through targeting at the household and individual levels did not work well due to complex project design, implementation difficulties, and the high cost and staff inputs associated with project preparation and implementation. The review culminated in the 2004 Enhanced Poverty Reduction Strategy, which ADF IX was subsequently based on. The enhanced strategy took a

<sup>24</sup> Additional cofinancing excludes ADB's OCR amounts.

<sup>25</sup> ADB. 2004. *Review of the Asian Development Bank's Poverty Reduction Strategy*. Manila.

broader approach to poverty reduction, clarifying that all ADB operational and knowledge work contributes to poverty reduction, either indirectly, or directly. The enhanced strategy emphasized increased harmonization and alignment of poverty reduction programs among donors and member countries, as well as the fostering of partnerships for poverty reduction. ADB's current approach to poverty reduction under Strategy 2020 is termed inclusive economic growth and is operationalized through investments in infrastructure to connect the poor to markets and increase their access to basic productive services, and investments in education and essential public services, such as water and sanitation, which particularly benefit the poor and women, as well as through a general emphasis on gender equality.

25. A subsequent SES on ADF operations (ADF VIII and ADF IX) (footnote 7) asserted that the abandonment of the ADB-wide poverty reduction target had led to a less generous interpretation of operations being pro-poor than before, as well as a genuine decrease in the share of operations with special pro-poor components in ADF IX. The reduced emphasis on targeted interventions from ADF VIII to ADF IX is evident in Table 7. Appendix 3, Table 3.13 provides detailed statistics.

**Table 7: Trend in Targeted Interventions in ADF Operations by Country Group**  
(% operations)

Type of Operations	ADF VIII		ADF IX		ADF X	
	By \$ Amount	By No. of Projects	By \$ Amount	By No. of Projects	By \$ Amount	By No. of Projects
ADF-only	69.7	63.6	41.7	37.2	35.6	39.1
Blended	61.3	56.7	19.4	18.5	53.4	23.1
<b>All ADF</b>	<b>68.0</b>	<b>62.4</b>	<b>38.4</b>	<b>34.6</b>	<b>37.7</b>	<b>37.1</b>

ADF = Asian Development Fund.

Source: Appendix 3, Table A.3.13.

#### 4. Grant Assistance

26. Grants are a relatively new feature in the ADF, introduced in 2005 (ADF IX) to (i) reduce the debt burden of the poorest countries, (ii) assist poor countries in accelerating their transition from postconflict situations to peace and stability, (iii) combat HIV/AIDS and other communicable diseases, and (iv) offer priority TA.<sup>26</sup> They have been used mostly to finance operations in poor, postconflict, and debt-distressed DMCs. During 2005–2010, ADB approved \$3.62 billion for 146 grant operations, mostly for investment projects (82% in ADF IX and 89% in ADF X by amount). Grants went mostly to ADF-only countries (Table 8). Afghanistan and Nepal have been the largest recipients of grants, accounting for 36% and 17% of total grant approvals, respectively. The next group of recipients included Cambodia, Lao PDR, Kyrgyz Republic, and Tajikistan (collectively 31%). Limited grant funding was used to support two regional health projects, one in the Pacific and the other throughout Asia and the Pacific; and 10 projects (9 of which were stand-alone, with 7 in health) in blend countries. Detailed country-wise grant approvals are given in Appendix 3, Table A3.14.

<sup>26</sup> ADB. 2004. *ADF IX Donors' Report: Development Effectiveness for Poverty Reduction*. Manila (para 78).

**Table 8: Distribution of ADF Grants by Country Classification**  
(% share of total grants)

Country Group	Percent Share		
	ADF IX	ADF X	2005–2010
<b>ADF-Only</b>	<b>90.8</b>	<b>100.0</b>	<b>95.5</b>
Program	15.1	10.2	12.5
Project	75.7	89.8	83.0
<b>Blend</b>	<b>7.3</b>	<b>0.0</b>	<b>3.5</b>
Project	7.3	0.0	3.5
<b>Regional</b>	<b>1.9</b>	<b>0.0</b>	<b>1.9</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Amount (\$ million)</b>	<b>1,745.3</b>	<b>1,878.5</b>	<b>3,623.8</b>

ADF = Asian Development Fund.

Source: Appendix 3, Table A3.14.

27. Table 9 shows the sector-wise distribution of ADF grants by project modality. Transport and ICT (largely dominated by roads) received the largest share of total grant approvals during 2005–2010 (37%), followed by energy (16%) and ANR (13%). Support for infrastructure (energy, multisector, transport and ICT, and WMIS) collectively accounted for 65%, although the two other core areas of operations (education and finance) received only 7% and 2%, respectively. Likewise, grant support for MDG-related sectors (ANR, education, health and social protection [HSP], and WMIS) collectively was 33% during the same period. Grant allocations thus nearly mirrored general sector allocation patterns for ADF-only countries. Details are provided in Appendix 3, Table A3.15.

**Table 9: ADF Grant Approvals by Sector and Replenishment**  
(number of operations and percent amount)

Sector	Project				Program			
	No. of Operations		Percent of Amount		No. of Operations		Percent of Amount	
	ADF IX	ADF X	ADF IX	ADF X	ADF IX	ADF X	ADF IX	ADF X
Agriculture and Natural Resources	12	9	10.9	13.1	1	0	19.0	0.0
Education	8	4	5.6	4.8	1	1	3.0	36.7
Energy	5	7	16.2	15.3	0	0	0.0	0.0
Finance	2	1	0.7	0.6	1	1	21.3	2.6
Health and Social Protection	12	4	8.5	2.4	1	1	3.4	5.2
Industry and Trade	2	0	1.1	0.0	2	1	4.2	7.9
Multisector	4	3	1.5	4.8	1	4	4.8	37.7
Public Sector Management	5	2	1.8	0.5	3	2	44.2	10.0
Transport and ICT	18	15	32.8	41.7	0	0	0.0	0.0
Water and Other Municipal Infrastructure and Services	7	6	5.8	6.6	0	0	0.0	0.0
<b>Total</b>	<b>75</b>	<b>51</b>	<b>100.0</b>	<b>100.0</b>	<b>10</b>	<b>10</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Amount of Grants (\$ million)</b>			<b>1,482.5</b>	<b>1,687.6</b>			<b>262.8</b>	<b>190.9</b>

ADF = Asian Development Fund, ICT = information and communication technology.

Source: Appendix 3, Table A3.15.

## 5. Program Operations

28. In comparison to the ADF periods prior to ADF VIII, the role of program operations increased substantially (2.6 times) during the review period (2001–2010) (Table 10). This was not only in response to a recognized need for policy reforms, but also due to increasing demand for budget support in countries affected by economic crisis.

**Table 10: Financing Modality by ADF Replenishment Period**  
(percent distribution of total amount)

Financing Modality	ADF VI–VII	ADF VIII	ADF IX	ADF X	2001–2010
Project	90.2	76.9	81.4	75.2	78.2
Program	9.8	23.1	18.6	24.8	21.8
<b>Total Amount (\$ million)</b>	<b>11,993.4</b>	<b>5,632.6</b>	<b>8,036.4</b>	<b>6,301.4</b>	<b>19,970.4</b>

ADF = Asian Development Fund.

Source: Table A3.16.

29. In all, ADB approved 112 program operations using ADF resources totaling \$4.4 billion during 2001–2010, much of it for PSM (40%), multisector programs (16%), and the finance sector (15%) (Appendix 3, Table A3.17). Greater emphasis on governance increased the share of approvals for PSM programs between ADF VIII and ADF IX by 65%. The 3-year moving average ceiling<sup>27</sup> for program lending from the ADF of 22.5% was exceeded for the first time in 2007–2009 (26%) due to the unusually high level of program lending to Pakistan in 2008 to address the economic crisis in the country. ADB also approved a waiver of the ADF program lending limit for 2008–2010 to enable it to respond more effectively to the global economic and financial crisis.<sup>28</sup>

## 6. Technical Assistance Special Fund

30. The TASF, which was established in 1967, is an important source of financing for ADB's TA operations. It comprises direct voluntary contributions from member countries, regularized replenishments, and OCR net income transfers.<sup>29</sup> The TASF has been replenished four times from the ADF—\$91 million from ADF V, \$148 million from ADF VI, \$222 million from ADF IX, and \$176 million during the first 2 years of ADF X. During 2001–2010, TASF financed 43% of the \$1.01 billion approved by ADB for country-level TA operations in ADF countries, with the balance coming from other sources<sup>30</sup> (Appendix 3, Table A3.18).

31. The largest ADF-country recipients of TASF assistance during the review period, in descending order, were Afghanistan, Indonesia, Pakistan, Viet Nam, and Bangladesh. Similarly, 17% of the total TASF during 2001–2010 went to DMCs that were classified as in FCASs as of December 2010 (Appendix 3, Table A3.19). Furthermore, about 24% of the TASF in these DMCs was allocated to project preparation, and the remaining 76% to advisory services.

32. After remaining stagnant during ADF VIII and IX, TASF allocations for ADF countries increased in nominal terms during the first 2 years of ADF X in line with TA funded from other sources. However, Table 11 shows that overall TA and TASF approvals per dollar of loans and grants approved (intensity of TA) in ADF countries have consistently and substantially declined throughout ADF VIII to ADF X. This trend holds even if TA financed by ADF grants or loans is included in the calculation.

<sup>27</sup> ADB. 1992. *Arrangements for Lending from ADF and TASF Operations Funded by ADF Contributions*. Manila.

<sup>28</sup> ADB. 2010. *Proposed Waiver of the Asian Development Fund Program Lending Limit for 2008–2010*. Manila.

<sup>29</sup> ADB. 2010. *Review of Technical Assistance Special Fund Operations – Measures for Improving Effectiveness*. Manila.

<sup>30</sup> Other sources include the Japan Special Fund, the Special Fund, and other external donors.

**Table 11: Approved Technical Assistance from All Sources for ADF Operations**  
(cents per dollar of loans and grants)

Country Group	TA Special Fund			Total TA (Special Fund and Others)		
	ADF VIII	ADF IX	ADF X	ADF VIII	ADF IX	ADF X
<b>ADF-Only Countries</b>	4.6	2.9	1.6	8.3	6.6	3.2
<b>Blend Countries</b>	0.8	0.6	0.5	2.5	1.4	0.9
<b>Total Country Level (all ADF eligible)</b>	<b>1.5</b>	<b>0.9</b>	<b>0.8</b>	<b>3.5</b>	<b>2.1</b>	<b>1.4</b>

ADF = Asian Development Fund, FCAS = fragile and conflict-affected situation, TA = technical assistance.  
Sources of basic data: ADB database on Loan, TA, Grant and Equity Approvals; Table A11.1.

33. At the conclusion of ADF X negotiations, the donors agreed to set aside 3% of the ADF X replenishment for TA for ADF countries. Following guidance from the donors, ADB has established two categories of the TASF: (i) TASF IV, which is replenished through the TASF together with ADF replenishments; and (ii) TASF-other sources, which is replenished through voluntary contributions, OCR net income transfers, and TASF income and savings and cancellations. During the first 2 years of ADF X, TASF IV financed 40% of country-level TA approved for ADF countries, while TASF-other sources financed 2%, and other sources contributed 58% (Appendix 3, Table A3.19). Forty-nine percent of TASF IV was used for regional-level TA and the balance for country-level TA activities (Appendix 3, Table A3.20). In fact, 40% of ADB-wide regional TA during 2009–2010 was financed from TASF IV (Appendix 3, Table A3.21). The growing emphasis on regional TA is understandable, given the importance of RCI under Strategy 2020. However, although regional TA also benefits ADF countries, it does not have the same level of country ownership as country-based TA, and is difficult to integrate with country-level strategies and programs.

### III. PERFORMANCE OF ADF OPERATIONS

34. In this chapter, the performance of ADF operations is analyzed on the basis of evidence and findings from available CAPEs, PCRs and related IED validations, and an in-depth analysis of project case studies in selected ADF countries. Available project evaluations and country case study project assessments cover 58% of projects approved during ADF VIII and 16% of ADF IX projects. Post-2008 CAPEs alone cover project- and country-level performance issues in ADF countries, which together account for more than half of ADF project approvals during the review period.<sup>31</sup> Updated project portfolio data, findings of other recent SESs related to capacity development and project sustainability issues, as well as recent ADB initiatives to improve project performance were also reviewed to ensure the relevance of the conclusions and the ensuing recommendations.

#### A. Overall Success Rates for Country and Sector Strategies and Programs, and Projects

##### 1. Performance at the Country Level

35. IED assesses the success of ADB operations at the country level through CAPEs. In ADF-only countries, CAPEs essentially assess ADF performance, whereas in blend countries, ADF performance is not easy to differentiate from ADB operations funded from other sources. CAPEs are conducted at varying intervals and hence do not necessarily capture the performance of ADF operations for approved operations in 2001–2010. Nevertheless, they do cover both completed and ongoing operations in the country at the time of evaluation and

<sup>31</sup> CAPEs were undertaken earlier for another four DMCs, which account for an additional 26% of ADF funds approved during ADF VIII-X. CAPEs for Kyrgyz Republic and Maldives are under preparation.

broadly capture unfolding developments taking place. Table 12 gives a summary of CAPEs conducted in 12 ADF countries and their overall performance ratings. However, it needs to be kept in view that the CAPEs prepared in different years might have been prepared with different guidelines, norms, and expectations and are therefore not strictly comparable. Detailed CAPE ratings are provided in Appendix 4, Table A4.1.<sup>32</sup>

**Table 12: Country Assistance Program Evaluation Report Ratings for ADF Countries**

Country	Coverage Period		CAPE Ratings	
	First CAPE	Second CAPE	First CAPE	Second CAPE
<b>ADF-only countries</b>				
Bhutan	1983–2003 (2005)	2001–2009 (2010)	S	S
Cambodia	1992–2002 (2004)	1998–2008 (2009)	S	S
Lao PDR	1986–2004 (2006)	2000–2009 (2010)	S	S
Mongolia	1991–2001 (2002)	1997–2007 (2008)	S	S
Nepal	1988–2003 (2004)	2004–2008 (2009)	PS	PS
<b>Blend Countries</b>				
Bangladesh	1986–2001 (2003)	1999–2008 (2009)	PS	S
Indonesia	1990–2004 (2005)		PS	
Pakistan	1985–2006 (2007)		PS	
Papua New Guinea	1986–2002 (2003)		PS-US	
Sri Lanka	1986–2006 (2007)		PS	
Uzbekistan	1996–2004 (2006)	2002–2009 (2011)	S	S
Viet Nam	1999–2008 (2009)		S	

ADF = Asian Development Fund, CAPE = country assistance program evaluation, Lao PDR = Lao People's Democratic Republic, PS = partly successful, S = successful, US = unsuccessful.

Note: Figures in parentheses indicate year of the report completion.

Source: Independent Evaluation Department database.

36. CAPEs assessed ADB operations in Bangladesh, Bhutan, Cambodia, Lao PDR, Mongolia, Uzbekistan, and Viet Nam to be *successful*, whereas operations in Indonesia,<sup>33</sup> Nepal, Pakistan, Papua New Guinea, and Sri Lanka were assessed as *partly successful*. Most ADF resources during the review period were received by DMCs that had *successful* ratings rather than by DMCs with *partly successful* ratings (\$9.1 billion compared with \$6.6 billion). Among the countries with two CAPEs, the only ratings change occurred for ADB's strategy and programs in Bangladesh, which improved from *partly successful* in 2003 to *successful* in 2009, due mainly to better strategic positioning and relevance through greater focus on disaster risk mitigation, governance, private sector development, and to improvements in project preparation, implementation, and results, as well as ADB portfolio management.

37. CAPEs attributed less than successful ratings at the country program-level mainly to ADB's lack of sector or geographical focus; lack of rigorous analysis of development problems; unaddressed government capacity issues, particularly in countries that were implementing fiscal decentralization and the devolution of public services to local government levels; insufficient project implementation support and suboptimal use of resident missions; systemic sustainability issues affecting physical and social infrastructure sectors; and governance problems and the lack of sustained reform commitment due to government changes. Most countries with less than successful ratings were also affected by external shocks, political instability or civil strife (Indonesia, Nepal, Pakistan, Sri Lanka), which not only complicated consultant recruitment and project supervision, but more fundamentally, negatively affected government commitment, focus, and capacity for implementing reform and investment programs. ADF operations should

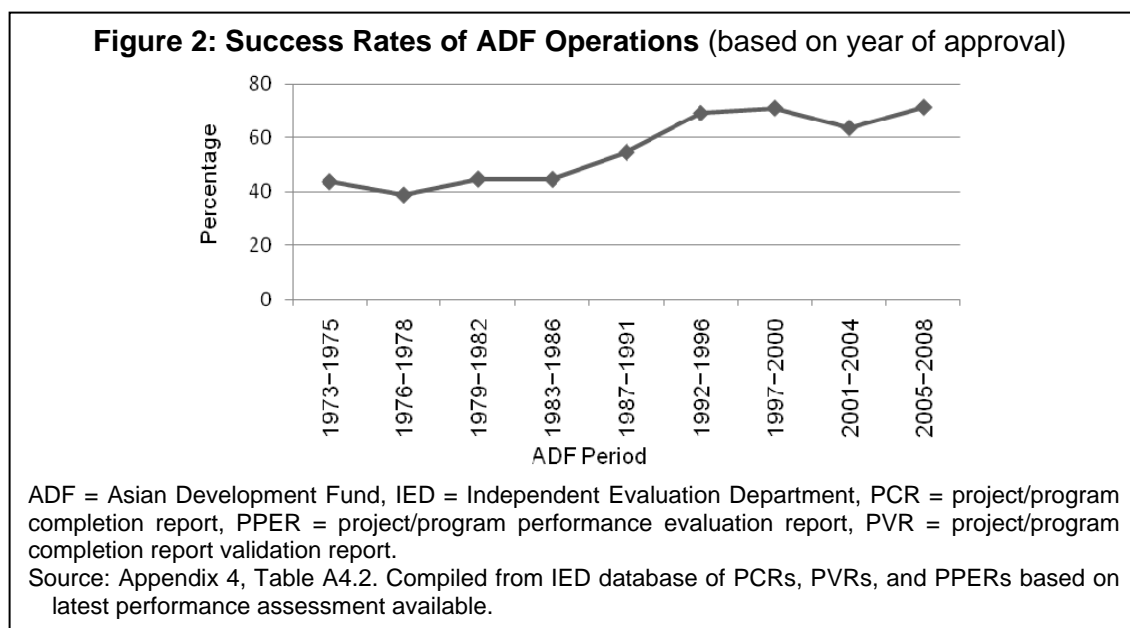
<sup>32</sup> Country-specific CAPE findings are presented in respective reports prepared by IED and are available at <http://www.adb.org/Evaluation/resources-list.asp?type=5&p=evalcape>

<sup>33</sup> Indonesia was eligible for ADF resources until early 2009.

be benefiting from the resolution of conflict situations in Nepal and Sri Lanka, although the level of political instability has been increasing in a number of other DMCs, most notably Pakistan. IED's recently completed Final Review Validation of the Country Partnership Strategy (CPS), 2009–2011 for Sri Lanka,<sup>34</sup> confirmed the Final Review's *successful* rating, although it also noted continued issues related to the sustainability of project outcomes.

## 2. Project Performance

38. **PCR analysis.**<sup>35</sup> Project success rates have varied over the years and with ADF replenishment period, although there was generally an upward trend prior to ADF VIII. Figure 2 shows success rate by year of approval and ADF replenishment period. The success rate over the ADF cycle was below 50% during ADF I–IV and steadily rose to 71% for approvals in ADF VII. According to the 2009 Annual Evaluation Review,<sup>36</sup> the improvements during the 1990s were probably due to ADB carrying out institutional and related reforms that were called for in the ADF replenishment undertakings, including (i) adoption of new planning processes; (ii) establishment of a task force to improve project quality; and (iii) implementation of a number of policies and practices that have had a direct impact on the relevance, quality, and delivery of projects and programs. However, the success rate for ADF VIII approvals declined to 64%, possibly due to the greater availability of evaluation reports for Pakistan, where portfolio performance deteriorated significantly.<sup>37</sup> The overall success rate for the period under review (ADF VIII–X) is 66% due to slightly improved ratings for projects approved during ADF IX (Appendix 4, Table A4.3). Since only 14 PCRs are available for ADF IX approvals, no definite assertions about ADF IX results can be made at this stage.



<sup>34</sup> ADB. 2011. *Validation Report: Sri Lanka: Country Partnership Strategy, 2009–2011 Final Review*. Manila.

<sup>35</sup> The analysis of project success is based on available (self-)evaluations for 95 projects of the 466 projects approved from 2001 to 2010: 78 projects under ADF VIII (representing 46% of projects approved during that ADF cycle), 14 projects under ADF IX (7%), and 3 under ADF X (3%). Thirty-two of the associated PCRs have been validated by IED, which resulted in a downgrading of 8 PCR ratings. Success rates include *highly successful* and *successful* projects/programs, also described as *successful* or better, and are based on composite ratings for four criteria—relevance, effectiveness, efficiency, and sustainability.

<sup>36</sup> ADB. 2009. *2009 Annual Evaluation Review: Role and Direction of Self-Evaluation Practices*. Manila.

<sup>37</sup> For example, while for Pakistan 21 of 45 ADF-funded projects approved during the review period have been (self-)evaluated, only 2 of 47 approved Bangladesh projects have PCRs.



39. The small number of projects in some countries makes meaningful inter-country comparisons difficult. Nonetheless, Pakistan, with 21 rated projects/programs, stands out with a success rate of only 19% (Table 13). The causes that have precluded better performance in Pakistan are reviewed in detail in IED's recent Annual Evaluation Review<sup>38</sup> and include (i) weak or inappropriate design, (ii) weak political commitment, (iii) shifts in priorities and political impediments, and (iv) insufficient supervision. It is noteworthy that at 61%, the success rate for Pakistan projects approved during ADF VI–VII was already below the portfolio performance average of 70% for that period. Substantial increases in lending to the country during ADF VIII–IX possibly compounded existing capacity problems in an increasingly challenging macroeconomic and political environment. Excluding Pakistan, ADF performance reveals an overall successful rating of 80% (with projects at 84% and programs at 74%) for the period under review, an improvement over the success rate of 73% for non-Pakistan projects approved during ADF VI and VII.

**Table 13: ADF Project Success Ratings by Country**

Country	PCR Project Success Rates (%)		Case Study Project Success Rates (%)	
	ADF VI–VII	ADF VIII–X	2007 SES	2011 SES
<b>ADF-Only Countries</b>				
Afghanistan	na	75 (4)	na	na
Bhutan	86 (7)	100 (2)	na	na
Cambodia	81 (16)	100 (7)	na	na
Kyrgyz Republic	71 (14)	83 (6)	na	na
Lao PDR	76 (25)	80 (5)	100	100
Mongolia	63 (19)	67 (6)		
Nepal	71 (21)	0 (2)	40	64
Tajikistan	80 (5)	100 (9)	na	na
<b>Blend Countries</b>				
Armenia	na	100 (1)	na	na
Bangladesh	79 (38)	100 (2)	60	90
Georgia	na	100 (2)	na	na
Indonesia	81 (16)	100 (1)	na	na
Pakistan	61 (28)	19 (21)	20	20
Papua New Guinea	14 (7)	0 (2)	na	na
Sri Lanka	76 (29)	60 (5)	na	na
Uzbekistan	100 (1)	na	na	na
Viet Nam	93 (27)	100 (10)	20	70

ADF = Asian Development Fund, IED = Independent Evaluation Department, Lao PDR = Lao People's Democratic Republic, na = not applicable, PCR = project/program completion report, PPER = project/program performance evaluation report, PVR = project/program completion report validation report.

Note: Figures in parentheses indicate the number of projects that were rated.

Source: compiled from IED database of PCRs, PVRs, and PPERs based on latest performance assessment available, and IED staff assessments.

40. Contributing factors to project underperformance were identified based on the PCRs or PVRs for projects that were either *partly successful* or *unsuccessful*. Details are provided in Appendix 4, Table A4.4. With regard to project design, the three most frequent issues encountered in these underperforming projects were project designs that did not adequately consider country conditions (affecting 61% of the less than successful projects), project complexity (46%), and lack of stakeholder support (32%). The main implementation issues were related to lack of institutional capacity for achieving project outputs/outcomes (57%); lack of

<sup>38</sup> ADB. 2011. *2011 Annual Evaluation Review*. Manila (IED, Reference Number: RPE: OTH 2011-08, May, p 11).

continued political commitment (50%); and lack of adequate ADB implementation support (39%), particularly in terms of continued policy dialogue, the timely recruitment of good quality implementation consultants and contractors, staff expertise and continuity, regular interaction on the ground, and adequate implementation arrangements. Project design issues were identified as the main causes of project failure in more than two-thirds of the cases, whereas project implementation issues played a lesser role, with changes in political commitment and cost overruns due to price changes being the main drivers. All of these points to the importance of good project design, which requires adequate stakeholder consultations, an in-depth analysis of country-specific development issues and conditions, project approaches that match local capacity for implementation, sufficient resources, and proper risk assessments and mitigation.

41. **Analysis of case study projects.** Based on an analysis of their project performance reports, consultations with executing and implementing agencies, and other available evaluation findings,<sup>39</sup> 69% of the case study projects were/are expected to be *successful* or *highly successful*, 28% *partly successful*, and 4% *unsuccessful* with success rates ranging from 20% in Pakistan to 100% in Lao PDR. In line with the general portfolio performance trend for ADF projects, the likely success rate of case study projects approved during ADF IX was almost identical at 68% compared to the rate of 67% for projects approved during ADF VIII. Without Pakistan, the success rate would have been 81%, implying that the performance of case study projects was at par with ADF projects in general for the review period.

42. There have been considerable improvements in the performance of the 25 projects that were earlier reviewed by the 2007 SES (footnote 7), with the success rate increasing from 48% to 72%, due mainly to stronger leadership by new government counterparts, the introduction of performance-based contracts for nongovernment organizations (NGOs) tasked with helping implement training and outreach programs, resolution of pending land acquisition issues, and improved implementation capacity of implementing agencies and local authorities as the result of ADB-financed TA efforts (Table 14).

**Table 14: Comparison of Assessments of Case Study Projects by 2007 and 2011 SESs**

Actual or Likely Assessment	2007 SES	2011 SES	Change
Highly Successful	3	1	-2
Successful	9	17	+8
Partly Successful	12	6	-6
Unsuccessful	1	1	Nil
<b>Total</b>	<b>25</b>	<b>25</b>	

SES = special evaluation study.

Sources: Appendix 4, Tables A4.8 and A4.9.

43. When projects were not successful, this was in many cases due to conceptual problems, weak stakeholder buy-in and/or capacity, lack of mechanisms to ensure the sustainability of

<sup>39</sup> The analysis covers 51 ongoing and completed projects (64 loans and grants) accounting for \$1,155.3 million in ADF VIII and \$1,286.1 million in ADF IX approvals, which represent 20.5% and 16.0%, respectively, of total ADF loan and grant approval volumes, and 15% and 13%, respectively, of total project numbers. As of 31 December 2010, 23 of the 64 loans (36%) had closed, and the rest were open or ongoing. Hence, the performance assessment is only a provisional assessment of the ongoing operations and is subject to change at completion. See paras. 8–9 for selection methodology. The sector coverage is similar to the overall ADF portfolio during the review period, except for a slightly higher share of ANR projects and fewer infrastructure projects. On the other hand, the share of targeted interventions is substantially higher. The resident missions concurred with the list of selected case study projects for the SES, with one exception for which a replacement project was mutually agreed upon by the resident mission and IED. The list of case study projects is in Appendix 4, Table A4.5. Appendix 4, Tables A4.6 and A4.7 summarize the sector coverage of the case study projects by DMC.

project outputs and outcomes, or unforeseen risks that were not or could not be adequately mitigated.<sup>40</sup> The issues are very similar to the ones identified by the PCR analysis (para. 40).

44. The following lessons related to stakeholder buy-in were drawn based on the implementation experience of the case study projects: (i) whenever projects had strong government ownership and commitment at the highest level, they succeeded; (ii) ownership and commitment on the part of the executing and implementing agencies play an important role in creating the right environment for project implementation; (iii) prolonged and active involvement of NGOs and community organizations, and participation of beneficiaries in the implementation of social or rural development projects facilitate appropriate implementation and prolonged maintenance of project assets; and (iv) frequent changes in implementing agencies or personnel significantly reduce government commitment and support, and often lead to project failure.

### 3. Performance by Sector

45. Evidence from CAPEs suggests that ADB support for education, energy, transport, and WMIS was *successful* in most countries, while ANR and PSM support was mostly *partly successful* (Table 15). The performance of ANR support worsened in Bangladesh, Nepal, and Uzbekistan because of lack of progress with sector reforms or maintenance issues for irrigation projects, but improved in the Lao PDR because of strengthened government capacity and framework conditions such as better infrastructure and substantial (foreign) investment in agriculture. PSM-related support was generally dealing with more challenging development constraints by seeking to foster relevant and efficient government institutions and by restructuring state-owned enterprises and public sector functions. Some reforms stalled due to insufficient stakeholder support and political commitment, while other reforms often proceeded at a slower pace than expected due to lack of implementation capacity and to resistance by affected interests. Finance sector ratings worsened in Bhutan and Cambodia due to weak capacity for implementing sector reforms or enforcing new regulatory frameworks. Most notably, the performance of transport sector support declined in Bangladesh, Bhutan, Cambodia, Lao PDR, and Nepal, due mainly to implementation as well as operation and maintenance (O&M) problems. With the exception of Lao PDR, ADB transport sector operations in all of these countries, as well as in Viet Nam, were rated *partly successful*.

46. At first sight, the ratings for sector assessments conducted under CAPEs do not appear to be consistent with the relative performance of sector projects as indicated by project success rates. It needs to be considered though that (i) only a few sectors have a large enough number of evaluation reports for projects approved during ADF VIII–X to warrant any meaningful conclusions about the performance of sector projects; (ii) CAPE assessments consider performance at the sector rather than the project level, using a different assessment methodology; (iii) the PCR portfolio includes sector projects from countries without CAPEs; and (iv) CAPE sector assessments also review ongoing projects and OCR-funded projects in blend countries. Project success rates for sectors with more than 10 evaluated projects were 83% for multisector projects (mainly comprising support for disasters and emergencies, postconflict situations, and economic crisis response, as well as social sector programs), 70% for transport

<sup>40</sup> Examples of the last cause include security concerns that led to the cancellation of the border crossing and road safety components of Pakistan's North West Frontier Province Road Development Sector and Subregional Connectivity Project because the sole contractor backed out. In the Rawalpindi Environmental Improvement Project in Pakistan, drainage work did not progress because local residents had encroached on the supposed drainage path. The scope of the Central Region Transport Networks Improvement Sector Project in Viet Nam was reduced by as much as 50% due to unexpected price increases for inputs.

and ICT, 67% for ANR, and 54% for PSM. Available project success data indicate a worsening in the development effectiveness of transport sector projects in recent years, which will need to be further investigated given the significant expansion of transport-related ADF operations since 2007. Like the CAPE sector assessments, project ratings also reflect greater difficulties associated with sectors that involve significant levels of policy-based operations. Nevertheless, the difference in success rates for ADF programs and investment projects has narrowed over time as a result of improved approaches for policy-based support. The performance of program operations significantly improved from 24% during ADF I–V (34 programs) to 57% in ADF VI–VII (37 programs) and to 63% in ADF VIII–X (40 programs). Likewise, the project success rate rose from 50% during ADF I–V (334 projects) to 72% during ADF VI–VII (267 projects), but decreased to 69% in ADF VIII–X (55 projects) (Appendix 4, Table A4.3).

**Table 15: ADF Project Success Ratings by Sector**

Sector	Share of Countries with Successful Sector Ratings in CAPE (%)	PCR Project Success Rates (%)		Case Study Project Success Rates (%)	
		ADF VI–VII	ADF VIII–X	2007 SES	2011 SES
		Agriculture and Natural Resources	33 (9)	57 (74)	67 (15)
Education	89 (9)	79 (38)	67 (6)	67 (3)	83 (6)
Energy	67 (9)	91 (24)	33 (3)	100 (2)	100 (3)
Finance	50 (10)	55 (22)	44 (9)	0 (1)	20 (5)
Health and Social Protection	50 (4)	67 (21)	83 (6)	0 (1)	75 (3)
Industry/Trade	na	33 (6)	71 (7)	100 (1)	100 (2)
Multisector	0 (1)	79 (28)	83 (18)	50 (2)	100 (2)
Public Sector Management	29 (7)	54 (13)	54 (13)	33 (3)	0 (2)
Transport/ICT	55 (11)	87 (46)	70 (10)	20 (5)	71 (7)
Water and Other Municipal and Infrastructure Services	60 (10)	69 (22)	63 (8)	0 (2)	57 (7)

ADF = Asian Development Fund, CAPE = country assistance program evaluation, ICT = information and communication technology, IED = Independent Evaluation Department, na = not applicable, PCR = project/program completion report, PPER = project/program performance evaluation report, PVR = project/program completion report validation report.

Note: Figures in brackets indicate the number of sector assessments in CAPEs and number of projects that were rated.

Source: compiled from IED database of CAPEs, PCRs, PVRs, and PPERs based on latest performance assessment available, and IED staff assessments.

## B. Assessment of Strategic Positioning, Relevance, Efficiency, Effectiveness, Sustainability, and Development Impact of ADF Support

47. Table 16 summarizes CAPE component ratings based on the latest available CAPE report for each country. Lack of efficiency, sustainability, or any significant contributions to development results has been responsible for the less than successful overall performance ratings of some CAPEs, but has also affected a number of *successful*-rated country programs.

**Table 16: CAPE Component Ratings by Type of ADF Country**

Item	Satisfactory Strategic Positioning or Better	Relevant or Better	Effective or Better	Sustainable or Better	Satisfactory Development Results or Better	Efficient or Better	Successful or Better
ADF-only (5)	5	5	5	3	3	3	4
Blend (7)	4	5	1	2	1	2	3
All CAPEs (12)	9 <sup>a</sup>	10	6	5	4 <sup>a</sup>	5	7

ADF = Asian Development Fund, CAPE = country assistance program evaluation, IED = Independent Evaluation Department.

<sup>a</sup> Strategic Positioning was not assessed for Indonesia. Contributions to development results were not assessed for two blend countries (Indonesia and Papua New Guinea).

Source: IED CAPE reports.

48. Table 17 summarizes project component ratings based on the latest available assessments for projects approved during the review period. The results mirror the CAPE findings, particularly in terms of efficiency and sustainability issues, which are analyzed in more detail in the following section.

**Table 17: Project Component Ratings by Type of ADF Country**

Item	Share of Projects Rated Relevant or Better (%)	Share of Projects Rated Effective or Better (%)	Share of Projects Rated Sustainable or Better (%)	Share of Projects Rated Efficient or Better (%)	Share of Projects Rated Successful or Better (%)
ADF-only	96	77	74	73	80
Blend	74	52	51	43	54
Blend (excl. Pakistan)	93	83	79	68	80
All Rated Projects	84	63	61	57	66

Sources: Appendix 4, Tables A4.10.

### 1. Strategic Positioning

49. CAPEs for nine ADF countries (Bangladesh, Bhutan, Cambodia, Lao PDR, Mongolia, Nepal, Pakistan, Uzbekistan, and Viet Nam) assessed strategic positioning to be at least *satisfactory* or higher. For two countries (Papua New Guinea and Sri Lanka), it was assessed as between *satisfactory* and *partly satisfactory*.

50. Country strategies were generally closely aligned with government development plans and priorities, and with national poverty reduction strategies. An exception is Sri Lanka, where several key components of the 2004 CPS (sector restructuring, deregulation, and privatization of state-owned enterprises), although initially appropriate, were not in line with the changed economic policy agenda of a new government. Country strategies also generally responded well to country development challenges except for Papua New Guinea, where structural constraints to inclusive growth such as a dualistic economy, rugged and far-flung rural areas, and sparse population with low skill levels remained largely unaddressed.

51. Sector interventions were usually well sequenced, although several CAPEs including the Pakistan CAPE pointed out the need for policy and institutional reforms to be implemented ideally ahead of, or at least in parallel with sector investments to enhance their effectiveness, efficiency, and sustainability. In most countries, ADB remained engaged in key sectors over the longer term, which increased chances for achieving meaningful development outcomes, as repeat interventions built upon and expanded the scope of earlier projects, and the design of follow-up projects often built on the achievements of and experience gained with previous projects.

52. In terms of sector selectivity, earlier programs in a number of these ADF countries, particularly Lao PDR, Mongolia, and Pakistan, suffered from a lack of focus. However, in recent years country strategies sought to achieve greater sector selectivity, particularly after the introduction of Strategy 2020, through greater focus on infrastructure operations. Nevertheless, ADB remained engaged in PSM to pursue capacity development and governance objectives, as

well as in ANR in response to demands from client DMCs. ADB exited from the health sector in a number of ADF countries including Bhutan and Cambodia, and reduced lending for education and financial sector development despite these being core operational areas under Strategy 2020. CAPEs for Cambodia, Mongolia, and Viet Nam found that lack of geographical focus or subsector selectivity continued to be an issue in these countries and needed to be addressed to ensure critical mass, reduce overhead costs, and achieve sustainable results.

53. Most CAPEs concluded that ADB could have also done more to address private sector development and environmental sustainability aspects in its operations, either on a stand-alone basis or through mainstreaming in sector operations. In a number of countries, related ADF performance targets were not being met.

54. ADB's efforts with regard to harmonizing its strategies and programs with those of other development partners were assessed to be satisfactory. In the case of Bangladesh, the CPS was developed in partnership with the government and its main development partners.<sup>41</sup> In Bangladesh, Cambodia, and Nepal, ADB supported sector-wide approaches (SWAs) in education jointly with other aid agencies.

## 2. Relevance

55. According to CAPE findings, operations in 10 of the 12 countries remained *relevant* (*highly relevant* in the case of Nepal), while those in Pakistan and Sri Lanka were *partly relevant*. ADB's programs were generally responsive to changing needs and priorities as a result of government changes, natural disasters, or economic crises, with the exception of earlier programs in Sri Lanka.

56. PCRs assessed 39% of the ADF projects approved during the review period to be *highly relevant* and another 45% as *relevant* (Appendix 4, Tables A4.10–A4.12), which would imply that (i) ADF projects were generally consistent with the country's development priorities and ADB's country and sector strategies, both at appraisal and at evaluation; (ii) the quality of project preparatory work and identification of main constraints to the achievement of development results was adequate; and (iii) the resulting selection of project designs and financing instruments was appropriate.

57. Then again, some CAPEs pointed out that in a number of cases, project design could have been more responsive to local conditions, adopted more holistic approaches, or been based on wider analysis of available technical or policy options. Given ADB's long-term involvement with these DMCs and their government institutions, and its local presence, insufficient understanding of local conditions would seem to be avoidable. ADB's reliance on outside consultants for project design and implementation; its high staff turnover; and, in some cases, the lack of wider stakeholder consultation and long-term policy dialogue and continued (sub)sector engagement were found to have contributed to this problem. Involvement of resident mission staff in project processing might be helpful.

58. In Pakistan, the CAPE found that the complexity of project designs associated with the large number of federally administered and provincially delivered multiprovince and multisector projects led to subsequent implementation problems, a finding confirmed by IED's recent review of case study projects. PCRs deemed 11 of the 21 assessed projects in Pakistan to be less than

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<sup>41</sup> For details, see ADB. 2009. *Bangladesh Country Assistance Program Evaluation*. Manila (IED, pages 26–29, paras. 94–110).

relevant, due to ambitious project and program designs that did not sufficiently reflect country conditions and risks, adequately consider political and related institutional governance constraints, and obtain buy-in from relevant stakeholders.

59. Also, 45% of the case study projects were found to have had design problems, and 37% subsequently underwent a change in scope (Appendix 4, Table A4.13). The review of case study projects revealed the following key lessons related to project design: (i) project complexity needs to be matched with a country's institutional capacity;<sup>42</sup> (ii) a thorough diagnostic problem analysis is a precondition for identifying and prescribing proper project and policy solutions and timeframes; (iii) counterpart implementation responsibilities need to be clearly defined and communicated; (iv) extensive involvement of NGOs, civil society, and beneficiary communities, while instrumental for the success of rural development and social infrastructure projects, often requires longer project gestation times and involves a learning process for government agencies, which have to be equipped to be able to effectively deal with new development partners.

### 3. Efficiency

60. CAPEs found ADB operations in five countries, viz., Bangladesh, Bhutan, Cambodia, Mongolia, and Uzbekistan to be *efficient*. Of these countries, Bangladesh, Bhutan, and Mongolia had improved their performance from a lower level to *efficient* assessment overall, although efficiency varied among different sectors. Also, although operations in Bhutan were deemed to be largely efficient in terms of both process and resource efficiency, the CAPE cautioned that resource efficiencies would need to be carefully assessed for rural connectivity and electrification projects, considering their comparatively costly nature and the limited number of beneficiaries in a sparsely populated country.

61. CAPEs assessed ADB operations in seven countries to be *less efficient* or *partly efficient* mainly due to concerns about process efficiency as reflected by substantial implementation delays and slow disbursements. The causes identified by the CAPEs point to "systemic" delays, limited capacity of executing and implementing agencies and insufficient related ADB support, weak implementation arrangements, lack of good governance, frequent changes in project management, high staff turnover on the ADB and counterpart sides, limited counterpart funding, shortage of qualified local contractors, differences in ADB and government procedures, resettlement issues, slow responses from ADB headquarters, limited familiarity with ADB procurement policy and procedures, and problems in relation to the recruitment of consultants and procurement of goods and services. This mirrored IED findings in the case study countries.<sup>43</sup>

62. The PCR review found that only 57% of evaluated projects were rated *efficient* or better. Projects in Pakistan and in a number of Pacific nations had very low efficiency levels, as did

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<sup>42</sup> For example, many executing agencies perceived that small add-on project components to address the social issues emerging from infrastructure projects created implementation challenges if concerned executing or implementing agencies did not possess competency in such areas.

<sup>43</sup> Executing agencies in the case study countries cited several reasons for implementation delays, but the prominent ones were (i) limited familiarity with ADB procurement procedures and guidelines; (ii) delay in recruiting consultants and mobilizing them; (iii) unsatisfactory performance of implementation consultants, which required replacing them; (iv) inadequate capacity of executing and implementing agencies; (v) longer time taken for land acquisition; (vi) unfavorable weather conditions; (vii) slow response time for projects administered from ADB Headquarters; and (viii) varying requirements of multiple donors in a project. In addition, high staff turnover in both ADB and governments and limited harmonization between ADB and government procurement procedures were found to be responsible for delays.

social infrastructure projects and reform programs. It is noteworthy that 20 of the 23 revenue-generating projects (among the 95 completed and rated projects in the portfolio), for which economic internal rate of return (EIRR) calculations were made at the time of project completion, achieved EIRRs in excess of the ADB threshold rate of 12%.<sup>44</sup> Resource efficiency concerns have thus not been the driving factor for low efficiency project ratings. Rather, significant delays in project implementation and closure have been the main reason. A number of ADB initiatives to improve process efficiencies have resulted in a significant improvement of efficiency ratings for ADF projects across the two recent ADF cycles, up from 56% for projects approved during ADF VIII (Appendix 4, Table A4.11).

63. ADB has made significant progress in reducing the time lag between loan approval and signing, as well as between signing and effectiveness, through measures that have increased project readiness prior to approval. For ADF-only countries, the time lag between loan approval and effectiveness declined from 219 days during ADF VIII to 194 days during ADF IX and to only 129 days for ADF X projects.<sup>45</sup> Likewise, in blend recipient countries, the time lag was reduced from 251 days during ADF VIII to 179 days during ADF IX and to 119 days during ADF X. Details are in Appendix 4, Table A4.20. To a certain extent these improvements reflect the growing presence of program loans in the portfolio, which are by their very nature quick disbursing. With respect to ADF grant operations, the time lag between approval and effectiveness was also shortened from 150 days during ADF IX to 105 days during ADF X (Appendix 4, Table A4.21). ADB expects the systematic use of project readiness filters to further reduce the time lag.

64. Moreover, the 2009 Annual Review of Portfolio Performance<sup>46</sup> shows that the contract award ratio<sup>47</sup> significantly improved from 2001 to 2009 for both project and program loans. A disaggregated data analysis by ADF cycle reveals that the overall contract award ratio increased from 18% in ADF VIII to 28% in ADF IX and to 37% in ADF X (Appendix 4, Table A4.22). Overall, actual loan disbursements have consistently surpassed the projected levels since 2005, driven largely by program loans, particularly in recent years. Actual disbursements in relation to disbursement projections also increased significantly during subsequent ADF cycles (Appendix 4, Table A4.23).

65. ADB has significantly reduced project implementation delays. Of the 444 ADF loans approved during 2001–2010, 165 had closed (37%) by 31 December 2010.<sup>48</sup> Of these loans, 72% required an extension.<sup>49</sup> Based on data for closed loans with delays, the average delay was halved from 1.6 years in ADF VIII (n=114) to 0.8 years (n=36) in ADF IX (Appendix 4, Tables A4.27–A4.29). Although some of these improvements are associated with the growing share of single-tranche program loans, they also reflect measures put in place by ADB to improve project implementation performance including the use of project readiness filters, new procurement and consultant recruitment processes, the delegation of more projects to resident missions for administration, the introduction of regular tripartite portfolio reviews, and an increase in the levels of staff and resources for project administration purposes. Based on discussions with selected resident mission staff, measures such as advance procurement

<sup>44</sup> Detailed data are provided in Appendix 4, Tables A4.14–A4.19.

<sup>45</sup> Project/program commencement delay is based on data available for closed loans but excluding cancelled loans.

<sup>46</sup> ADB. 2010. *Annual Report on 2009 Portfolio Performance*. Manila.

<sup>47</sup> This refers to the ratio of contracts awarded or actual commitments during the year to the value of resources available for contract or commitment awards at the beginning of the year.

<sup>48</sup> As of 31 December 2010, 61% of ADF VIII approved loans, 24% of ADF IX, and 11% of ADF X had closed.

<sup>49</sup> 83 (50%) required one or two extensions and 30 (18%) required three or four extensions. Another three loans required five extensions, and two loans required six (Appendix 4, Tables A4.24–A4.26).



actions and appointment of procurement specialists in the resident missions have partly contributed to cutting project implementation delays. With effective implementation of ongoing and proposed measures to improve project implementation, delays are expected to be further shortened.

66. New initiatives were introduced by ADB Management to improve project implementation, including the streamlined business processes, and e-Operations projects (a system that aims to improve the efficiency of ADB's project processing and implementation).<sup>50</sup> In 2010, a project implementation working group was formed, which recommended additional actions in three key areas: (i) achieving total project readiness; (ii) enhancing organization, staff skills, and incentives; and (iii) ensuring effective project implementation.<sup>51</sup> Effective implementation and monitoring of these initiatives should contribute toward further improving ADB project efficiency ratings, although the impact on overall project effectiveness and success rates remains to be seen.

#### 4. Effectiveness

67. CAPEs deemed ADB operations *effective* in 6 of the 12 reviewed countries with the exception of Bangladesh, Indonesia, Pakistan, Papua New Guinea, Sri Lanka, and Uzbekistan, which had *less or partly effective* operations. Appendix 5 shows the key outcomes and development results achieved with ADF support in various ADF countries based on available CAPE analysis, and explains reasons for shortfalls. Country-specific factors did affect outcomes of project and sector support. For example, in Sri Lanka, changing development priorities, civil conflict, and insufficient political support for sector restructuring reduced the effectiveness of ADB assistance, particularly its policy-based operations. The Pakistan CAPE identified political economy issues as a permeating theme, which reduced development results.

68. An analysis of CAPEs and sector assistance program evaluations shows that physical infrastructure investments (particularly in energy and transport) were more effective in achieving envisaged development outputs and outcomes than support related to capacity development and institutional or policy reforms. However, unless asset management and issues effecting the utilization of assets or demand for services are effectively addressed, infrastructure will not generate and sustain optimal economic benefits. Evaluation findings suggest that for stronger outcomes, not only are the results of individual projects and their sustainability important but vitally also their connectivity within and across sectors—with each other and with reforms in policies, administration and governance.

69. For rural infrastructure, there is also the need for complementary investments in other sectors. For example, potential socioeconomic benefits from the construction of rural roads were not always fully realized if not coordinated with efforts to enhance rural income opportunities. Financed irrigation systems did not always translate into land improvements or increases in agricultural productivity in the absence of adequate extension services, marketing

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<sup>50</sup> The Central Operations Services Office (COSO) has several ongoing initiatives that are expected to have a major impact on implementation and therefore on the success rate of ADB operations. Such initiatives aim at (i) simplifying ADB procedures to standardize and accelerate processes such as revision of project implementation instructions (PAIs), the Project Processing and Portfolio Management (P3M) system – Manage Procurement, the Consultant Management System (CMS), Individual Consultant Selection (ICS), Loan Consulting Unit (LCU), and Internal Procurement Document Review System (I-PRES); (ii) improving procurement oversight; (iii) increasing procurement training and outreach through procurement accreditation, "master classes" at headquarters, regional forums, and best practice dialogue; (iv) expanding DMC procurement and supply chain capacity development; and (v) increasing harmonization with multilateral development banks.

<sup>51</sup> ADB. 2010. *Good Project Implementation Practice*. Report of the Project Implementation Working Group. Manila.

support, or value chains. Some rural water supply schemes did not result in expected increases in household connections due to affordability issues and lack of appreciation of potential benefits.

70. Appendix 5, Table A5.1 analyzes the achievement of outputs and outcomes in selected sectors that received some of the largest shares of ADF support during the review period based on CAPE and sector assistance program evaluation findings. In the transport sector, ADF mainly financed the rehabilitation and upgrading of national highways and provincial roads and, to a lesser extent, the construction of new national, state, district and rural roads. Outputs targets were usually not fully but substantially met due to technical design problems, land acquisition issues, lack of contractor or government capabilities, and cost increases. Nevertheless, road projects generally reduced transport costs, travel times, and facilitated traffic by larger vehicles, which in turn facilitated access to markets and services. There is evidence of substantially increased personal and commercial vehicle travel in most cases. However, the funding and management of new and existing transport infrastructure remains a key concern, as related policy dialogue and capacity development efforts were only partly effective.

71. ADF support for irrigation systems, drainage and flood management generally resulted in land improvements. However, this did not necessarily translate into higher agricultural productivity, mainly due to lack of progress made on sector policy reforms determining economic incentives for production, lack of maintenance funding, and limited or less effective support for agricultural extension services, marketing, and rural credit.

72. Urban infrastructure (water and non-water) outputs and related outcomes were generally substantially achieved. Project investments resulted in improved service coverage and quality. Exceptions included situations where project components had to be cancelled because of cost escalations or households that could be connected to new services chose not to due to their inability or unwillingness to pay related charges. Very limited progress has been made with strengthening the capacity of local governments and urban utilities for managing urban services efficiently and effectively. Support for reducing the level of nonrevenue water has not always had the desired level of success. There was considerable political resistance to implementing tariff reforms promoted under ADB programs. Progress made with policy dialogue related to improving the financial autonomy and sustainability of urban service providers has been slow.

73. In the education sector, ADF support for the construction or upgrading of classrooms did not translate into expected school enrollment rates when there were no effective measures to encourage the sustained utilization of project facilities (e.g., adequate salaries to attract and retain teachers, funds to enable poor children to attend schools, or funds to maintain facilities). Also, the quality of teaching, and, subsequently, students' performance did not always improve substantially as support for teacher training stayed behind targets and did not result in a significant increase in the number and attendance of teachers; and institutional reforms to improve sector performance in terms of quality and efficiency were only partly implemented.

74. Based on an analysis of PCRs for projects approved during the period under review, only 63% of evaluated projects reached most of their envisaged outputs and outcomes despite satisfactory project relevance at the outset.<sup>52</sup> Differences in effectiveness rates for countries

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<sup>52</sup> The large difference between relevance and effectiveness ratings appears to be indicative not only of project implementation problems, but also of relevance ratings that did not sufficiently consider project relevance at completion or design problems. The analysis of PCRs and case study countries found that most implementation issues were ultimately caused by design problems.

indicate the impact of (changing) country conditions such as governance and capacity issues, political instability, and internal conflicts, including between central and local governments, on project effectiveness (with only 50% of projects in Afghanistan and 9.5% of projects in Pakistan rated as *effective*). In terms of sectors, relatively lower effectiveness ratings were determined for assistance for non-infrastructure sectors such as ANR, education, finance, and PSM at 57%, 50%, 56%, and 46%, respectively (Appendix 4, Tables A4.12).

75. Forty-three percent of reviewed program loans were not effective. A number of program loans were too ambitious and governments struggled with the implementation of required policy reforms, particularly under politically unstable conditions. Lack of institutional capacity to implement reforms has also been a contributing factor. Some programs covered a multitude of policy areas and subsectors—often without having much significance on their own (e.g., the preparation of policy studies or draft regulations, or the establishment of committees)—to justify large amounts of budget support. Such levels of complexity created implementation and coordination problems. In the majority of cases though, program policy conditions were technically met, but many of them failed to produce adequate levels of meaningful outputs or outcomes, as they failed to address binding constraints to sector development. Lack of wider political support for substantial policy reforms rather than inadequate problem analysis was responsible for the selection of ineffective policy actions under program loans. Other factors leading to shortfalls in achieving intended program outcomes included (i) the focus during program design and implementation on policy conditions rather than outcomes; (ii) unclear wording of program actions, which did not include a description of underlying principles and intent of the conditionality making it difficult to reach a common understanding on what constitutes compliance and to monitor achievements (but making it easier to justify tranche releases in the absence of meaningful reform efforts); and (iii) a lack of follow-up on continued compliance.

76. Thirty-one percent of project loans with PCRs were not effective. Of these, almost all had problems achieving most of their envisaged project outputs. The reasons for this included lack of stakeholder support, design and construction issues, lack of counterpart funds and implementation capacity, changes in external conditions, and the cancellation of project components due to cost overruns. Lack of output achievements prevented the attainment of project outcomes.

77. Project cancellation data are indicative of effectiveness issues not only for completed, but also for ongoing projects. Of the 590 ADF loans and grants approved by ADB during 2001–2010, 136 (23%) had one or more cancellations at one stage or another (Appendix 4, Table A4.30). The total cancelled amount was about 27.4% of the approved amount, but 37 loans had more than half of the approval amount cancelled usually after a number of years of lackluster implementation. The most number of cancellations were for Pakistan (n=28) and Bangladesh (n=17) among the ADF countries, and for ANR, education, transport and ICT, PSM, and WMIS among the sectors. The countries with the highest cancellation rates for ADF loans and grants approved during the review period included Pakistan (48% cancellation rate), Bangladesh (36%), and Sri Lanka (31%). Cancellations were due to a variety of reasons, including lack of stakeholder support, lack of effective demand for some credit lines, tranche cancellations under program loans due to altered or reversed reform agendas, and cost overruns or technical design issues leading to the cancellation of project components.

78. Lack of adequate result-orientation by ADB and its clients has contributed to effectiveness issues. ADB has used results-based frameworks for CPSs<sup>53</sup> beginning in 2005. A number of CAPEs found that the CPS results frameworks were not used effectively to show or monitor ADB's contributions. Some of the indicators were flawed, with many lacking baselines and deadlines, and some of them so vague that no credible evidence on status or contributions could be reported. Also, some frameworks included too many indicators, which was not practical. However, the real problem with results frameworks has been that they have not been systematically used to judge ADB's progress or to guide management decisions. Also, an IED study on managing for development results (MfDR) found that progress on project design and monitoring frameworks had been slow due to poorly formulated indicators and output statements, and inadequate data sources.<sup>54</sup> Meaningful indicators to track the performance of ADB support at the project and country levels need to be identified and regularly updated and reflected in project performance reports and CPS updates. The new ADB guidelines for preparing results frameworks and monitoring results are an improvement, as they measure ADB's contributions to sector investment and institutional outputs, and link sector outputs to sector outcomes in a meaningful manner. Several CAPEs recommended that ADB also help develop results-based government sector investment and institutional development strategies.

## 5. Sustainability

79. CAPEs assessed ADB assistance to Cambodia, Lao PDR, Mongolia, Sri Lanka, and Viet Nam as *likely to be sustainable*. Sustainability ratings improved for ADB support in Cambodia and Lao PDR. In Lao PDR, key concerns of weak sustainability mechanisms and institutional capacity raised in the previous CAPE (2006) had been substantially addressed. The 2010 CAPE concluded that ADB interventions were *likely to be sustainable* in most of the sectors, noting that there have been substantial improvements in the availability of budgetary resources; in other sustainability mechanisms such as cost recovery, environmental and social safeguards, and legal systems; and in institutional and human resource capacity. For countries with a *less likely* CAPE rating for sustainability, this was generally attributed to weak institutional capacity and high staff turnover in executing and implementing agencies, inadequate cost recovery in revenue-generating projects, inadequate resources for O&M, lack of institutional capacity and slow pace of institutional reforms, and limited local ownership of ADB operations. For policy-based operations, sustainability issues were associated mainly with lack of continued commitment to political reform due to government changes, impact on vested interests, or lack of wider acceptability.

80. PCRs for ADF projects approved in the review period rated 61.3% of them *most likely* or *likely to be sustainable*. Project designs that had stakeholder buy-in and included mechanisms to ensure government commitment to recurrent cost funding, retention of staff trained by the projects, and involvement of relevant local stakeholders from the beginning with measures to empower their capacities in mobilizing local financial and human resources to sustain project outcomes and impacts were associated with higher ratings.

81. Projects and programs in ANR, transport and ICT, and PSM were deemed *less sustainable*, with the likelihood of sustainability at 46%, 44%, and 42%, respectively (Appendix 4, Table A4.12). Sustainability issues for road sector projects were usually associated with financial and institutional constraints. ADB has made efforts to address these issues, including

<sup>53</sup> Prior to August 2006, CPS was known as country strategy and program. ADB. 2006. *Further Enhancing Country Strategy and Program and Business Processes*. Manila.

<sup>54</sup> ADB. 2011. *Special Evaluation Study: Managing for Development Results*. Manila.

through road funds in some countries (i.e., which are funded by dedicated road user charges and manage the revenues for road repair and maintenance), improvements in construction quality, and institutional reforms and capacity development. However, evidence from project case studies and CAPEs suggests that progress has been slow.

82. The review of PCRs under this evaluation has arrived at similar results as the recent ADB-wide study by IED on post-completion sustainability,<sup>55</sup> which was based on 491 PCRs and concluded that 65% of both ADF and OCR operations are *most likely* or *likely to be sustainable*. The IED study found that project effectiveness and efficiency do not guarantee the sustainability of project benefits. Sustainability is associated with positive assessments of financial viability, and O&M arrangements and financing, in addition to conducive policy, institutional, market, and regulatory environments. A higher proportion of projects that did not generate revenues and had weak O&M and financing arrangements, along with an unclear policy and regulatory environment, was *less likely* or *unlikely to be sustainable*. Evidence from that study also showed that PCR sustainability ratings had changed at project performance evaluation report stage for 45% of the reviewed projects. Proportionately more projects were subsequently downgraded. Rating upgrades were associated with exogenous factors, such as renewed growth in the economy, allowing larger maintenance allocations, or greater institutional stability. In other cases, rating upgrades were attributed to improved project management, including maintenance by beneficiaries.

83. The IED study concluded that a range of favorable factors contributed to the likelihood of project sustainability. These included an increase in public awareness of the concept of maintenance and its benefits, through user and community participation, particularly for social sector projects. In the road sector, a good balance was needed between investments for network expansion and maintenance requirements for existing roads. Good construction standards and coordination on axle loads could reduce maintenance needs. In the energy sector, tariff reforms were more successful when accompanied by continued support for demand-side management. In water supply and sanitation, sustainability depended upon the capacity of the water companies to effectively manage their networks, and upon support for tariff charges that would eventually cover all costs, including those associated with expansion. Similarly, in education, prerequisites for *likely* project sustainability included continued government financing of O&M of project buildings and facilities after a project was completed. Government ownership and commitment to program outcomes were cited as the main risk to sustainability in the financial sector. In general, given the time it takes to achieve sector reform, prolonged government commitment and ADB support are required, together with an adequate identification of risks that can be clearly monitored.

84. Also, a number of CAPEs recommended that ADB improve the sustainability of its operations through systemic policy dialogue on adequate budget provisions or self-financing mechanisms for O&M in infrastructure, as well as adequate TA for developing related institutional capacity at the central and local levels. The need for systemic approaches was emphasized in the 2010 Annual Evaluation Review,<sup>56</sup> which noted that investment sustainability is not assessed at the macro level using a medium-term fiscal framework to determine O&M needs and affordability. Although there have been attempts to address financial sustainability issues in a more proactive manner in recent years at the project and sector levels through cost sharing, removal or reduction of public subsidies, tariff reforms, and private sector participation in the construction and maintenance of assets, based on an analysis of case study projects, the

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<sup>55</sup> ADB. 2010. *Post-Completion Sustainability of ADB-Assisted Projects*. Manila.

<sup>56</sup> ADB. 2010. *2010 Annual Evaluation Review*. Manila (para. 25).

experience with these approaches has been mixed, demonstrating the difficulties associated with obtaining stakeholder support.<sup>57</sup>

85. In terms of the crucial question of institutional sustainability, a majority of CAPEs found that ADB support for capacity development could be strengthened further. For example, ADB usually did not undertake systematic upfront assessments of institutional capacity and capacity constraints. Assistance was often ad hoc and not part of a larger capacity development strategy for the sector. Particularly in DMCs undergoing fiscal decentralization and devolution of public services, more support was needed for developing the capacity of local government for investment planning, financial management, and asset management. Findings of various CAPEs confirm earlier IED conclusions of an SES on capacity development.<sup>58</sup>

86. Accordingly, the following seem to be the drivers of successful capacity development: (i) adequate and comprehensive capacity assessments that address all aspects of institutional performance at the central and local government levels in key sectors of ADB operations; (ii) strategic direction of capacity development efforts, including their incorporation in results-based sector strategies; (iii) clear results frameworks to measure and monitor capacity development; (iv) long-term continuity of capacity development approaches; (v) appropriate mix of modalities; (vi) mainstreaming of project management and implementation unit activities; (vii) participatory approaches, with strong agency commitment and ownership; and (viii) cooperation and harmonization with other development partners. In addition, holistic approaches to capacity development that also cover organizational and contextual issues—apart from strengthening technical capacity—should be utilized. Also, CAPEs in Lao PDR and Mongolia found that support for strengthening country systems has not always been an integral element of sector assistance, and key initiatives relevant to this goal, such as those related to improved financial management and procurement, have not been sufficiently mainstreamed.

## 6. Development Impact

87. At the end of the day, development impact deserves the greater attention. Based on available CAPE findings, ADB's contributions to development results in ADF countries ranged from *modest/partly satisfactory* (Bangladesh, Pakistan, Sri Lanka, and Uzbekistan) to *substantial/satisfactory* (Cambodia, Lao PDR, Mongolia, and Viet Nam) and somewhere in between (Bhutan, Nepal).

88. Seventeen of the 31 ADF-eligible countries had average annual gross domestic product growth in excess of 5% during the last decade, the most notable exceptions among larger DMCs being Kyrgyz Republic, Nepal, and Pakistan. This also helped reduce income poverty rates during 2005–2008 (Appendix 6, Table A6.1). Nevertheless, in a number of ADF countries (i.e., Lao PDR, Nepal, Papua New Guinea, Timor-Leste), the number of extreme and vulnerable poor has actually been increasing due to population growth. Extreme poverty levels, as measured as percentage of population below \$1.25, remain high in Bangladesh, Lao PDR,

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<sup>57</sup> Some of these approaches worked well for the Urban Governance and Infrastructure Improvement (Sector), Second Urban Primary Health Care, and Secondary Towns Water Supply and Sanitation Sector projects in Bangladesh; the Northern Area Rural Power Distribution Project in Lao PDR; and the Community Groundwater Irrigation Sector Project in Nepal, although in case of the last the subsequent government decided to reintroduce subsidies for tubewells. Also, unaddressed intergovernment arrears continue to threaten the financial sustainability of water utilities implementing the Central Region Water Resources Project in Viet Nam and the Northern and Central Regions Water Supply and Sanitation Sector Project in the Lao PDR.

<sup>58</sup> ADB. 2008. *Special Evaluation Study: Effectiveness of ADB's Capacity Development Assistance—How to Get Institutions Right*. Manila.

Nepal, and Uzbekistan. Progress with the achievement of non-income MDGs has been more varied, with more than half of reported MDG indicators off track for Afghanistan, Bangladesh, Cambodia, Lao PDR, Papua New Guinea, Tajikistan, and Timor-Leste.<sup>59</sup> Most of these indicators are related to environmental targets and access to potable water and sanitation.

89. ADB likely contributed to development results in ADF countries, although the impact varied from country to country. There is a plausible nexus between ADB project and sector outcomes, and economic growth and poverty reduction, although looking for a clear statistical relationship would, in most cases, be difficult if not impossible as ADF funding represented a small part of the public finances and GDP for most ADF countries.<sup>60</sup> ADF support likely contributed to sustained growth and, indirectly, a reduction in income poverty by (i) facilitating movement of goods, increasing labor mobility, lowering transport costs, and improving access to markets and services through investments in transport infrastructure; (ii) increasing the level, efficiency and reliability of power supply and diversifying energy sources through sector reforms and public-private partnerships (PPPs); (iii) increasing agricultural productivity mainly through investments in irrigation systems; (iv) improving urban services; (v) assisting a number of ADF countries in their long transition from centrally planned towards more private sector-based market economies through support for the development of basic policy, legal, regulatory, and institutional frameworks for financial systems and commerce; and (vi) promoting public sector management reform. Also, ADF investments had on average economic returns well in excess of 12%.

90. ADB sought to address the widening income gap between rural and urban populations, mainly through support for rural electrification and the construction of rural roads and irrigation systems. Most projects were found to have had positive socioeconomic impacts, although higher income groups and more developed rural areas tended to derive the most benefits. Several recent IED studies found that building rural infrastructure was not sufficient to ensure substantial increases in rural incomes and living standards, but needed to be coordinated with other efforts to enhance rural income opportunities, social development, agricultural production, and trade.

91. Seventy-four percent of the case study projects were likely to have a positive impact on poverty reduction.<sup>61</sup> Interestingly, there was little difference between the share of targeted and general interventions in terms of having likely poverty impact, which raises questions regarding the suitability of these classifications and the relative effectiveness of targeted approaches in achieving poverty outcomes.

92. Direct ADF contributions to inclusive social development have been at a smaller scale due to lower assistance levels. ADF support for health, education, and water supply and sanitation development helped enhance access to improved essential services, thereby contributing towards non-income MDGs, particularly in countries that had received continuous support for these sectors from ADF and other sources. However, operations have been concentrated in a few ADF countries. A number of DMCs, which are off track in achieving education or water MDG targets did not have any related ADF support during the review period (Appendix 6, Table A6.2).

<sup>59</sup> ADB, UNDP, UNESCAP. 2010. *Achieving the Millennium Development Goals in an Era of Global Uncertainty*. Bangkok.

<sup>60</sup> Official development assistance (ODA) accounted for 5.6% of GDP in ADF countries from 1995–2009, while ADF's share in total ODA averaged about 10% during that period. Shares differed substantially by country.

<sup>61</sup> This assessment is largely based on a review of project documents and interactions with government stakeholders. It does not reflect the views of primary beneficiaries. This would require a separate analysis.

93. The results of ADB support for promoting good governance by combating corruption and improving public sector management stayed below expectations in many client countries. Public sector management programs contributed to improvements in public financial management and transparency and public disclosure, but were less successful in reducing scope for corruption, improving public procurement or supporting decentralization and devolution efforts. Based on an analysis of completed governance-classified projects approved during the review period, only 63% were assessed as successful in meeting this objective. Fourteen of the 51 reviewed case study projects had governance thematic classifications (Appendix 4, Table A4.31). However, just 64% of these projects were likely to actually improve governance. Although comparatively good progress has been made with regard to the development of new regulatory frameworks and market infrastructure, financial systems in many ADF countries remain underdeveloped, inefficient, fragmented, and dominated by the state, albeit less so than prior to ADB support. The impact of stand-alone financial intermediation loans for micro, small and medium-sized enterprises has been limited, unless accompanied by policy reforms that ensured changes in existing funding strategies or lending practices of financial intermediaries.

#### **IV. PROGRESS IN AREAS RELEVANT TO ADF OPERATIONS**

94. The donors' reports on ADF VIII, IX, and X contain crosscutting commitments/statements pertaining to ADF assistance in DMCs (Appendix 1, Table A1). These are broadly grouped into two categories: operational and institutional. Since the focus of this report is on ADF operations, this chapter discusses largely those aspects directly pertaining to ADF operations. Concerning institutional areas, ADB presented a comprehensive progress report during the ADF X Midterm Review in November 2010<sup>62</sup> that covered various actions/initiatives undertaken and planned by Management. Likewise, an IED SES under preparation on MfDR covers ADB's results framework and its achievements in mainstreaming the MfDR agenda in its operations. A discussion highlighting progress in key crosscutting areas follows.

##### **A. Poverty Reduction and Millennium Development Goals**

95. In the last three ADF donors' reports, poverty reduction has continued to be an overarching objective, with some variations in the approaches to address this challenge. For example, in ADF VIII, added emphasis was on social development, including strengthening social capital, especially for people subject to social exclusion. ADF IX sought focus on capacity development, alignment of country performance strategies with national poverty reduction strategies in DMCs, and inclusive social development based on the assumption that each person should have the right to access basic education, primary health care, and other essential services. ADF X called for sustainable economic growth and elimination of shortfalls in achieving the MDGs, and it had an added focus on inclusiveness by promoting equitable access to basic education and health services along with opportunities for productive employment. Overall, successive donors' reports have provided more specificity to the approaches for tackling poverty reduction.

96. ADF continues to assist DMCs with their efforts to reduce poverty along with helping them to achieve the MDGs. Notwithstanding its strong economic growth performance, the Asia and Pacific region is home to the largest number of poor in the world. ADB formally adopted poverty reduction as its overarching goal in 1999, although it had been addressing this concern in various forms for several years. ADB's approach to poverty reduction was extensively revised

<sup>62</sup> ADB. 2010. Stocktaking of the Reform Agenda, ADF X Midterm Review Meeting. Manila.



and revamped in 2004, when it shifted its emphasis to inclusive economic growth. With the help of diagnostic analysis and specifically tailored country strategies, ADB began pursuing poverty reduction by attempting to remove the binding constraints on DMCs' economies rather than through poverty targeting. This brought about greater acceptance of "general interventions" as an approach for reducing poverty in the region, along with selective use of "targeted interventions." These two approaches have been used by ADB as appropriate to each country situation. The related data were provided in the preceding chapter (para. 25), showing that the percentage of targeted interventions in terms of number of projects<sup>63</sup> declined from 62.4% during ADF VIII to 34.6% in ADF IX. However, it picked up in the first 2 years of ADF X to 37.1% (Appendix 3, Table A3.13).<sup>64</sup> The reason for the upturn is associated largely with increasing support to less developed areas in DMCs.

97. Rapid economic growth in 2001–2010 helped to significantly reduce poverty in the regional economies. While income poverty rates have come down substantially during the last two decades, the number of poor living on less than \$2 a day has grown for the group of ADF countries due to population increases (Appendix 6, Table A6.3). Six out of 15 ADF countries for which data are available are off-track with regard MDG targets for reducing extreme poverty.<sup>65</sup> Likewise, comparative Gini coefficients are available for 16 ADF-eligible countries, of which only seven have registered improvements in income equality (Appendix 6, Table A6.4).

98. Non-income poverty remains a major challenge. Several indicators—of malnutrition, under-5 mortality, access to water and sanitation, environmental outcomes, and education, especially in relation to women—have yet to be achieved, and many DMCs are not on track on these MDGs. The ADF has helped in providing related services, but a lot more needs to be done to ensure achievement of the MDGs. The recent Development Effectiveness Review 2010 (footnote 63) observes, "...progress on other measures of human development [*referring to non-income poverty indicators*] in the region was mixed and slower in the weaker ADF countries, particularly the ADF-only countries." (page 7; bracketed expression added).

99. Education and water are the two key areas wherein ADB has provided tangible assistance to DMCs for meeting their commitments to achieving the MDGs. However, although the size of the ADF increased substantially, support for the education sector declined sharply in both real and nominal terms. Approvals for education amounted to \$836.5 million in ADF VIII but decreased to \$690.1 million in ADF IX and \$314.3 million during the first 2 years of ADF X. On the other hand, approvals for WMIS increased modestly from \$610.3 million in ADF VIII to \$949.4 million in ADF IX. Assistance to this sector in the first 2 years of ADF X stands at \$748.1 million. The investments are largely concentrated in the urban areas, and proportionately more people in rural areas remain unserved. Detailed statistics on ADF sector allocations are provided in Appendix 3, Table A3.8.

100. Strategy 2020 states that ADB will also invest in rural infrastructure such as rural energy, rural water supply and sanitation, and rural roads. However, ADB does not collect related statistics and hence it is difficult to ascertain the actual share of investment dedicated to rural areas, including rural infrastructure. Based on the review of operations approved during the

<sup>63</sup> ADB. 2011. *Development Effectiveness Review 2010 Report*. Manila.

<sup>64</sup> In terms of amount, the share of targeted interventions dropped from 68% in ADF VIII to 38.4% in ADF IX, and further to 37.7% in the first 2 years of ADF X.

<sup>65</sup> The MDG-related data were sourced from *Paths to 2015: MDG Priorities in Asia and the Pacific* (ADB, UNESCAP, and UNDP), while the Gini coefficient is from *Key Indicators for Asia and the Pacific 2010*. Caution is warranted in interpreting the data, as the comparative figures were not updated for several countries to reflect their status in 2010.

review period in energy, water supply and sanitation, transport and ICT, multisector and ANR, IED estimates<sup>66</sup> presented in Appendix 6, Table A6.5 show the following trends. First, the share of rural roads in total roads related approvals increased marginally in ADF IX compared to ADF VIII, but it declined sharply in the first 2 years of ADF X in terms of both number of projects and amounts approved. Second, only two rural water supply and sanitation operations were approved in 2009–2010. Third, the share of approvals for rural energy declined sharply in ADF IX relative to ADF VIII both in terms of the number and amount, but increased in ADF X, largely due to a \$151 million approved project in Viet Nam.<sup>67</sup> Overall, the picture shows that the level of ADF support for rural infrastructure has been low, despite large increases in ADF resources in recent years. The Development Effectiveness Review 2010 (footnote 63), shows that programmed levels of education, road connectivity, electrification, and water and land improvement outputs for projects approved from 2005–2010 are estimated significantly below actually delivered outputs for projects completed around 2003–2009.<sup>68</sup>

101. Strategy 2020 also seeks to address pollution and environmental deterioration. Urban population and congestion as well as natural resource deterioration and loss of biodiversity are growing concerns, although they have not been fully analyzed here.

102. More importantly, the global economic crisis is threatening to roll back some of the earlier achievements. It has not only slowed economic growth in the region (especially in smaller economies), but is also generating uncertainty and volatility. In addition, more frequent occurrence of natural disasters in the region, including droughts, earthquakes, and floods, as well as rising food and energy costs have exerted extra pressure on the population at the margin who could easily fall into the poverty trap. These emerging challenges will have to be addressed urgently lest they upset the pace of poverty reduction in the region. The 2007–2008 food price spike serves as a reminder that investment in agriculture is crucial for many DMCs, an idea that was highlighted at the Investment Forum for Food Security<sup>69</sup> in Manila in July 2010. As long as poverty reduction remains a mission for ADB, investment in agriculture will continue to be relevant, as large rural and vulnerable populations depend on that sector. ADB has prepared an operational plan for sustainable food security in the Asia and Pacific region.<sup>70</sup> The plan identifies ADB's role and contributions in addressing the three binding constraints that result to the DMCs' vulnerable food systems, namely (i) stagnating food productivity and production; (ii) lack of access to rural finance, infrastructure, technology, markets, and nonfarm income opportunities; and (iii) threat of climate change and volatility of food prices. To address these constraints, the operational plan notes that tackling food insecurity requires a multisector and value chain approach that ensures improved productivity, connectivity, and resilience. It is expected that the renewed emphasis on addressing food insecurity in DMCs will attract a higher level of resources in the coming years.

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<sup>66</sup> While computing the share of respective rural infrastructure, approvals for rural energy and rural water supply and sanitation are divided by total ADF approval for energy and WMIS, respectively. Since rural roads appear in at least three sectors (ANR, multisector, and transport and ICT), approval for rural roads is divided by a weighted denominator representing 30% of ANR, 60% of multisector and 100% of transport and ICT.

<sup>67</sup> ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Socialist Republic of Viet Nam for the Renewable Energy Development and Network Expansion and Rehabilitation for Remote Communes Sector Project*. Manila.

<sup>68</sup> Actual outputs were based on project completion reports circulated in 2004–2010.

<sup>69</sup> ADB. 2010. *Investment Forum for Food Security in Asia and the Pacific*. Manila (7–9 July).

<sup>70</sup> ADB. 2009. *Operational Plan for Sustainable Food Security in Asia and the Pacific*. Manila.

## B. Good Governance

103. The importance of good governance has been highlighted in all three reports to the ADF donors. In ADF VIII, good governance was considered a broad-based concept, and ADB was asked to encompass all factors contributing to a country's ability to sustain economic and social development and reduce poverty. The ADF IX donors' report sought a sharper focus on good governance and mainstreaming it into all operations. In ADF X, compliance with ADB's governance and anticorruption policies in all pipeline operations along with implementation of the Second Governance and Anticorruption Action Plan (GACAP II) requires actions in three key areas: (i) public financial management, (ii) legal and regulatory framework, and (iii) capacity development.

104. ADB was the first multilateral development bank to adopt a special policy on governance with focus on accountability, participation, predictability, and transparency,<sup>71</sup> followed by a policy on anticorruption in 1998. In 2000, ADB developed the Medium-Term Agenda and Action Plan for 2000–2004, and in 2005 it conducted a joint review<sup>72</sup> of the implementation of its governance and anticorruption policies to assess and refocus its efforts. The review noted that ADB had completed 24 country governance assessments during 2001–2004, finding that integrating governance and institutional development with infrastructure investments using sector lending and sector development approaches had become less effective over time.<sup>73</sup> The governance agenda was extensive and complex, with too many small projects of short duration, and staff resources were spread too thinly. The review recommended that ADB focus and prioritize governance activities in areas where there is greatest demand from DMCs and for public financial management and procurement systems to enable ADB progress toward adopting the DMCs' systems in its country operations.<sup>74</sup> It concluded that country governance assessments made little difference to ADB's approach to governance and institutional development, and tended to be too general to underpin a governance strategy as part of ADB's country strategy. The review also found that country strategy papers often did not treat the governance topic in depth.<sup>75</sup>

105. The review culminated in ADB launching GACAP II in 2006 with thematic priorities on public financial management, procurement, and combating corruption. A risk-based approach to governance assessment was targeted at the country level to priority sectors in which ADB had operations. ADB approved the guidelines for implementing GACAP II in May 2008.<sup>76</sup> GACAP II is expected to play an important role in implementing commitments under the Paris Declaration and Accra agreements. Anticorruption efforts are an important and difficult aspect of governance in many ADF countries. GACAP II has addressed some of the earlier weaknesses and provides a consistent approach to deal with this issue at the programming and project

<sup>71</sup> ADB. 1995. *Governance: Sound Development Management (WP1-95)*. Manila.

<sup>72</sup> ADB. 2006. *Review of the Implementation of ADB's Governance and Anticorruption Policies: Findings and Recommendations*. Manila.

<sup>73</sup> The review observed, "Inadequate fiduciary and corruption risk assessments at the country and sector levels have, however, reduced the effectiveness of ADB's efforts to deal with corruption."

<sup>74</sup> The reports are available on <http://www.adb.org/Governance/Review/default.asp>

<sup>75</sup> IED also found that essential elements of a governance strategy were often missing from ADB's policy-based operations at all levels. The analysis of program lending policy actions in 2006 suggested little relationship among loan size, implementation period, and the number of policy actions. Only 35% of program loans were supported by TAs, and only 33% had grants to support institutional development. Few program loans were backed by sound sector assessments and road maps. ADB's governance-oriented TA operations have been numerous, widely dispersed, small, and of short duration.

<sup>76</sup> ADB. 2008. *Guidelines for Implementing ADB's Second Governance and Anticorruption Action Plan (GACAP II)*. Manila.

implementation levels. It also details how ADB Management can provide effective oversight to the process.

106. By 2007, 13 ADF countries<sup>77</sup> had joined the ADB/Organisation for Economic Co-operation and Development (OECD) Anti-Corruption Initiative for Asia and the Pacific (the Initiative), and 6 more<sup>78</sup> had expressed interest in becoming members. By 2010, member countries had grown to 28. The Anti-Corruption Action Plan for Asia and the Pacific, developed in the framework of the Initiative, sets out the goals and standards for sustainable safeguards against corruption in the economic, political, and social spheres of countries in the region. The plan addresses corruption under three pillars: (i) developing effective and transparent systems for public service, (ii) strengthening antibribery actions and promoting integrity in business operations, and (iii) supporting active public involvement.<sup>79</sup>

107. At its 12th meeting in Singapore in 2009, the ADB/OECD Steering Group commissioned a review of the ADB/OECD Initiative to assess its impact on corruption and to make recommendations for its future direction.<sup>80</sup> The review subsequently recommended that the Initiative focus on developing the capacity for the central anticorruption functions of prevention, investigation, and prosecution. It specifically recommended that ADB should provide technical support when a gap is identified, and should contribute to knowledge management and developing the capacity for implementing the United Nations Convention against Corruption (UNCAC). Country ownership should be enhanced in as many ways as possible, including taking over the management of the Initiative from ADB/OECD and conducting peer reviews to identify gaps in legislation, processes, and capacity. The peer reviews should be more results-oriented. A focus on practical operational matters was recommended. Lastly, the review recommended that the private sector be involved and represented in the Initiative. The Steering Group approved the Strategic Principles and Future Activities of the Initiative in September 2010 to implement the recommendation of the review.

108. Following the independent review in 2009 and the adoption of “Strategic Principles and Future Activities” in 2010, the ADB/OECD Anti-Corruption Initiative is committed to addressing and reducing corruption in the Asia and the Pacific region primarily through the effective implementation of UNCAC. The Initiative will mainly focus on capacity building based on peer learning, mutual support, and exchange of expertise.

109. As part of ADF resource allocation to DMCs, ADB conducts country performance assessments in all ADF-eligible DMCs. After a review in 2004, the weight of governance in deriving the country performance assessment rating and allocation was increased from 30% to 50%.<sup>81</sup> The assessments use perception variables to measure the quality of governance in five areas: (i) property rights and rules-based governance; (ii) quality of budgetary and financial management; (iii) efficiency of revenue mobilization; (iv) quality of public administration; and (v) transparency, accountability, and corruption in the public sector.

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<sup>77</sup> Bangladesh, Bhutan, Cambodia, Kyrgyz Republic, Mongolia, Nepal, Pakistan, Palau, Papua New Guinea, Samoa, Sri Lanka, Vanuatu, and Viet Nam.

<sup>78</sup> Afghanistan, Lao PDR, Solomon Islands, Tajikistan, Timor-Leste, and Tonga.

<sup>79</sup> Available at <http://www.oecd.org/dataoecd/43/31/42008862.pdf>

<sup>80</sup> ADB/OECD. 2009. *Independent Review of the ADB/OECD Initiative Final Report*. Paris/Manila.

<sup>81</sup> ADB. 2004. *Review of the Asian Development Bank's Policy on the Performance Based Allocation of Asian Development Fund Resources*. Manila.

110. The Regional and Sustainable Development Department (RSDD) is currently undertaking a stocktaking and strategic review,<sup>82</sup> to assess ADB's evolving governance and development agenda in the past 15 years, review progress in governance mainstreaming with the application of ADB's governance tools, review PSM and the governance-themed project portfolio, and identify lessons for charting future directions for governance and PSM vis-à-vis Strategy 2020. Initial findings from the review suggest that the emerging needs are to (i) clarify conceptualization of the governance agenda and pursue integrated work in PSM and governance thematic operations, including deepening work in public finance management, procurement, and combating corruption across ADB operations, targeted sector management and enhancing long-term country capacity in areas where ADB has a comparative advantage; (ii) increase use of the political economy approach to identify unique country conditions, competing interests, and interaction of these factors that may impact the reform process; (iii) explore how best to link PSM and governance-related initiatives to results through the use of MfDR; (iv) strengthen the risk-based approach by carrying out a separate review on how to make its approach and implementation more effective so that it has an impact on projects and development outcomes; and (vi) use country systems to develop sector-specific indicators for governance monitoring over time. It is envisaged that the findings and lessons from the review will feed into improving the effectiveness of GACAP II implementation.

111. Support for PSM is an important part of ADB efforts to promote governance in ADF operations. Of all the operations approved during 2001–2010, ADB has completed 13 projects/programs<sup>83</sup> in PSM (with PCRs), of which 7 (54%) are rated *successful*, 5 (38%) *partly successful*, and 1 *unsuccessful* (Appendix 4, Tables A4.32 and A4.33). The success rate of PSM is low compared with that of other sectors. Cancellation of subsequent tranches due to noncompliance with loan conditionality appears to be a major reason associated with *partly successful* PSM operations. Similarly, there were instances when agreed upon reforms were rolled back after a change in the political situation in a country. Ensuring good governance remains a continued challenge and requires long-term engagement in a country and relevant sectors as well as continued commitments from the DMCs to retain gains from reforms and strengthen these further. In 2011, IED is initiating an evaluation of how ADB has been incorporating good practices on public expenditure management in its assistance. There is limited evaluation evidence available for ADB's performance in other areas of GACAP II, i.e., measure to improve procurement and combat corruption. IED plans to assess ADB support in these and other relevant governance areas under an SES in 2013.

### C. Gender Mainstreaming in ADB Operations

112. All three donors' reports called for gender mainstreaming in ADF operations. While the commitment/statement in ADF VIII was that during its tenure gender should be mainstreamed, the ADF IX report stated that gender and development (GAD) concerns must continue to be aggressively addressed in all operations. ADF X specifically required that ADB aim for gender mainstreaming in designing projects across all sectors, and that ADF operations be guided by the GAD Policy and gender action plan. More specifically, the ADF X donors' report emphasized gender equality through various project-specific operations, both directly (such as investments in girls' education) and indirectly (such as construction of water supply and sanitation infrastructure).

<sup>82</sup> ADB. 2011. Stocktake and Review of ADB Governance and Public Sector Operations (draft). Manila.

<sup>83</sup> Approved from 2001 to 2010.

113. In 1998, ADB adopted the Policy on GAD,<sup>84</sup> which defines its GAD mandate. Operational guidelines developed in 2003 provided a framework for implementation. ADB introduced a four-tier gender categorization system in 2001 for monitoring the extent of gender integration in projects “at entry” with categories I and II defined as “gender mainstreaming.” The first GAD Plan of Action (2000–2003) served as a road map for translating policy into concrete actions. It emphasized departmental commitments and actions to increase ADB’s portfolio of loans addressing gender concerns. A review of GAD Policy implementation completed in 2006<sup>85</sup> concluded that ADB had made progress in all areas of operation, including country strategies, sector work, loans, and TA. It also confirmed that the policy had remained relevant to all ADB operations.<sup>86</sup> The review formed the basis for the preparation of the second GAD Action Plan (footnote 86).

114. In 2008, ADB identified gender equity as one of the five drivers of change in Strategy 2020. The strategic priorities of ADF X (2009–2012) cover inclusive growth, under which gender equality is recognized as fundamental to ensure inclusiveness. Under ADF X, 50% of operations need to be classified as GAD category I or II by 2012.<sup>87</sup>

115. IED evaluated ADB’s support to GAD in 2009<sup>88</sup> and found that ADB had exceeded the target in 2003, with 47% of projects in Category I (gender equity thematic classification) or Category II (effective gender mainstreaming), but the performance had slipped to 23% in 2007. The evaluation concluded that ADB had not successfully mainstreamed GAD in its operations due to increased sector selectivity and the shift towards large-scale infrastructure projects, which are not readily amenable to significantly integrating GAD issues, combined with underreporting of gender-related project components. This shift in sector focus also corresponded with the period when the number of gender specialists within ADB and its regional departments declined, due in part to the reorganization and in part to staff movements. There was a need for greater attention to provide support, guidance, and training to operational staff, in addition to incentives to best-performing project teams and/or departments concerning GAD issues.

116. A follow-up study by IED in 2010 (Phase II)<sup>89</sup> focused on implementation of the GAD policy by ADB’s resident missions, DMCs, and other stakeholders through selected field studies in six countries.<sup>90</sup> Based on in-depth desk assessment, electronic surveys, field visits and discussions with executing and implementing agencies, and performance rating from the GAD perspective of 55 projects comprising both completed and ongoing (45 projects in GAD categories I and II; 28 in core areas of operation, and 27 in other areas of operation; and 51 ADF funded, and 4 OCR funded), the study concluded that 51% of the sample projects were rated *successful* or higher in GAD-related performance. However, 45% of the sample projects were still ongoing and all the gender-related results may not yet be fully captured. In terms of sectors, water supply and sanitation, education, and multisector had higher success rates in

<sup>84</sup> ADB. 1998. *Policy on Gender and Development*. Manila.

<sup>85</sup> ADB. 2006. *Implementation Review of the Policy on Gender and Development*. Manila.

<sup>86</sup> ADB. 2007. *Gender and Development Action Plan (2008–2010)*. Manila (para. 5).

<sup>87</sup> Strategy 2020 requires that 40% of all ADB wide operations are classified for gender mainstreaming.

<sup>88</sup> ADB. 2009. *Special Evaluation Study: The Asian Development Bank’s Support to Gender and Development—Phase 1: Relevance, Responsiveness and Results to Date*. Manila.

<sup>89</sup> ADB. 2010. *Special Evaluation Study: Asian Development Bank’s Support to Gender and Development—Phase II: Results from Country Case Studies*. Manila.

<sup>90</sup> The six countries were Bangladesh, Indonesia, Lao PDR, Nepal, Pakistan, and Papua New Guinea. Owing to the floods that affected Pakistan in August 2010, in-country consultations for that country were not carried out. Consequently, the Phase II report contains only those elements of the Pakistan case study that did not depend on in-country consultations.

gender mainstreaming than the transport and ICT and energy sectors. The SES concluded that core sector projects (with the exception of education, selected rural infrastructure, microfinance, and finance) presumably have indirect gender benefits, as these sectors are not readily amenable to gender mainstreaming. However, the study reiterated that, with advance planning and supported by stronger sector- and project-specific analyses, it is possible to design projects in core sectors that maximize the opportunity for effective gender mainstreaming (footnote 89, para. 81). Other findings included that, while country gender assessments captured country-specific gender issues and government gender priorities, evidence was weak on the influence of such assessments on ADB's CPSs. Further, the capacity to address gender issues, including in category I and II projects, was often limited across the selected DMCs and ADB's business processes, particularly for project implementation and related management information systems, which were weak in capturing gender-related performance data.

117. Based on feedback from RSDD, 47% of all ADF projects in 2001–2010 had significant gender mainstreaming (22% had a gender equity theme, and another 25% showed effective gender mainstreaming). ADB's Development Effectiveness Review 2010 (footnote 63) notes that in 2010, ADF operations were on track with 45% of approvals gender mainstreamed. Data suggest that the prevalence of gender as a theme dipped in ADF IX, but improved considerably afterwards. Overall, in 2010, ADB and ADF projects were on track in achieving the target when their assessment combined gender equity and effective gender mainstreaming.

#### **D. Private Sector Development**

118. ADF VIII donors endorsed the main strategic thrusts of ADB's 2000 Private Sector Development Strategy (PSDS), which sought to utilize the capabilities of both its public and private sector operations to deliver synergistic solutions to problems that impede private sector growth in the DMCs and the contribution of the private sector to poverty reduction. Private sector operations were to catalyze private investments. For public sector operations, the strategy had two thrusts: (i) to support DMC governments in creating enabling conditions for business, and (ii) to generate business opportunities in ADB-financed public sector projects through support for PPPs and privatization programs. ADF IX commitments focused on the need to promote more private sector investment in physical and social infrastructure, foster the institutions for private sector growth and competition, and increase support for small and medium-sized enterprise (SME) development including through supportive private sector operations by ADB. An ADB internal PSDS review found that the strategy deemphasized the role of public sector goods and services in creating enabling conditions for private sector investments.

119. Under its revised strategic framework for private sector development (PSD), prepared in 2006, the second PSDS thrust, i.e., to generate business opportunities, was therefore replaced with a new thrust: to promote public sector goods and services including through PPPs. The revised strategic framework, among other things, also seeks to improve and expand ADB's support for policy reforms and institutional development for PSD and emphasizes an integrated approach for actions in the two thrust areas. The framework reaffirms the need to translate PSD objectives into country strategies and programs. CPSs are to identify priority PSD operations based on sector and thematic assessments for each DMC, considering ADB's capacity and the PSD programs of other development partners. ADF X commitments focus on improving the investment climate and attracting more private investment through support for infrastructure development, policy and institutional reforms, deepening finance markets, and adequate provision of a skilled workforce.

120. Strategy 2020 seeks to expand support for PSD and private sector operations to 50% of ADB's assistance in terms of value and numbers by 2020. Thirty-seven percent of all loans approved by ADB from 2009 to 2010 in terms of number and loan amount had PSD as a theme. At 24% in terms of number and 21% in terms of value, the share of ADF projects with a PSD theme during that period has been substantially lower than that for OCR-funded projects, which include all Private Sector Operations Department transactions. Nevertheless, ADB has made good progress towards meeting its 2012 target of 30% of ADF projects focusing on PSD. The respective shares for ADF VIII and IX were 9% and 16%.

121. Most PSD-themed ADF-financed projects since 2001 have supported efforts to strengthen the enabling environment for PSD, mainly through assistance for investment climate reforms, financial sector development, SMEs, and agribusiness development. Only a handful of ADF projects financed PPPs in infrastructure due to slow progress made with required sector reforms and the establishment of appropriate legal, regulatory, and policy frameworks, as well as the lack of institutional incentives and capacity, both within ADB and in many DMCs.<sup>91</sup> To what extent ADB has been successful in actually improving the enabling environment for PSD is being assessed under an ongoing SES. Seventy percent of the few (i.e., 10) available (self-) evaluations for ADF loans and grants approved from 2001 to 2010 that sought to improve the enabling environment for PSD, were rated *successful*.

122. At the country level, only three (Cambodia, Lao PDR, and Mongolia) of the 12 CAPEs that assessed ADB's contributions to PSD in ADF countries found these to be *satisfactory*, as they have helped facilitate the transition of these countries into private sector-led market-based economies. While ADB also sought to actively promote PSD in Nepal and Sri Lanka, the changing economic reform agendas of new governments reduced the effectiveness or sustainability of earlier PSD support. In some of the other ADF countries, support for PSD-related legal and regulatory reforms has yet to have a significant impact on PSD due to lack of institutional implementation capacity and enforcement.

## **E. Regional Cooperation and Integration**

123. Regional cooperation is one of ADB's core mandates.<sup>92</sup> Reaffirming this mandate, donors made regional and subregional cooperation one of the four strategic thrusts of ADF VIII.<sup>93</sup> To promote regional cooperation, the donors recommended that (i) ADB should make cross-border issues (including regional cooperation) integral components of country strategies; (ii) ADB should support regional cooperation by improving organization, funding, and implementation; and (iii) ADB should consider development of a regional operational strategy and allocate an appropriate amount of total ADF VIII lending for regional and subregional cooperation projects representing priority investments in ADF borrowers. The ADF IX donors recognized that regional cooperation provides essential support as DMCs seek competitiveness in global markets and made it one of the three crosscutting issues and thematic priorities and

<sup>91</sup> The 2009 SES on ADB Assistance for Public-Private Partnerships in Infrastructure Development found that, despite improvements, the policy environment for PPPs was not yet conducive in many countries. More systemic approaches were needed that focus on increasing the efficiency of infrastructure sectors and PSM overall, as many PPP modalities require prior sector restructuring and tariff reforms to be effective. The use of PPPs on a larger scale requires substantial government capacity for project identification and development, and the regulation and monitoring of PPP contracts and their fiscal impact.

<sup>92</sup> Article 2 of the Agreement Establishing ADB states "...giving priority to those regional, sub-regional as well as national projects and programmes which will contribute most effectively to the harmonious economic growth of the region as a whole..."

<sup>93</sup> The other three strategic thrusts were governance, financial intermediation, and PPPs.



set aside an amount (5% of ADF IX resources) for such initiatives.<sup>94</sup> The ADF X donors noted the progress made during ADF VIII and ADF IX and, consistent with ADB's Strategy 2020, recognized regional cooperation as one of the three strategic agenda.<sup>95</sup> They also recognized RCI as a core area of operations in addition to infrastructure, environment, financial sector development, and education. The donors acknowledged the need for this initiative and agreed to increase the allocation from 5% in ADF IX to 10% in ADF X to enable ADF operations earmarked for regional and subregional projects, including public goods.

124. To respond to ADF VIII priorities, ADB formulated an RCI Strategy,<sup>96</sup> the implementation of which received a boost after Strategy 2020. RCI was a theme only in 7% of approved ADF VIII projects/programs, which increased to 14% in ADF IX and 31% in the first 2 years of ADF X. Thirty-five percent (32 of 92) of the projects with the RCI theme have been in the transport and ICT sector (Appendix 7). The Development Effectiveness Review 2010 (footnote 63) indicates that the share of trade of ADF countries with the region rose from 59% in 2005 to 60% in 2009, and ADF-only countries realized a more substantive increase. ADB has initiated four major RCI strategies—the Greater Mekong Subregion (GMS) Economic Cooperation Program, the Central Asia Regional Economic Cooperation Program, South Asia Subregional Economic Cooperation, and ADB's Pacific Approach (2010–2014).<sup>97</sup>

125. In 2007, a midterm review of the GMS Strategic Framework (2002–2012)<sup>98</sup> found that the GMS program has accelerated, delivering concrete results and contributing to the shared vision of a prosperous, integrated, and harmonious GMS. The review concluded that the strategic priorities of the GMS remain valid and will serve as good bases for moving forward in the remaining half of the GMS Strategy's implementation period. Likewise, ADB's study on Central Asia: Mapping Future Prospects to 2015<sup>99</sup> suggests that increased regional cooperation, along with key economic reforms, could help double per capita income in the Central Asia Regional Economic Cooperation region within a decade. This could contribute to a reduction in the poverty level to 25% in 2015.

126. In 2008, IED's evaluation rated regional cooperation assistance program in the GMS<sup>100</sup> *successful* and recommended that ADB could further improve its performance by (i) emphasizing the additionality in regional benefits during the design and implementation of subregional projects; (ii) engaging in greater policy dialogue to raise awareness, provide policy advice, and support actions to reduce the negative impacts of RCI; (iii) supporting policy and procedural reforms to ease "software" constraints to derive greater regional benefits from investments in "hardware," and (iv) paying more attention to results, monitoring of progress, and cost effectiveness of investments.

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<sup>94</sup> Other thematic priorities in ADF IX were private sector development and mainstreaming environment and gender.

<sup>95</sup> Other strategic agenda are inclusive growth and environmentally sustainable growth.

<sup>96</sup> ADB. 2006. *Regional Cooperation Strategy*. Manila. The Strategy has four pillars: (i) regional and subregional economic cooperation on cross-border infrastructure and related software, (ii) trade and investment cooperation and integration, (iii) monetary and financial cooperation, and (iv) cooperation in regional public goods.

<sup>97</sup> ADB has adopted other initiatives and strategies but these do not apply to ADF countries.

<sup>98</sup> ADB. 2007. *Midterm Review of the Greater Mekong Subregion Strategic Framework*. Manila.

<sup>99</sup> M. Dowling and G. Wignaraja. 2006. Central Asia: Mapping Future Prospects to 2015. *Economics and Research Department Working Paper Series*. No. 80. Manila: Asian Development Bank.

<sup>100</sup> ADB. 2008. *Regional Cooperation Assistance Program Evaluation: Greater Mekong Subregion—Maturing and Moving Forward*. Manila.

127. IED's evaluation of the GMS transport sector noted strong ADB commitment to regional cooperation.<sup>101</sup> Transport projects in the GMS have received a large share of concessionary ADF funding, reflecting the core competency of ADB. Overall, the assistance to the sector was rated *successful* based on (i) ADB's success in facilitating multilateral dialogue among GMS countries, (ii) an appropriate mix of lending and nonlending assistance to support and sustain the dialogue, (iii) suitable selection and implementation of projects meeting both national and subregional needs, and (iv) the focus on cross-border issues and the due diligence in preparing cross-border trade agreements. For better results, the study recommended ADB to (i) fill gaps in transport infrastructure and trade facilitation, (ii) facilitate institutional development, (iii) develop strategic partnerships and harness synergies with other regional cooperation initiatives, and (iv) mobilize other forms of financing. The recommendations are being implemented.

128. To provide input to the next programming cycle, IED validated the South Asia Regional Cooperation Partnership Strategy (2006–2008) Completion Report in 2010. The validation concurred with the report and confirmed its *partly satisfactory* rating. The validation broadly concurred with the recommendations provided in the report, and further emphasized that the degree to which financing for regional cooperation should be increased needs careful analysis, given the low levels of utilization for investment assistance during 2006–2008. It also highlighted that concessional resources should be used to mobilize other funding sources. Furthermore, the validation identified four key strategic issues for the future: (i) set realistic goals, objectives, and focus; (ii) ensure political commitment (ownership and leadership); (iii) achieve closer alignment of regional and country-level programs of assistance, and (iv) monitor implementation and track results.

## **F. Environmental Sustainability**

129. Environmental sustainability was a recurring theme in all three reports to the ADF donors. For ADF VIII, the donors had recommended four specific actions for ADB to take, and at the conclusion of ADF IX negotiations, they noted that ADB had adopted an Environment Policy addressing recommendations for ADF VIII. For ADF IX, the donors recommended that (i) ADB widely disseminate results of environmental assessments both internally and externally; (ii) ADB undertake country consultation meetings involving government agencies, NGOs, academia, private sector, civil society, and other development agencies to provide feedback to improve all elements of its environment work during ADF IX; and (iii) environmental sustainability as one of the four thematic issues be strengthened and taken into account in all dimensions of ADB operations. Progress was made on all of these with various initiatives. ADF X has environmentally sustainable growth as one of its three strategic agenda, which is aligned with ADB's Strategy 2020. It emphasizes (i) mitigation of the environmental costs of rapid economic growth, and (ii) helping governments integrate environmental considerations in their development planning and programs, and supporting subregional environmental programs. Donors noted the progress on ADB's review of the safeguard framework and agreed that the process for reviewing ADB's safeguard framework should result in a Safeguard Policy Statement. ADF X more specifically requires that assistance will also incorporate measures to support climate change mitigation and adaptation. The emphasis on the latter has been substantial in the past few years since Strategy 2020.

130. Environmental and social safeguards are a cornerstone of ADB's support for environmental sustainable and inclusive economic growth. Subsequent to extensive public

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<sup>101</sup>ADB. 2008. *Sector Assistance Program Evaluation: Transport and Trade Facilitation Sector in the Greater Mekong Subregion—Time to Shift Gears*. Manila.

consultations (including with government and civil society), ADB approved its Safeguard Policy Statement<sup>102</sup> in July 2009, which came into effect in January 2010. The Safeguard Policy Statement strengthens the environmental and social protection already in place and brings the previous three policies on the environment, involuntary resettlement and indigenous peoples into a consolidated policy framework to enhance relevance and effectiveness. To ensure sound implementation, ADB has made institutional efforts for the Safeguard Policy Statement roll-out, including activities for strengthening its internal safeguard review system, enhancing staff resources and capacity, enhancing awareness of external stakeholders, as well as developing tools and instruments such as sourcebook materials. From the time of Safeguard Policy Statement approval, ADB has also approved several important TAs totaling \$12 million to assist DMCs in improving their legal frameworks or developing institutional capacity to address environmental and social safeguard issues. Thirteen ADF countries have participated in these TA projects. Many of past IED evaluation findings were also incorporated in the new policy initiatives as well as in the project design of sensitive projects such as the Nam Theun hydropower project<sup>103</sup> in the Lao PDR.

131. In recent years, ADB has undertaken several important initiatives to promote environmentally sustainable growth as one of the three strategic agenda of Strategy 2020, which places strong emphasis on climate change, sustainable infrastructure, and regional cooperation on biodiversity conservation and natural capital. These initiatives have significantly enhanced ADB's environmental operations; instituted new strategies, policies and programs; and developed knowledge products for enhancing environmental sustainability and development. The number of TA projects with environmental sustainability as a theme has also sharply increased in recent years to support DMCs in developing institutional, policy, and legal capacities for environmental management. The importance of environmental sustainability as a theme has grown significantly over the three replenishment periods in both ADB and ADF operations (8% in ADF VIII, 12% in ADF IX, and 34% in ADF X)<sup>104</sup> (Appendix 3, Table A3.10). The Development Effectiveness Review 2010 (footnote 63) indicates that the 3-year average percentage of projects supporting this theme has surpassed the ADF target of 25% (37% of ADF operations).

132. Important programs and initiatives include the Clean Energy Program, which in 2010 helped to target \$1.76 billion to help the region to meet its energy security and universal access needs while supporting transitions to a low-carbon economy. The program includes a range of innovative initiatives such as the Asian Solar Initiative, the Quantum Leap in Wind Power, the Energy Efficiency Initiative, and the Asia Climate Change and Clean Energy Venture Capital Initiative among others. In the urban areas, ADB is supporting shifts to clean and climate resilient development through the Cities Development Initiative for Asia,<sup>105</sup> and the Clean Air Initiative for Asian Cities, as well as support through a number of projects to assess, plan and implement climate resilience measures. In the transport sector, the Sustainable Transport Initiative is helping the region to develop accessible, safe, environmentally friendly and affordable transport systems.<sup>106</sup> At a cross-cutting level, ADB is also implementing the Poverty and Environment Program, which aims to accelerate learning about poverty-environment

<sup>102</sup>ADB. 2009. *Safeguard Policy Statement*. Manila.

<sup>103</sup>ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Greater Mekong Subregion Nam Theun 2 Hydroelectric Project*. Manila.

<sup>104</sup>These figures are based on the number of projects. A project may be classified into more than one theme.

<sup>105</sup>Other funding members are Australia, People's Republic of China, Germany, Spain, and Sweden. Two other noncore members are Singapore and Nordic Development Fund.

<sup>106</sup>An additional environmental initiative is the People's Republic of China – Global Environment Facility Partnership on Land Degradation for Dryland Ecosystems.

linkages and effective approaches for poverty reduction through a regional TA project financed by the Poverty and Environment Fund.<sup>107</sup>

133. In addition to these initiatives, ADB is supporting regional cooperation on the management of globally significant transboundary ecosystems and initiatives that address common environmental concerns. This includes support to a number of ADF and non-ADF countries through initiatives such as the Coral Triangle Initiative on Coral Reefs, Fisheries and Food Security, and the GMS Core Environment Program and Biodiversity Corridors Initiative. ADB has also introduced in 2011 the Learning and Sustainable Development Initiative. This is as an intensive effort to build awareness and commitment among all middle management in ADB to promote innovative solutions for sustainable development and climate change issues during the design and implementation of ADB operations in DMCs. Appendix 8 provides a brief introduction to the major initiatives undertaken by ADB.

134. Most of the ADB initiatives are at the early stages and are yet to be evaluated. ADB has conducted self-evaluation of some. For example, the Poverty and Environment Program TA completion report rated the operation *highly successful* and deemed it a useful mechanism for accelerating learning about poverty–environment linkages and effective approaches to poverty reduction. The experiences and lessons from subproject implementation on how local actions can lead to reduction in poverty and to environmental improvements fed into ADB’s operations by providing learning opportunities for project design and by influencing the development of country strategies.<sup>108</sup> Preliminary assessment of environmental capacity development in DMCs based on an ongoing study indicates (i) continued weaknesses in and constraints to environmental management in DMC governments and project executing agencies, (ii) the need for greater involvement of governments and executing agencies in designing TA, and (iii) the importance of capacity development at the provincial government level for greater success at the national level.<sup>109</sup>

135. To provide input to the Strategy 2020 initiatives on climate change and sustainable development, IED prepared two knowledge studies in 2009 and 2010.<sup>110</sup> The former, a study on the greenhouse gas (GHG) implications of ADB’s energy operations,<sup>111</sup> recommended that ADB assess the GHG implications of future energy sector investments with significant GHG impacts, scaling up appropriate and affordable renewable energy technologies, aggressively pursuing methane capture projects, and scaling up investments in industrial energy efficiency improvement projects. The 2010 IED study<sup>112</sup> introduced a method to quantify the gross carbon emissions from the construction and operations of ADB-funded land transport projects. The study recommended that ADB adopt carbon emissions as a consideration for project design; encourage a modal shift in ADB investments in the transport sector; consider using systematic indicators to monitor the intensity of carbon emissions from transport investments; and, in partnership with DMC governments, align ADB’s sustainable transport initiatives with nationally appropriate mitigation actions. According to the ADB’s Management Action Record System, Management has adopted these recommendations and has developed action plans.

<sup>107</sup>A multidonor trust fund supported by Governments of Norway and Sweden, and administered by ADB.

<sup>108</sup>ADB. 2010. *Technical Assistance Completion Report: Poverty and Environment Program*. Manila.

<sup>109</sup>ADB. 2011. *Synthesis of Studies on Effectiveness of Technical Assistance in Support of Environmental Capacity Development*. Manila. (draft)

<sup>110</sup>In 2011, IED is also preparing an SES on environmental capacity development in DMCs covering all five regions of ADB operations.

<sup>111</sup>ADB. 2009. *Greenhouse Gas Implications of ADB’s Energy Sector Operations*, Evaluation Knowledge Brief. Manila.

<sup>112</sup>ADB. 2010. *Reducing Carbon Emissions from Transport Projects*, Evaluation Knowledge Brief. Manila.

## G. Sector Selectivity and Concentration

136. Consistent with ADB's Strategy 2020, ADF X donors stated that sector selectivity will be pursued through an operational focus on sectors in which ADB has a proven track record, especially infrastructure and education. At the same time, the donors highlighted that ADB needs to maintain some flexibility and capacity to very selectively deliver quality assistance in a few other sectors to respond to varying country needs and priorities. The donors set indicative targets for sector allocation of ADF resources under ADF IX and ADF X (Appendix 3, Table A3.9).

137. Table 18 presents indicative and actual figures for broad sector groups, showing that the indicative shares for ADF IX by sector differed significantly from the actual shares in ADF VIII. Most notably, the donors placed greater emphasis on infrastructure, finance, and multisector operations in both ADF VIII and ADF IX. Education, ANR, and other sectors received less weight. Actual approvals were generally consistent with indicative targets for the majority of sectors, with the exception of infrastructure receiving a proportionately lower share and other sectors receiving a larger share than what was envisaged in the donors' report. The variation was largely associated with increased support for natural disasters as reflected in increased multisector operations, and larger allocations for PSM. In ADF X (2009–2010), actual support for infrastructure, education and finance have been lower than the indicative shares, while approvals for ANR, multisector and other sectors have been higher. Nevertheless, the prominence of infrastructure has increased substantially in successive ADF periods. This is consistent with the emphasis placed in Strategy 2020. However, investment shortfalls in the education and finance sectors appear to be inconsistent with the emphasis given in Strategy 2020. Detailed data are in Appendix 3, Table A3.9.

138. ADF portfolio data suggest that ADB remains engaged in all 10 sectors, but sector distribution varies widely across countries, and engagement is more concentrated in some sectors than in others. Sector focus has increased in a number of ADF countries. For example, in dollar terms, ADF operations in Cambodia and Pakistan declined from 10 sectors in 2006 to 7 in 2010. Other countries also experienced reduction in the number of sectors over the same period, except for Afghanistan, Azerbaijan, Bangladesh, Cook Islands, Kiribati, Maldives, Samoa, Sri Lanka, Tuvalu, and Viet Nam, where the number of sectors either remained unchanged or increased during the same period (Appendix 9, Table A9.1).

**Table 18: Indicative and Actual Allocation of ADF Resources**

Broad Sector	ADF VIII	ADF IX		ADF X	
	Actual Share (%)	Indicative+ Share (%)	Actual Share (%)	Indicative+ Share (%)	Actual Share (%)
Infrastructure	32	47	38	59	52
Education	15	8	9	10	5
Health	3	4	5	5	4
Agriculture and Natural Resources	21	12	13	5	12
Finance	4	6	5	6	3
Other Sectors	14	7	11	9	14
Multisector	12	17	19	5	10
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Notes: As per the donors' reports, infrastructure includes energy, road transport, rural infrastructure, urban infrastructure, railways and other transport, and communication. Other sectors include public sector management and industry and trade. (+) refers to indicative share of different sectors outlined in the donors' reports for ADF IX and ADF X.

Source: Appendix 3, Table A3.9.

139. The Hirschmann-Herfindahl Index<sup>113</sup> was used to measure sector concentration (Appendix 9, Tables A9.2–A9.7). It shows that the ADB portfolio was modestly selective on the basis of both the number and dollar value of ongoing loans in 2002. The portfolio became somewhat less concentrated and hence less selective in 2006 and 2010. Selectivity based on the number of loans improved between 2006 and 2010, but it improved only marginally in dollar value. The main reason for this change was the large decrease in the size of the ADF portfolio in some other areas of operation, such as education, finance, HSP, and industry and trade. Although selectivity and concentration improved between 2006 and 2010, the movement was not always toward the core sectors of operations. For example, the education and finance portfolios showed the largest relative decrease.

140. Nevertheless, ADB ranks high among its peers for specialization. In 2010, ADB was ranked<sup>114</sup> 1st among donors on the basis of average number of sectors per recipient country, and portfolio concentration by sector; 5th in number of recipient countries, and geographic concentration; and 12th in average project size. Although the ADB portfolio is not highly concentrated in absolute terms, it is more concentrated than the portfolios of most other bilateral and multilateral aid agencies. Given the variations across ADF DMCs, ADB has adequate flexibility in sector engagement. This is associated partly with demand for ADF resources from the DMCs. Smaller DMCs are constrained in sector investments partly due to the limited size of ADF resources available to them.

## H. Partnerships, Aid Coordination, and Harmonization

141. The donors' reports for ADF VIII, IX, and X emphasized increased aid coordination and harmonization to ensure that contributions to the ADF are more effective for development. The report for ADF VIII urged ADB to use the ADF to promote development partnerships using the principles of the World Bank's Comprehensive Development Framework, and much closer aid coordination. The ADF IX report emphasized harmonization, urging ADB to harmonize its policies, planning, procedures, and operations with those of other funding agencies. Harmonizing the allocation of the ADF with that of the International Development Association (IDA) was one important element, the others being the increased use of cofinancing and the SWAp; the adoption of government-led poverty reduction strategies as the basis for country programs; and harmonization of procurement systems, financial systems, environmental and social safeguards, and evaluation systems.

142. In March 2005, ADB and 19 of its member countries signed the Paris Declaration on Aid Effectiveness. In 2008, OECD convened the Third High Level Forum on Aid Effectiveness in Accra (Ghana). It is now preparing for the Fourth High Level Forum to be held in Busan, Republic of Korea. ADB has adopted a three-pronged strategy to minimize transaction costs for individual development partners and to maximize responsiveness to country-level needs and concerns. The strategy comprises (i) mainstreaming the Paris Declaration and Accra Agreement, (ii) improving the capacities of DMCs, and (iii) influencing the global aid effectiveness agenda at the international level.

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<sup>113</sup>The Hirschmann-Herfindahl Index is based on the number of active sectors and the number of operations per sector. The closer the index number is to 1.0, the more focused the portfolio is.

<sup>114</sup>S. Knack, F.H. Rogers and N. Eubank. 2010. Aid Quality and Donor Rankings. *Policy Research Working Paper*. No. 5290. Washington, DC: World Bank.

143. In 2008, IED completed an SES on the implementation of the Paris Declaration.<sup>115</sup> In 2010, it initiated phase II of the study.<sup>116</sup> The ongoing study also reviews the progress ADB has made in implementing phase I recommendations. This ongoing study notes that ADB has positively responded to the findings and recommendations of the phase I study by (i) making itself more “visible” through action plans, staff instructions, and briefing notes on the Paris/Accra commitments; (ii) setting up focal points for MfDR and aid effectiveness in the Strategy and Policy Department (SPD); (iii) stepping up training on these issues; and (iv) recognizing the resource implications for aid effectiveness by increasing staff complements for operations and resident missions. The SES found that phase I recommendations had largely been implemented. It concluded that the five Paris Declaration Principles were still relevant. ADB had met and exceeded 2010 Paris Declaration targets for alignment, TA, use of public financial management systems, reducing parallel project implementation units, and coordinating missions. In addition, ADB is demonstrating leadership on MfDR with a corporate results framework; it has continued strong support for strengthening MfDR capacity in DMCs, and has played an active role in international MfDR forums.

144. ADB has also made good progress on the commitments to the Accra Agreement. The results indicate that the aid relationship between recipients and donors has been transformed. For example, donors increasingly avoid dictating where and how aid can be used within a country, and they do not determine project planning and implementation cycles and timetables independently. With a few exceptions, exclusive use of donor procedures for public finance management, procurement, and monitoring and evaluation (M&E) is no longer practiced. It should be recognized that these shortcomings are likely to reduce the evaluability of the initiatives. Nevertheless, aid conditionality is managed more flexibly, respecting ownership. It is accepted that both donors and recipient countries are mutually accountable for achieving agreed-upon development results from aid.

145. During 2005–2007, according to ADB Management, ADB carried out 369 coordinated missions<sup>117</sup> with other development partners in 17 ADF-recipient countries. The missions dealt with a wide spectrum of activities, such as project preparation, supervision, implementation or joint programming, and portfolio reviews. In addition, ADB undertook 12 joint country portfolio review (CPR) missions, 7 joint CPS missions, and 13 activities using program-based approaches<sup>118</sup> in 2008. In 2009, there were 13 CPRs, 11 CPSs, and 34 activities using program-based approaches. In addition, resident missions participated in several CPR and CPS meetings with other development partners. In a recent Multilateral Organisation Performance Assessment Network (MOPAN) forum, ADB received a high rating for harmonization

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<sup>115</sup>ADB. 2008. *Special Evaluation Study: Implementing the Paris Declaration at the Asian Development Bank—A Development Partner’s Study for an OECD-DAC Evaluation*. Manila.

<sup>116</sup>ADB. 2011. *Special Evaluation Study: The Implementation of the Paris Declaration at the Asian Development Bank—A Headquarters-Level Study Update (draft)*. Manila.

<sup>117</sup>Data obtained from SPD.

<sup>118</sup>The program-based approach is defined by OECD and the Learning Network on Program-Based Approaches as a way of engaging in development cooperation based on the principle of coordinated support for locally owned program of development, such as a national poverty reduction strategy, a sector program, a thematic program, or a program of a specific organization. Program-based approaches share the following features: (i) leadership by the host country or organization; (ii) a single comprehensive program and budget framework; (iii) a formalized process for aid coordination and harmonization of funding agency procedures for reporting, budgeting, financial management, and procurement; and (iv) efforts to increase the use of local systems for program design and implementation, financial management, and M&E. A SWAp is a program-based approach operating at the level of an entire sector.

procedures, largely due to its joint missions and coordination of TA for capacity development.<sup>119</sup> Likewise, a recent assessment of the ADF by the United Kingdom's Department for International Development (DFID) suggests that the performance of ADB in the context of the ADF is *satisfactory*. ADB is seen as very strong in fostering partnerships with governments and commitment to the Paris Declaration targets. However, DFID's assessment of ADB's performance in partnerships is mixed relative to other aid agencies due to limited collaboration, and decisions too often being made in Manila.<sup>120</sup>

146. ADB has also carried out a number of public expenditure reviews, fiduciary risk assessments, and joint country procurement assessments with the World Bank in many DMCs, including ADF countries such as Cambodia, Indonesia, Lao PDR, Sri Lanka, Tajikistan, and Uzbekistan. ADB also signed memorandums of understanding with several agencies, including the Food and Agriculture Organization, International Fund for Agricultural Development, International Labour Organisation, United Nations Children's Fund, and World Customs Organization, in addition to other preexisting agreements.

147. In another IED study,<sup>121</sup> the findings suggest extensive practical coordination and partnering between ADB and other funding agencies, more than what is officially recorded in ADB's management information systems. Most were related to the harmonization policy (e.g., harmonization action plans), joint analytical work for country strategies, program reviews, common arrangements,<sup>122</sup> and program-based approaches.<sup>123</sup> The IED study reported that ADB staff particularly appreciated the joint analytical work, which was thought to have benefited country and/or ADB sector policy and road maps. Most CAPEs report that ADB actively participates in local aid coordination mechanisms, especially where there is a resident mission. ADB's involvement in national poverty reduction strategies and harmonization action plans has helped it clarify its comparative advantages. In April 2006, ADB harmonized its consulting services and procurement guidelines with those of the World Bank. However, the fact that ADB's TA supervision and, to a lesser extent, loan supervision, is very much still based at headquarters remains a significant constraint to expanding coordination with other development partners.

148. Some of the challenges confronting aid coordination and harmonization are (i) variations in development partners' interests and priorities in the respective DMCs; (ii) limited national capacity in DMCs, more specifically in aid coordination and harmonization in ADF countries; (iii) measuring attribution because of progress in the Paris/Accra commitments; (iv) resource gaps in tackling emerging issues such as climate change and response to crises faced by DMCs; and (v) influence of new and emerging development partners on the global development agenda. Active experience and knowledge sharing are relevant to all development partners, including ADB.

<sup>119</sup>MOPAN. 2010. MOPAN Common Approach – Asian Development Bank (ADB) 2010. Available at [http://www.mopanonline.org/upload/documents/ADB\\_Final-Vol-I\\_January\\_17\\_Issued1.pdf](http://www.mopanonline.org/upload/documents/ADB_Final-Vol-I_January_17_Issued1.pdf), downloaded on 5 April 2011.

<sup>120</sup>DFID. 2011. *Multilateral Aid Review: Assessment of Asian Development Fund*. London. Available at <http://www.dfid.gov.uk/Documents/publications1/mar/AsDF.pdf>, downloaded on 5 April 2011.

<sup>121</sup>ADB. 2007. *Special Evaluation Study: Asian Development Bank's Approaches to Partnering and Harmonization in the Context of the Paris Declaration on Aid Effectiveness*. Manila.

<sup>122</sup>These include (i) common operational procedures for project preparation, procurement, and project reporting; (ii) common project implementation units; and (iii) joint support for specific programs with other funding agencies.

<sup>123</sup>The activities involved the World Bank (85%), Japanese aid (39%), DFID (34%), and bilateral agencies other than the latter two (54%). By March 2007, ADB had signed 34 memorandums of understanding and letters of intent with various aid agencies. ADB-wide, 17 activities using program-based approaches were approved in 2001–2007.



149. Discussions with development partners and key stakeholders in Bangladesh, Lao PDR, Nepal, Pakistan, and Viet Nam yielded a consistent perception that aid coordination and harmonization have improved in all five case study DMCs over time. The study sought views on aid coordination and harmonization from resident mission staff as well as from some key development partners in Nepal. However, the perception varied at the project level as well as at the country level. For example, in Nepal, DFID, being a major partner in the Rural Reconstruction and Rehabilitation Sector Development Program, seems to have mixed views on the implementation of the project, due partly to weak governance at all levels. In addition, the program suffers from a very low level of TA. This was noted by the Nepal Resident Mission, and measures are being pursued to strengthen local capacity. DFID and other partners believe that the education and health sectors performed better than others (as demonstrated by the SWAp in education and health). This is not surprising, because very little investment had gone into infrastructure development, particularly during the conflict period. The development partners, however, also recognize that with a weak governance structure, fiduciary risk is high when implementing a SWAp in Nepal, a point confirmed by the Japan International Cooperation Agency (JICA), citing their nonparticipation in SWAps in Nepal. JICA is aware that Nepal faces major challenges due to weak governance and lack of transparency, fluid political conditions, and weak implementation capacity. In the context of Nepal, development partners recognize that there is a need to set aside dedicated resources for infrastructure development.

150. In all five DMCs, there was a consistent response from both resident mission staff and development partners that it is easier to work with ADB. However, unlike the World Bank, ADB does not have the advantage of expanded presence in the countries. Also, unlike bilateral development partners, ADB programs and projects tend to be implemented by the governments, and ADB does not have the benefit of working directly with the affected communities. Nevertheless, development partners recognize that ADB has adequate capacity to assist a country like Nepal in strengthening infrastructure. Both the government and development partners saw the successfully concluded National Portfolio Performance Review in 2010 as an important exercise. According to the Nepal Resident Mission, ADB is continuing with a conflict-sensitive approach in its recently approved CPS.

## **I. Performance-Based Allocation of ADF Resources**

151. For the first time, the ADF VIII donors' report asked ADB to introduce a PBA system to allocate ADF resources according to each country's policy performance. In ADF IX, donors (i) emphasized strengthening of the PBA policy, (ii) agreed to set aside up to 21% of ADF resources for grants for weakly performing and postconflict countries, and (iii) raised the weight on the governance parameter in the PBA formula from 30% to 50%. In addition, they also agreed to maintain a separate pool of resources for Pacific DMCs. The ADF X donors' report provided additional specificity and introduced a soft cap on ADF funding for blend countries, thereby freeing up additional resources for poorer and small countries. The donors also earmarked 4.5% of ADF resources for Pacific DMCs, to be distributed through PBA. They also agreed to increase the share of regional and subregional project assistance from 5% to 10% of total ADF resources.

152. ADB adopted a PBA system for ADF resource allocation in 2001 and introduced a formula based on country need and performance (footnote 3). The formula was substantially revised in 2004 and implemented at the start of ADF IX as part of ADB's reform agenda.<sup>124</sup> The

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<sup>124</sup>ADB. 2004. *Review of the Asian Development Bank's Policy on the Performance-Based Allocation of Asian Development Fund Resources*. Manila.

intention was to harmonize it with the World Bank/IDA in the sense of having, not the same allocation formula, but a formula that would lead to similar allocation outcomes. ADB produced a policy paper on PBA in 2008,<sup>125</sup> and the allocation system was further refined (implemented in ADF X) to address other emerging concerns encountered in earlier PBA allocations, and to incorporate agreements made in the course of ADF X negotiations. The aim was to make more resources available for small ADF-eligible DMCs and increase ADF allocations to the better performing poorer countries. In addition, a new conversion scale was adopted to reduce the volatility of portfolio performance ratings. Projects at risk were defined as only those projects actually experiencing problems. The refinement aimed to reduce any subjective judgment in assessing portfolio performance used in PBA calculations. The resource allocation to blend borrowers is outlined in the policy paper. At the end of ADF X, ADB intends to provide comprehensive and consolidated updates to donors in conjunction with discussions for ADF XI.<sup>126</sup>

153. ADB uses IDA's questionnaire for its annual country performance assessment exercise. The underlying principle of the country performance assessment is to fully recognize assessors' judgment flexibly. As such, ADB country teams have used the annual country performance assessment exercise as an additional opportunity for policy dialogue with DMCs.

154. The 2007 SES on ADF Operations (footnote 7) covered an in-depth analysis of the PBA system, and the findings remain valid. Hence, no additional analysis has been undertaken in this report. This SES recognizes the importance of assigning a high weight to the governance parameter in the PBA formula and its congruence with donors' emphasis. By comparison, the executing agencies in the DMCs that are the subject of the case studies as well as the participants at the consultation workshop for this study felt that the weight assigned to the governance parameter in the PBA formula was too high and should be lowered, with due adjustments reflecting other considerations such as progress in inclusiveness, responsiveness to environmental fragility, and vulnerability to natural disasters and climate change. Specific attention was drawn to weak, smaller DMCs, which lack internal capacity to strengthen these areas.

155. The DMC stakeholders during the consultation workshop for this study also stated that allocations based on the PBA formula are unreasonably volatile, and that sometimes they fall even when performance improves (because other countries' performances improve even more and the allocation is driven by relative, not absolute, performance). Changes in portfolio performance indicators are often a cause for volatility, especially for countries where a small number of ADF projects are being implemented. A single project could change the average performance score substantially and abruptly. In such cases, the underlying capability and performance of the country in designing and implementing development projects might not have changed, although its portfolio performance score may be changing rapidly. ADB has tried to address this issue in the refined policy paper (footnote 125). However, it is too early to conclude if the measure has had a significant impact.

## **J. Fragile and Conflict-Affected Situations**

156. Approaches to deal with FCASs in DMCs are less than 4 years old in ADB. During this short period, ADB has made good progress in addressing specific needs of affected countries,

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<sup>125</sup>ADB. 2008. *Refining the Performance-Based Allocation of Asian Development Fund Resources*. Manila.

<sup>126</sup>ADB. 2010. *ADF's Performance-Based Allocation System: Review of the Current System and the Post-Conflict Assistance Phaseout*. Manila.

which require flexibility and a greater degree of coordination with other agencies. For example, in Nepal, ADB adopted a conflict-sensitive approach; and in Sri Lanka, it assessed conflict risk for all projects. ADF support for FCASs has been 12.8% of total loan and grant approvals during ADF VIII to X, and more than three-fourths has gone to Afghanistan. That country has been a major beneficiary of ADF grants, taking up more than 70% of the FCAS allocation. TA grants to FCASs have focused primarily on infrastructure development and PSM.<sup>127</sup>

157. IED evaluated ADB's approach to FCAS in 2010.<sup>128</sup> Overall, the projects in FCAS status were rated *borderline effective*. There were some successes from using SWAs, for example in the education sector in Nepal, infrastructure development in Solomon Islands and in the roads and health sectors in Papua New Guinea. Pooled funding arrangements and common reporting requirements reduced government's work load promoting sustained results on the ground. Similarly, good results were evident in some private sector partnerships that supported the prevention of HIV/AIDS in Papua New Guinea, and helped deliver rural finance in Nepal thereby increasing private sector activity in rural areas. However, in the Lao PDR, achievements under the Water Supply and Sanitation Rehabilitation Project was limited due to inadequate understanding of local practices, the absence of effective awareness campaigns, and insufficient resources being directed to sanitation. The program loans approved during the reporting period in Papua New Guinea and Nepal achieved short-term outputs and outcomes, but structural transformation and sustaining policy actions to achieve the intended longer term outcomes and impacts remained elusive often due to the complexities of the programs and the absence of ownership for a prolonged period. Detailed knowledge of local conditions prior to project design and implementation was important, however, such knowledge was easily be rendered obsolete by constant changes in political alliances in the countries, resulting in changes in key leadership and project counterparts and thereby derailing the previous efforts.

158. The IED study concluded that the FCAS approach was much needed, as it enabled ADB to provide timely assistance to FCAS countries. It focused on key areas needing attention, working with other partners, and providing increased presence on the ground. ADB's involvement in large infrastructure was assessed as timely and relevant, given the economic and historical context. The rationale for ADB's large infrastructure projects in FCAS countries related to postconflict reconstruction, rehabilitation of key infrastructure, and the need to align with government development agendas. ADB also introduced some innovative approaches, such as political risk guarantee mechanisms and private sector lending. ADB worked with other partners to develop joint strategies. Selectivity and focus may not have been the driving considerations in preparing the CPS for many FCAS countries but, in practice, country programs were much more selective than other country strategies. In accordance with the FCAS approach paper, ADB's work in FCAS countries has been useful in enhancing partnerships, harmonization, and aid effectiveness.

159. The study noted that ADB needs to devise a differentiated approach to engage in FCASs, depending upon the nature of conflict, fragility, and varying conditions of DMCs. Such countries are often characterized by low capacity, weak reform commitment and governance, disruptions in service delivery, violent conflict, and limited resources.

160. The study found that in postconflict situations, project teams struggled to strike a balance between the need to respond quickly to urgent requirements and allowing sufficient

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<sup>127</sup>ADB. 2010. *ADB Engagement in Fragile and Conflict-Affected Situations, 2007–2009*. Manila.

<sup>128</sup>ADB. 2010. *Special Evaluation Study: Asian Development Bank's Support to Fragile and Conflict-Affected Situations*. Manila.

time for the necessary due diligence and thorough work on project design. In some cases, the preparation of detailed design was fast-tracked to facilitate construction or implementation of a project. Often the result of such haste was poor implementation arrangements. In some cases, complex environmental or socioeconomic assessments, including economic and financial analyses, were not strictly followed.

161. In the Pacific DMCs, however, the context is different. Fragility is largely due to geography and to weak capacities and institutions. Consequently, a longer timeframe is needed to cultivate ownership and consensus building during project design. The capacity of regional offices and resident missions has increased in the Pacific region. This is showing in improved portfolio performance. The delegated portfolio now amounts to more than 60% of the total. ADB's long-term involvement is helping to raise living standards, build economic resilience, promote the private sector, and improve public sector efficiency.

## **K. TA Performance**

162. TA projects can play an important role in project design and implementation, not only through preparatory and implementation support for individual ADF projects, but also by strengthening the institutional capacity of ADF countries. However, the performance of advisory TA worsened over the review period. While the success rate of advisory TA approved during ADF VIII was 74%, this rate declined to 65% for advisory TA approved during ADF IX. The performance of TA projects in the energy, finance, and PSM sectors significantly deteriorated, as did TA performance in Pakistan.

163. ADB has recognized the need for improving TA effectiveness based on an IED study,<sup>129</sup> which formed the basis for introducing a policy paper on TA reform in 2008.<sup>130</sup> The reform paper recommended extensive reforms in (i) strategic planning and programming to improve strategic focus, (ii) procedural reforms in the design and processing to improve quality and ownership, (iii) continuous dialogue and supervision to improve TA implementation, and (iv) financial management improvement to increase the efficiency and effectiveness of TA resource management. Different TA reform initiatives by ADB include, among others, reclassification of TA into four categories (project preparatory, capacity development, policy advisory, and research and development), establishment of the TA Strategic Forum, revision of TA completion reports, and the increasing role of resident missions in TA implementation and gradual delegation of TA projects, including those supported by TASF IV.<sup>131</sup> However, it will require some time before results from the introduction of TA reform measures and associated initiatives are available for evaluation.

164. For TA projects that seek to enhance the capacity of DMC institutions, evaluation evidence shows that these need to be part of broader, long-term efforts, which also include policy dialogue on any required changes in institutional powers, structures, and incentives, as well as continued implementation support to be fully effective. One-off TA that focuses on skills training or advisory services for the development of particular organizational systems tends to be less effective in building institutional capacity.

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<sup>129</sup>ADB. 2007. *Special Evaluation Study: Performance of Technical Assistance*. Manila.

<sup>130</sup>ADB. 2008. *Increasing the Impact of the Asian Development Bank's Technical Assistance Program*. Manila.

<sup>131</sup>ADB. 2010. *Review of Technical Assistance Special Fund Operations – Measures for Improving Effectiveness*. Manila.

165. ADB has been classifying an increasing number of ADF projects as supporting capacity development. Their success in this regard will have to be assessed further. A number of recent CAPEs and sector assistance program evaluations have pointed out the need for capacity development strategies at the country level to provide a framework for related ADB investment, policy, and TA support.

#### **L. Progress in Implementing Recommendations of the 2007 SES on ADF VIII–IX Operations**

166. ADB has made good progress, and donors and ADB management have taken steps with respect to several of the 10 recommendations set out in the last SES. The donors have responded generously to the first recommendation and sanctioned increases in ADF resources, although mainly through repayments of earlier ADF lending by countries. The second recommendation that ADF needs to consider expanding the ADF to certain non-eligible countries with large poor populations, has not been followed up. The third recommendation, that goal congestion in operations and ADB should be avoided, has been followed up in the sense that Strategy 2020 requires greater sector selectivity and poverty concerns are addressed at CPS stage through the selection of appropriate interventions rather than through inclusion of special poverty components in individual projects.

167. With respect to the fourth recommendation, that ADB needs to be more selective in its support for sectors in many countries—this has been followed up by Strategy 2020's adoption of five core operational areas that need to cover 80% of ADB and ADF financing. This target has been achieved, up from 67% of ADF financing in 2008. ADB has fully adopted the fifth recommendation that poverty reduction is an appropriate goal for ADF operations and that it requires more than direct targeting of the poor in each country. This may have led to fewer targeted interventions during ADF IX. ADB has adopted the sixth recommendation, pertaining to the need for ADB staff expansion, also in resident missions, and more specialized skills. As a result of the fifth general capital increase and a special approval by the Board for a 3-year transformation plan (2010–2012), ADB has been able to recruit much more staff in headquarters and resident missions. The seventh recommendation called for continued efforts in aid coordination and harmonization. ADB has made good progress in this area, as reflected in IED's evaluation of ADB commitments to the Paris Declaration. ADB has initiated a number of new initiatives to improve internal efficiency, and the spirit of the recommendation has been addressed.

168. In response to the eighth recommendation that major governance issues should be primarily addressed through program lending, levels of governance-related program lending increased during ADF IX and ADF X. The ninth recommendation stated that ADB should undertake a rigorous analysis to test the validity of the various country performance assessment indicators. ADB made some refinements in 2008, and it is planning a review in 2012. The core part of the recommendation remains to be addressed. Responding to the tenth recommendation that ADB should pursue a varied approach to debt distress of ADF countries and not rely mainly on the ADF grant mechanism, ADB is working closely with the International Monetary Fund and the World Bank on debt sustainability. ADB has also added two new staff positions in the SPD linked to debt sustainability analysis. The SES considers that the spirit of the recommendation has been fulfilled. Details on the Management response and IED comments are in Appendix 10.

## V. DMC STAKEHOLDER CONSULTATION WORKSHOP

169. In January 2011, a consultation workshop held in Bangkok sought the views of major ADF-recipient countries on their experiences with ADF projects and discussed the emerging findings of the SES. The workshop was attended by 15 senior government officials from 10 ADF countries, including the five largest recipients.<sup>132</sup> Individual country presentations are available in Supplementary Appendix A. The following are the key messages from the workshop based on discussion with the workshop participants.

### A. Usefulness

170. In all 10 countries, the participants confirmed that the ADF was useful in addressing country needs and priorities, particularly in addressing poverty reduction through financing investments in infrastructure and, to some extent, in the social sector. The type of projects under ADF support varied from one country to another. The participants felt that TA often resulted in capacity substitution rather than capacity development, and that capacity development needed to be more outcome oriented with enhanced accountability for both ADB and ADF countries. It was recommended that ADB and the ADF donors consider improving the PBA system for ADF resource allocation, as the current approach puts undue heavy emphasis on good governance, which is difficult to measure and achieve. Nevertheless, the ADF country representatives felt that the ADF will continue to have a major role in addressing the unfinished agenda of poverty reduction and emerging challenges in the Asia and Pacific region, including climate change and environmental vulnerability, economic crises, and food security. In addition, institutional capacity in all 10 ADF countries is still weak and requires substantial additional efforts and cooperation between ADB and ADF countries to ensure aid effectiveness.

### B. Relevance

171. The participants acknowledged that ADF has been an important source of financing for development projects and programs to support economic growth and poverty reduction in ADB's DMCs. They perceived that ADF-funded projects and programs have been well aligned with their own national development and poverty reduction strategies. For the ADF to continue to remain highly pertinent in the medium term, workshop participants agreed that its scope should also include support to deal with emergencies, climate change, and economic crisis; to ensure food security; and to develop remote and less developed areas and communities, which will require ADF resources beyond the current level. The ADF donors should therefore consider increasing the size of the ADF in the next replenishment.

### C. Overall Effectiveness of ADF Operations

172. The overall impact of ADF operations was found to be moderate, because there are still large pockets of the poor and vulnerable populations in DMCs. The current focus of ADF operations with regard to poor populations and less-developed areas was deemed to be insufficient. A geographical focus for ADF operations should be emphasized, with more resources going to less developed areas. More support could be extended to ADF operations directly relevant to reducing non-income poverty, that is, helping DMCs achieve all the MDGs in partnership with other development partners.

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<sup>132</sup>Bangladesh, Bhutan, Lao PDR, Mongolia, Nepal, Pakistan, Solomon Islands, Sri Lanka, Timor-Leste, and Viet Nam. Three countries (Afghanistan, Cambodia, and Kyrgyz Republic) were not able to send representatives to the workshop.

173. The ADF was found to have been useful in promoting RCI and benefiting partner countries, both big and small. However, such assistance was currently limited to the transport sector, benefiting only a few countries and their populations in border areas, and there is a need to expand in other areas, for example, to other types of infrastructure and the social sectors.

174. The SWAp approach was seen as having worked well against the backdrop of good institutional capacity, but was limited to health and education and only in a few DMCs. The effectiveness of this approach merits piloting in other core areas of ADB operations, particularly in rural infrastructure and finance in countries with modest institutional capacity.

175. The DMC representatives during the ADF consultation concurred with IED's observations that increasing project success rates will require further improvements in (i) project design, including more effective participation, consultation, and better design to promote country ownership, and funding of design/detailed project feasibility; (ii) a bigger role for ADB resident missions by delegating more authority and strengthening technical capacity; and (iii) management of project operations, including effective monitoring by DMC governments and ADB, and postcompletion reporting on the achievement of outcomes.

176. The representatives also noted that there was still room for further improving the current PBA system by making ADF allocations more equitable, efficient, catalytic, and responsive to country-specific development challenges. Governance is an important component of the formula, but its measurement was difficult. Unless a satisfactory measure of the governance variable is introduced, the weight assigned currently in the allocation formula was suggested to be reduced.

177. The client DMCs indicated that a new approach to capacity development is needed which is firmly aligned with the country's human development strategy. Among the various options, on-the-job training and strong linkages with universities and training centers and/or industry are required in the national interest to enhance knowledge and skills. In addition, accountability mechanisms of the partner country need to be strengthened for effective monitoring and reporting of TA outcomes.

#### **D. Other Suggested Areas for Improvement**

178. The workshop participants suggested the following areas wherein ADB and the donors need to engage and work toward achieving effective ADF operations:

- (i) RCI has tremendous potential for reducing poverty in border areas and promoting international trade. Allocation for RCI should be increased from the current 10% to 15%–20% in the next replenishment to support more RCI interventions.
- (ii) A separate allocation for FCAS and other vulnerable countries is very important; hence, the current level of support should be maintained.
- (iii) There is a need to increase funding for ADF-only countries for financing large infrastructure projects. A mechanism needs to be worked out for that increase to materialize.
- (iv) ADB needs to further increase operational efficiency by simplifying operational procedures, harmonizing with country systems, and reducing assistance delivery time.
- (v) The five drivers of change (gender equity, PSD and private sector operations, good governance and capacity development, partnerships, and knowledge

- solutions) are important in ADB operations. As these are more process-oriented, ADB needs to give more thought to new approaches for achieving them.
- (vi) For several ADF countries, agricultural development is critical for reducing poverty and ensuring food security. ADB needs to link support to infrastructure development with agriculture by emphasizing the development of a value chain, and by improving marketing and processing efficiency.
  - (vii) ADB needs to put sector development at the forefront and emphasize strengthening sector analysis in DMCs. For this to happen, ADB and ADF operations need to move away from stand-alone projects with project implementation units or project management units to SWAs, or get sector agencies to lead. Problems in sectors need to be duly diagnosed, and support for capacity development, training, and mentoring must be provided.
  - (viii) ADB needs to pay more attention to the sustainability of its ADF operations in consultation with DMCs on issues related to (a) capacity development in agencies to ensure lasting benefits, and (b) sustaining momentum for achieving the MDGs.
  - (ix) Both project and program operations are important to DMCs. However, depending on country capacity, ADB needs to maintain a correct balance between the project and program lending modalities, as projects tend to deliver visible results within a reasonable period, while programs tend to be medium to long term.

## VI. KEY FINDINGS, ISSUES, AND RECOMMENDATIONS

### A. Key Findings

#### 1. Financing ADF Operations

179. **The size of the ADF has increased faster than donor contributions.** The size of the ADF has increased more than 15-fold in nominal dollars and more than seven times in constant dollars between ADF I and ADF X. Donor contributions were the primary source until ADF V. Compared with ADF VI, donor contributions to ADF VII at constant prices fell by 39%. Thereafter, donors' new contributions to the Fund at constant prices have increased marginally. Reflows commenced during ADF VI and steadily increased to become the most important source under ADF X, accounting for 58.8% of ADF X resources. The introduction of grants in ADF operations in 2005 is likely to dampen the growth of reflows after 2013.

180. **There is a need to respond more flexibly and substantially to the requirements of poorer and smaller crisis-affected countries.** Net resource flows of the ADF have been generally positive in most countries except in the Pacific. During the recent global economic crisis, a number of the most affected Pacific DMCs received negative net resource flows from ADB. However, Pacific DMCs have generally been receiving higher levels of ADF resources per capita than other ADF countries, as have other less populous, smaller DMCs. ADF-only countries with larger populations such as Afghanistan and Nepal have received less ADF funding per capita despite their lower human development levels.

181. **Blend countries have relied more on OCR.** Blend countries' reliance on OCR for financing development projects has been increasing. These countries have used 76% of their ADF allocations for stand-alone projects (the majority of these dominated by nonrevenue-generating projects); the remaining ADF resources have been blended with OCR.



182. **ADF sector allocations have largely met ADF commitments.** ADB has channeled increasingly large shares of ADF resources to infrastructure, especially transport. Nevertheless, actual infrastructure allocations have stayed below indicative ADF targets. Support for water and sanitation has stagnated during the review period. Support for education actually decreased during ADF IX and ADF X.

183. **Support for economic crisis has been uneven.** Many DMCs severely affected by the global economic crisis of 2008–2009 were ADF-only countries. ADB approved an additional \$400 million ADF commitment authority to help the most fiscally stretched ADF-only countries to face the global economic crisis of 2008–2009. Further, to support ADF-eligible borrowers' stimulus and social protection packages, ADB allowed front-loading of up to 100% of their biennial (2009–2010) ADF allocation. But countries affected most by the crisis got relatively less additional assistance, largely due to the inflexibility in PBA of the ADF and the absence of a crisis support facility for ADF countries.

## 2. Performance of ADF Operations (2001–2010)

184. **The performance of ADF operations at the country-level presents a mixed picture.** CAPEs rated ADF support in Bangladesh, Bhutan, Cambodia, Lao PDR, Mongolia, Uzbekistan, and Viet Nam as *successful*, while operations in Indonesia,<sup>133</sup> Nepal, Pakistan, Papua New Guinea, and Sri Lanka were rated *partly successful*. Although political instability and civil strife affected ADF operations in most of the countries with less satisfactory performance ratings, CAPEs also point to other factors, particularly lack of (sub)sector and geographical focus of ADB support, inadequate analysis of binding development constraints, lack of local institutional capacity and ADB implementation support, and sustainability issues.

185. **The success rate for ADF projects improved, but the average was adversely affected by the poor performance of projects in Pakistan.** The corporate success rate of ADF operations<sup>134</sup> improved gradually during the last decade (2001–2010) compared with earlier decades. About 80% of all projects in ADF-only countries were *successful*. If Pakistan (19% success rate) is excluded, the success rate of blend countries would also be 80%. However, the overall success rate of ADF-financed projects was only 66% due to the very poor performance of projects in Pakistan. If Pakistan is excluded, the overall success rate of ADF assistance during the review period would be 80% compared with 73% (for non-Pakistan assistance) during the ADF VI–VII period.

186. **Success rates varied substantially among sectors.** Only a few sectors had a sufficient number of project evaluations to draw meaningful conclusions on sector performance. Among these, the success rate was the highest for multisector projects—mostly emergency response loans—possibly due to the greater visibility and stakeholder support associated with these types of operations. Although still above the ADF average, the performance of transport projects approved during ADF VIII–X appears to be declining compared with earlier projects for reasons that have to be further investigated in light of the significant expansion of transport sector operations since 2007. The success rate for ANR projects improved to 67%, while there was no change in the 54% success rate for PSM projects.

<sup>133</sup>Indonesia was eligible for ADF resources until early 2009.

<sup>134</sup>The corporate success rate represents the average share of ADF projects with an overall *highly successful* or *successful* rating. Project ratings are based on assessments of project relevance, efficiency, effectiveness and sustainability with weightings of 20%, 20%, 30% and 30%, respectively.

187. **Efficiency ratings improved but remain low.** While the economic efficiency of resource use was generally satisfactory for ADF-funded investments, many projects suffered from process efficiency issues. Only about 57% of completed projects were *efficient* or better. ADB introduced a number of measures during the review period to improve project administration, which significantly reduced project implementation delays for ongoing projects. The introduction and application of project readiness filters helped reduce significantly the time lag between loan approval and effectiveness. The disbursement ratio and the contract award ratio also improved.

188. **Achievement of envisaged project and sector development outcomes was weak, in part due to the low effectiveness of the Pakistan portfolio.** Only 63% of the ADF projects were effective in achieving their projected project outputs and outcomes—79% of all projects in ADF countries other than Pakistan. Physical infrastructure investments (particularly in energy and transport, but also in education, irrigation, and water) were more effective in achieving envisaged project outputs than support related to capacity development and institutional or policy reforms. However, unless asset management and issues effecting the utilization of assets or demand for services are effectively addressed, infrastructure will not generate and sustain optimal economic benefits. For rural infrastructure, there is also the need for complementary investments and support in other sectors to maximize development outcomes.

189. **The success rate for program loans improved, but policy-based operations need to be more effective.** Although the success rate of policy-based (program) loans improved to 63%, their effectiveness in actually advancing significant reforms has been comparatively low. Lack of wider political support for substantial policy reforms rather than inadequate problem analysis was responsible for the selection of policy actions under program loans that did not address binding policy constraints to sector development. Particular emphasis of ADB support needs to be on development of a range of project design/policy options and advocacy work to facilitate consensus and sustained broad-based commitment among a wide range of stakeholders. Also, the feasibility of significant policy and institutional reform in countries affected by political turmoil needs to be carefully assessed.

190. **ADF contributed towards development impact.** ADB's contributions to development results were *modest/partly satisfactory* in Bangladesh, Pakistan, Sri Lanka, and Uzbekistan. Contributions were better in Bhutan, Cambodia, Lao PDR, Mongolia, Nepal, and Viet Nam, with relative success being a function of better effectiveness in achieving project and sector outcomes. Although attribution is difficult, over the last decade, ADF support likely contributed to broad-based economic growth in recipient countries mainly by (i) improving connectivity to enhance access to markets and services; (ii) enhancing the reliability and levels of energy supplies through power sector reforms, PPPs, and increased electrification levels; (iii) increasing agricultural production levels through investments in rural infrastructure; (iv) promoting the development of policy, regulatory, and institutional frameworks for finance and commerce; and (v) improving fiscal and economic management. ADF resources also helped enhance access to health, education, and water supply and sanitation, albeit at a smaller scale reflecting relative sector allocations of ADF funds. The results of ADB's contributions to improved governance through support for public sector management reforms were below expectations.

191. **Both project design and implementation influenced project success.** Important project/program design and implementation factors responsible for poor performance are (i) inadequate problem analysis, (ii) insufficient consultation with stakeholders while formulating the project, (iii) complex design and implementation arrangements not congruent with country

capacity, (iv) lack of ownership and political commitment, and (v) inadequate country capacity for implementation and commensurate ADB support. Identified issues need to be addressed through better project design and proactive project implementation support, both of which require adequate staff and consultant resources.

192. **Sustainability of ADF operations continues to be a challenge.** About 61% of ADF projects were rated *most likely* or *likely sustainable* during the review period. Challenges included lack of resources for adequate O&M and inadequate institutional capacity. ADF operations were rated *less likely sustainable* particularly in countries that have weak institutions, inadequate human resources and high staff turnover in executing/implementing agencies, inadequate budget provision or willingness to recover costs for O&M of infrastructure assets, and limited ownership of supported projects and reform programs.

193. **Weak institutional capacity is an important threat to project effectiveness and sustainability.** Country-level evaluations have found that ADB often did not systematically assess institutional capacity and address capacity constraints. In Lao PDR and Mongolia, evaluations found that support for strengthening country systems was not always an integral element of sector assistance and relevant key initiatives such as improved financial management and procurement. Capacity constraints were particularly severe at subnational levels, and countries that have been in the process of decentralizing their fiscal systems or devolving service provision to lower levels of government have faced particular challenges. IED evaluation of the effectiveness of ADB's capacity development assistance found that the following features enhance the success of capacity development: (i) basing capacity development strategies on comprehensive and adequate capacity assessments, (ii) using results-based approaches to implementing capacity development, (iii) having long-term engagement, (iv) encouraging participatory approaches to enhance government ownership, and (v) cooperating with other development partners for preparing capacity development programs. Apart from strengthening technical capabilities, capacity development should also cover organizational and contextual issues. Positive experience with SWAs particularly in education indicates that they can be a useful mechanism for fostering greater country capacity in the long run, although their use requires a minimum level of existing national capacity to be effective.

### 3. Progress in Other Areas

194. **Governance continues to be a major challenge.** ADB was the first multilateral development bank to adopt a special policy on governance with focus on accountability, participation, predictability, and transparency. The 2006 internal review found that sector modalities became less effective in promoting governance and that country governance assessments tended to lack depth and made little difference in ADB's approach to governance and institutional development, as they tended to be too general to deal with governance issues. To address this, ADB launched the GACAP II in 2006, which envisaged a risk-based approach to governance assessment, particularly in the priority sectors in which ADB has operations. GACAP II guidelines, which were approved in May 2008, focus on public financial management, procurement, and combating corruption. Membership in the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific increased from 14 ADF countries in 2007 to 28 in 2010. An ongoing strategic review of governance and development agenda in the past 15 years suggests the need for (i) an integrated approach to PSM and governance thematic operations, (ii) greater focus on political economy issues, (iii) sharpened focus on MfDR, (iv) enhancing ADB staff capacities and incentives, (v) a risk-based approach to project implementation, and (vi) greater use of country systems. Evaluation findings show that only 63% of ADF projects with a governance thematic classification were successful. Compared with other sectors, ADB's

success rate in PSM was low. Thus, promoting good governance remains a continued challenge that requires longer term engagement and stronger partnerships with DMCs.

**195. ADB's focus on PSD has been increasing.** ADB's commitments for PSD under ADF X envisage efforts to improve the investment climate, attract private investment through support for infrastructure development, promote policy and institutional reforms, deepen finance markets, and provide adequate skilled workforces. ADB's Strategy 2020 seeks to expand support for PSD and private sector operations to 50% of ADB's assistance in terms of value and numbers by 2020. The share of projects with PSD as a theme reached 24% during the first 2 years of ADF X, which is close to the 30% target set for the theme in ADF operations by 2012. The respective shares for ADF VIII and ADF IX were 9% and 16%. The focus of PSD under ADF operations has been largely on improving the investment climate, financial sector development, and SME development, particularly in the agriculture sector. The impact of operations on creating an enabling environment for the private sector is being evaluated under an ongoing IED SES.

**196. Gender mainstreaming has been back on track in recent years after some setbacks.** ADB was on track for meeting its target for gender mainstreaming in ADF operations in 2010. During 2001–2010, 47% of all ADF projects had significant gender mainstreaming (22% had a gender equity theme, and another 25% were classified as effective gender mainstreaming). The prevalence of gender as a theme dipped in ADF IX approvals, but has been improving considerably afterwards. According to ADB's Development Effectiveness Review 2010, 53% of ADF operations were gender mainstreamed in 2010. Nevertheless, continued efforts are needed to better target gender equity in CPSs along with adequate support for gender mainstreaming during the implementation of ADF operations.

**197. Environmental sustainability as a theme has grown in ADF operations.** Environmental sustainability is one of the three strategic agenda of ADB's Strategy 2020. Consequently, there has been a significant increase in recent years in environment-related ADB operations and programs, knowledge products, and TA for improving management of the environment. ADB has begun several environmental initiatives: (i) preparation of the Asian Environment Outlook, (ii) Cities Development Initiative for Asia, (iii) Clean Air Initiative for Asian Cities, (iv) Energy Efficiency Initiative, (v) Climate Change Program, (vi) Poverty and Environment Program, and (vii) Sustainable Transport Initiative. Environmental sustainability is a thematic focus in about 34% of ADF X projects as compared with 8% in ADF VIII and 12% in ADF IX. According to the Development Effectiveness Review 2010, the 3-year average percentage of projects supporting the environment theme has surpassed the ADF target of 25%. Most of the initiatives are at an early stage of implementation and are yet to be evaluated. Nevertheless, their effectiveness will be vital to the development prospects of the region. Also, it needs to be clarified what share of ADF funds actually directly support environmental sustainability activities under a given project, as the full loan or grant amount is counted under any selected thematic classification even if only one smaller project component addresses the thematic objective.

**198.** A 2009 IED study on GHG implications of ADB's energy operations recommended to (i) assess GHG implications of future energy sector investments with significant GHG impacts, (ii) promote GHG-efficient investments by establishing a mechanism to buy down the incremental cost of clean coal technologies, (iii) scale up appropriate and affordable renewable energy technologies, and (iv) aggressively pursue methane capture projects and scale up investments in industrial energy efficiency improvement projects. In 2010, another IED study proposed a method to quantify the gross carbon emissions from the construction and operations of ADB-

funded land transport projects. It recommended ADB to adopt carbon emissions as a consideration for project design; encourage a modal shift to energy-efficient ones; monitor the intensity of carbon emissions from transport investments; and, in partnership with DMCs, support nationally appropriate mitigation actions. Management has agreed to these recommendations and has developed action plans.

199. **Regional cooperation is becoming more prominent in ADF operations.** ADB formulated an RCI Strategy in 2006, the implementation of which received a boost after Strategy 2020. ADB has initiated four major RCI initiatives—the GMS Economic Cooperation Program, Central Asia Regional Economic Cooperation Program, South Asia Subregional Economic Cooperation, and Pacific Approach (2010–2014). The importance of RCI in ADF projects has grown significantly from 7% in ADF VIII to 14% in ADF IX and to 31% in the first 2 years of ADF X. According to the Development Effectiveness Review 2010, the share of intraregional trade of ADF countries increased from 58.5% in 2005 to 60% in 2009, and ADF-only countries realized a greater increase from 59% to 66% during the same period. The 2007 midterm review of the GMS Strategic Framework (2002–2012) found that the program had delivered concrete results and had contributed to integration in the GMS. Likewise, ADB’s study on Central Asia: Mapping Future Prospects estimated that increased regional cooperation coupled with key economic reforms could help double per capita income in the Central Asia Regional Economic Cooperation region within a decade and significantly reduce poverty. IED’s evaluation in 2008 rated the GMS initiative *successful* and recommended that ADB could further improve its performance by (i) emphasizing additionality in regional benefits during the design and implementation of subregional projects; (ii) engaging in greater policy dialogue to raise awareness, provide policy advice, and support actions to reduce the negative impacts of RCI; (iii) supporting policy and procedural reforms to ease “software” constraints to derive greater regional benefits from investments in “hardware”; and (iv) paying more attention to results, monitoring of progress, and cost effectiveness of investments.

200. **Harmonization and alignment have improved.** Aid coordination and harmonization improved during the review period, in part due to the effective roles played by resident missions. A recent IED evaluation of ADB’s commitment to the Paris Declaration found that coordination and partnerships with other funding agencies at the ground level were more extensive than officially recorded in ADB’s management information system, particularly in areas like policy coordination, joint analytical work for country strategies, and other coordinating arrangements at the country level. Furthermore, ADB remained modestly selective by engaging in sectors of core strengths (e.g., infrastructure) while showing adequate flexibility at the country level in addressing DMCs’ national priorities. The following remain the principal challenges to harmonization and alignment: (i) different interests and priorities of aid agencies, (ii) weak DMC capacity for aid coordination, and (iii) meeting the significant resource gap for addressing emerging issues such as the multidimensional impact of climate change on DMCs.

201. **Progress in implementing recommendations of the 2007 evaluation of ADF operations.** Progress in implementing the 10 recommendations of the previous SES on ADF operations has been good. Donors provided a generous replenishment but did not provide ADF access to People’s Republic of China and India, which have the largest numbers of poor. They partly adopted the recommendation to have simpler and fewer objectives for the ADF. ADB has been more selective in its sector priorities at the country level but found it challenging to achieve sector selectivity at the corporate level. It has pursued its poverty reduction mission both through targeted projects and programs as well as through incentives to support economic growth in general. ADB has also retooled staff skills both at headquarters and in resident missions. But there are still gaps in staff capacity. There was good progress in implementing

ADB's commitments to the Paris Declaration on Aid Effectiveness. Efforts have been made to strengthen governance through program lending during ADF IX and X. ADB did make some refinements to the ADF allocation formula in 2008 and is planning to review the same in 2012, while the core part of the recommendation remains to be addressed. Finally, ADB has been working closely with the International Monetary Fund and the World Bank on debt sustainability issues in ADF countries.

## **B. Issues**

202. **Limited progress in non-income MDGs.** Slow progress in achieving non-income MDGs is a major issue. In particular, MDGs for malnutrition; under-5 mortality; access to water and sanitation; and education, especially in relation to women, have yet to be achieved in many DMCs. The Development Effectiveness Review 2010 observes, "...progress on other measures of human development [*referring to non-income poverty indicators*] in the region was mixed and slower in the weaker ADF countries, particularly the ADF-only countries" (page 7; bracketed expression added). ADB did provide support in two key MDG areas of education and water. But, despite an increase in the size of the ADF, investment in the education sector declined sharply in both real and nominal terms. While investments in WMIS increased modestly, assistance to this sector is largely concentrated in the urban areas, even as more people in rural areas remain underserved. Overall support for rural infrastructure, particularly rural roads, and rural water supply and sanitation remained low in recent years.

203. **Growing inequalities.** Rural areas in general continue to be deficient in infrastructure and opportunities for productive employment. Quality education and health services elude the rural poor, and access to these opportunities is not uniformly available. Notwithstanding the GAD progress, women still do not enjoy the equality they deserve, whether at home, in schools, or at work. Children's and women's health needs remain unfulfilled, as is evident from the slow progress in reducing infant and maternal mortality rates. Income inequality fell in 7 of 16 ADF countries for which data on Gini coefficients are available. The rapidly growing inequalities within and across countries are challenging the sustainability of the growth process.

204. **Emerging development challenges.** In addition to the challenges posed by slow progress in non-income MDGs discussed above, future ADF operations will increasingly need to address the following additional challenges: (i) climate change and increased vulnerability to natural disasters (drought, earthquakes, and floods); (ii) possible increase in conflicts due to stress on resources; (iii) managing economic and environmental fragility in the region; (iv) rapid urbanization and its impact on water, sanitation, and waste management; (v) food security; and (vi) finding new approaches to deal with macroeconomic and financial sector volatility.

205. **Impact of crises on ADF countries.** The experiences of several ADF-only DMCs show that global economic crises could have significant negative impacts on them through one or more channels such as trade, remittances, and prices of exports. A recent IED evaluation showed that the principles used for allocating ADF resources are inadequate to deal with the special requirements of crisis-affected countries.

206. **Impact of grants on future ADF support.** Recent trends in ADF support show that the growth in the magnitude of ADF resources was due to reflows from past lending; and donor contributions have remained more or less stagnant in constant dollars since ADF VII. The introduction of grants will have a depressing impact on the magnitude of reflows from 2013. This could have serious implications for the size of ADF resources in the absence of an increase in donor contributions in real terms.

207. **Decline in project preparatory TA.** ADF countries tend to have weaker institutional and technical capacity than other DMCs for designing and preparing projects. A declining trend in the ratio of project preparatory TA funds to loan and grant approval volumes (Appendix 11, Table A11.1) could impair project success. The success rate of ADF projects approved during the review period that were prepared through project preparatory TA was significantly higher than that for projects which did not have any project preparatory TA (75% vs. 57%). The respective success rates for ADF-only countries were 91% for projects with project preparatory TA, and 68% without (Appendix 11, Tables A11.2–A11.3). The volume of project preparatory TA funds per project has remained nearly unchanged in nominal terms over the review period for ADF-only countries, but substantially declined for blend countries during ADF IX.<sup>135</sup>

208. **Lack of a comprehensive approach to enhance capacity in DMCs.** Capacity development efforts have been less effective than anticipated. ADF borrowers need continued support for capacity development, which should be based on holistic capacity development strategies that are based on needs assessments and also address any issues related to institutional powers, structures, and incentives.

209. **Sustainability issues for ADF projects.** The financial and institutional sustainability of ADB (including ADF)-financed investments in DMCs remains an issue to be addressed. ADB could improve the sustainability of investments through systemic policy dialogue on adequate budget provisions, self-financing mechanisms for O&M of infrastructure, as well as adequate TA for developing related institutional capacity. Although financial sustainability issues have been addressed at the project/sector level in a more proactive manner in recent years, an analysis of case study projects showed that these approaches yielded mixed results, demonstrating the difficulties in obtaining stakeholder support. Sustainability assessments, at the strategic level, at the time of preparation of the CPS using a medium-term fiscal framework to assess the affordability of investments, will enhance the sustainability of investments. The assessments will have to encompass the enabling environment (policies, strategies, and guidelines), resourcing (both financial and human), and institutional capacity.

210. **Low development effectiveness of ADF operations in Pakistan.** Pakistan was one of the five largest ADF clients receiving approval for 15% of ADF loans and grants during the period under review. A preliminary review of the causes that have precluded better performance in Pakistan is made in IED's recent Annual Evaluation Review and includes (i) weak or inappropriate design, (ii) weak political commitment, (iii) shifts in priorities and political impediments, and (iv) insufficient supervision. While the success rates for Pakistan projects approved during ADF VI–VII were already below the portfolio performance average of 70% for that period, substantial increases in lending to the country during ADF VIII–IX possibly compounded existing capacity problems in an increasingly challenging macroeconomic and political environment. While management is undertaking steps to improve the country's portfolio performance, investigating the fundamental causes of project failure would enable lessons to be drawn for operations that are forthcoming. IED plans to do a CAPE for Pakistan in 2013 to feed into its next CPS.

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<sup>135</sup>For ADF-only countries, the average amounts of project preparatory TA per project approved by ADF period were \$569,012 during ADF VIII, \$589,943 during ADF IX, and \$581,214 during ADF X. For blend countries, the amounts were \$812,101 (ADF VIII), \$650,851 (ADF IX) and \$725,986 (ADF X).

### C. Recommendations: Looking Forward

211. The performance of ADF operations improved and progress was made with key operational ADF commitments. ADF countries are expected to face continuing challenges, which will require both the availability of additional resources and their more effective utilization for general development effectiveness. To ensure sustained development effectiveness in the region, ADB, together with development partners, will need to respond efficiently to address these challenges. The response should entail continued relevance and a continued strong demand for ADF resources. This SES offers five recommendations to ADB Management for supporting DMCs in achieving socioeconomic development and better quality of life for their populations:

212. **Seek additional funding for ADF operations, particularly for ADF-only countries, to further reduce both income and non-income poverty and enable them to better cope with vulnerabilities.** The ADF has played an important role in sustaining a broad-based pattern of growth in the region. However, the use of grants to finance projects in DMCs is expected to deplete the principal amount for overall ADF operations. Meanwhile, achieving a poverty-free Asia and Pacific region remains a major challenge for ADB and other development partners. In addition, several new challenges have emerged in recent years such as the global economic crisis, climate change and environmental fragility, high energy costs, stagnating food productivity and production coupled with increasing food price volatility, and more frequent occurrences of natural disasters. These challenges increase the funding needs of all DMCs, particularly for the MDG underachievers and FCAS countries, some of which are also prone to increased risks from climate change. Additional ADF resources would help ADF countries reduce their comparatively higher poverty levels and lack of resources to cope with natural disasters and external shocks by alleviating their limited options for external financing of development programs. A special crisis facility would help ADB to respond more flexibly and substantially to the needs of poorer and smaller countries during economic crises.

213. **Increase education, rural infrastructure, water and sanitation, and environment operations to help achieve related MDG targets.** ADF sector allocations have continued to be generally aligned with Strategy 2020, with greater focus on investments in infrastructure. Further attention will be needed on other sectors that cater to non-income MDGs, particularly education and water and sanitation. Additional emphasis needs to be given to support that enhances productivity in rural areas including, among others, rural infrastructure. Balancing infrastructure development with complementary investments in education, HSP, environment, and ANR will be crucial to making growth inclusive and arresting widening inequities between rural and urban areas. Such complementary investments can be financed either from the ADF or by other development partners. Findings of an ongoing IED study on project complexity, as well as analysis undertaken in conjunction with the development effectiveness report suggest that coordination of sector-based support efforts is preferable to complex multisector projects with a large number of non-core sector components.

214. **Strengthen capacity development efforts on the basis of capacity development strategies at country and sector levels.** ADF countries are not only poorer than other DMCs, they also tend to have lower capacity. Past support for capacity development has not achieved envisaged levels of institutional capability or change. The majority of capacity development efforts were focused on the provision of one-off TA rather than holistic approaches that address conditions which determine the effectiveness of institutions including the sector policy environment, legal or regulatory powers, financial resources, and staff incentives. ADB needs to base capacity development efforts on results-oriented, long-term strategies for partner



institutions in key sectors. Cross-sector issues that have a bearing on the performance of sector institutions (e.g., decentralization, devolution of services, civil service conditions, state enterprise restructuring, budget allocation processes) need to be identified and addressed through effective policy dialogue on public sector management reforms.

**215. Strengthen ADF operations through adequate allocation of TA resources to improve project design and country institutional capacity.** Operational experience during 2001–2010 shows that design limitations or weaknesses continue to greatly influence the success of ADF operations. TA allocations for country-level project preparation and advisory services have decreased in recent years relative to financial assistance volumes, which is likely going to exacerbate project design and implementation issues related to inadequate problem analysis and stakeholder consultation, and to DMC institutional capacity. Adequate levels of project preparatory TA resources would likely help by fostering better project design. TA resources are also needed to support the development of effective DMC institutions, which in turn would contribute to improvements in project effectiveness, efficiency, and sustainability. At the same time, more efforts need to be made to increase the effectiveness of advisory TA for capacity development.

**216. Improve the development effectiveness further by adopting a proactive, holistic approach to addressing sustainability concerns in country strategies and programs.** The review of PCRs under this evaluation arrived at similar results as did IED's recent ADB-wide study on postcompletion sustainability, concluding that 65% of both ADF and OCR operations are *most likely or likely to be sustainable*. The recent IED study found that project effectiveness and efficiency do not guarantee the sustainability of project net benefits. It suggested that to improve sustainability a holistic approach is needed: (i) identifying and mitigating risks to project sustainability during country and sector assistance programming; (ii) paying more attention to risks to sustainability of outputs and outcomes and their mitigation during project preparation and implementation; and (iii) undertaking postcompletion monitoring of selected projects and programs with emphasis on outcomes, sustainability, impact, and monitoring arrangements.

## KEY FEATURES OF ASIAN DEVELOPMENT FUND VIII–X OPERATIONS

### A. Asian Development Fund VIII

1. The donors met on five occasions from October 1999 to September 2000 for the seventh Asian Development Fund (ADF) replenishment, or ADF VIII, which covered the period 1 January 2001–31 December 2004. As a result of the negotiations, the donors agreed to a replenishment size of \$5.645 billion, consisting of \$2.905 billion in new donor contributions and \$2.740 billion in commitment authority from existing resources. Portugal and Singapore became donors to the ADF.

2. At the time of ADF VIII, the donors' interest focused largely on implementing the Asian Development Bank (ADB) Poverty Reduction Strategy<sup>1</sup> of 1999, supported by the Private Sector Development Strategy. This was to be made operational through high-quality and prioritized technical assistance (TA)<sup>2</sup> and lending operations that focused on, among others, (i) improving the quality of governance, including sound fiscal choices at all levels of public administration and public services; (ii) environmental problems, global as well as regional, that required concerted efforts from within the region if they were to be properly and adequately alleviated; (iii) gender equity and protection of minorities and indigenous peoples by removing legal and culturally determined constraints; (iv) investments in physical and social infrastructure and social development that were to bring substantial direct and indirect benefits of growth to poor groups and poor regions, both urban and rural; (v) cooperation among developing member countries (DMCs) on regional public goods, i.e., economic opportunities and social and environmental problems with well-defined, proximate cross-border externalities; (vi) policy reform and institutional development for creating a private sector where the poor have nondiscriminatory access to asset ownership, finance, and employment; and (vii) rewarding performance.

3. During this period, performance-based allocation (PBA) of resources was introduced. It was seen as a tool not only to reduce wastage of resources in countries with weak performance, but also to give incentives to governments of DMCs to improve governance.

### B. Asian Development Fund IX

4. Over the 8-month period October 2003–May 2004, the donors met on four occasions to plan further replenishment of the Fund (i.e., ADF IX). Replenishment for ADF IX was for the period 1 January 2005–31 December 2008. The donors endorsed an ADF IX program of \$7.0 billion, plus additional amounts for financing foregone interest of grants. The ADF IX program was derived from ADB's strategic operational planning process. It took into account the increased need for concessional assistance in the region for (i) accelerating progress toward the Millennium Development Goals in the poorest countries; (ii) meeting the special needs and circumstances of smaller, less developed countries; (iii) assisting countries in their transition from conflict; (iv) assisting countries with significant debt challenges; (v) strengthening regional cooperation; and (vi) supporting priority TA across the region. Donors recommended continuation of eligibility as applied to ADF VIII for allocating resources in the planned ADF IX period (2005–2008). The ADF IX program was expected to enable robust implementation of ADB's strengthened poverty reduction strategy.

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<sup>1</sup> ADB. 1999. *Fighting Poverty in Asia: The Poverty Reduction Strategy*. Manila.

<sup>2</sup> In ADF VII, TA had been financed from ADB's internal resources.

5. ADB committed to maximize the mobilization of internal resources while maintaining its financial integrity. Of the total of \$7.0 billion, at least \$3.7 billion would come from internal resources, with the remainder provided by new contributions pledged by donors on a burden-shared basis of \$3.2 billion, plus some additional and voluntary contributions. New contributions pledged by donors were made mainly on accepted burden-sharing principles. Donors agreed to work toward achieving a 50/50 share of regional and nonregional contributions. Contributions to ADF IX included a first-time contribution from the People's Republic of China, and renewed support to the ADF from Malaysia. Donors' contributions represent a significant effort to assist accelerated poverty reduction in the Asia and Pacific region.

### **C. Asian Development Fund X**

6. The ADF X donors' meeting noted that the development challenges in the Asia and Pacific region were considerable, and the demand for the ADF remained strong. More than 80% of the ADF X program (2009–2012) was expected to be distributed through the PBA formula to direct the limited funds to where they would be used most effectively.

7. Two refinements were to be made to the current PBA system. First, the PBA for blend countries (those that also have access to ADB's ordinary capital resources [OCR]) would be modified to direct more assistance to poorer countries. A threshold of 14% of resources distributed under PBA per country would be set to determine which blend countries would be subject to the modified PBA. The 14% threshold would serve as a soft cap, because blend countries with PBA greater than the threshold would retain half of the amount above the threshold. Second, the measure of portfolio performance would be revised to reduce the volatility of the ratings, and to remove a disincentive to report potential problem projects. As in ADF IX, 4.5% of the resources distributed under PBA would be earmarked for the Pacific countries.

8. The two postconflict countries—Afghanistan and Timor-Leste—would begin the 6-year phaseout period from exceptional postconflict assistance in ADF X. Up to 10% of the ADF program would be earmarked for subregional projects. Every dollar drawn from the subregional pool would be matched by each participating country with 50 cents from its PBA. However, the required contributions from biennial PBA would be subject to a 20% ceiling. Beyond that amount, contributions from country PBA would not be mandatory. The fourth regularized replenishment of the technical assistance special fund (TASF) would be completed in parallel with the ADF X replenishment. Management would develop explicit guidelines and criteria for allocating TASF resources to come into effect in January 2009. A comprehensive review of the TASF would also be undertaken at the midterm review of ADF X.

9. The replenishment covered the 4-year period 1 January 2009–31 December 2012. Donors agreed to a total replenishment size of special drawing rights (SDR)7.1 billion (\$11.3 billion), which consisted of SDR6.9 billion for ADF X and SDR0.2 billion (equivalent to 3% of the total replenishment) for the fourth replenishment of the TASF. The replenishment would be financed from the following sources: (i) SDR2.6 billion from new donor contributions; (ii) SDR4.3 billion internal resources consisting of SDR3.2 billion reflow-based resources and SDR1.1 billion from liquidity drawdown; and (iii) SDR0.2 billion net income transfers from OCR, subject to annual approvals by ADB's Board of Governors. New donor contributions would comprise about 37% of the total replenishment, representing a 13% increase in SDR terms from the level of ADF IX.

10. The lost reflows from the provision of debt relief under the Heavily Indebted Poor Countries Initiative would be accommodated within ADF X resources and would not require specific earmarking of funds for this purpose. This issue would be reviewed in future replenishments. Donors reiterated that financing the costs of the Heavily Indebted Poor Countries should maximize the use of internal resources of ADB while ensuring the financial integrity of ADB and without compromising the capacity of the ADF. The foregone interest payments from the ADF grant framework would also not have a significant impact on ADF X, and, like the cost of debt relief, do not require specific earmarking. Donors reiterated the commitment made in ADF IX to finance foregone principal repayments from ADF grants on a pay-as-you-go basis in future replenishments.

11. To ensure successful implementation of ADF X, it would be necessary to assess ADB's capacity and skill-mix to deliver on ADF X targets. The resource implications of delivering the ADF X program would be discussed with the Board of Directors as part of the annual budgetary process. Moreover, it was imperative to have a sound results framework to measure the performance of ADF X and monitor its implementation. To this end, the results framework being developed to monitor the implementation of ADB's long-term strategic framework forms the basis for the ADF X results framework. ADB would assess and report on progress in implementing the ADF program through its annual Development Effectiveness Review. Progress on the implementation of ADF X would be reviewed by donors annually on the sidelines of ADB's Annual Meeting. In addition, a comprehensive midterm review of ADF X would be held in the fourth quarter of 2010.

12. Based on the donors' reports, key crosscutting areas highlighted for ADF VIII, IX, and X operations are summarized in Table A1.

## CROSSCUTTING AREAS HIGHLIGHTED IN DONORS' REPORTS FOR ADF OPERATIONS

**Table A1.1: Asian Development Fund VIII, ADF IX, and ADF X Crosscutting Commitments/Statements in Donors' Reports**

ADF VIII Commitments	ADF IX Commitments/Statements	ADF X Commitments/Statements
<b>A. Poverty Reduction and Achieving MDG Targets</b>		
Carry out ADF operations under the general ADB-wide framework of the Poverty Reduction Strategy. ADF VIII resources will focus on social development. Each country needs to have a comprehensive national poverty reduction strategy. Beyond developing human capital, the aim must be to strengthen social capital, especially for people subject to social exclusion.	<p>Reducing poverty remains the overarching goal of the ADF. Goals, strategies, and policies of ADF IX should support the priorities of the global development agenda applied to the needs and conditions of the region. Harmonization with other aid programs should be pursued. There should be a new focus on capacity development. Key recommendations of the Review of the Poverty Reduction Strategy should be implemented. Country ownership is a basic principle: CSPs should be aligned with NPRSs.</p> <p>ADF IX operations and assistance will require, among other things, a continued and sharpened focus on inclusive social development. ADF IX will be managed with the assumption that each person should have the right to access basic education, primary health care, and other essential services. A proactive approach will help reverse social and economic discrimination and promote initiatives (e.g., health, education, natural resource management) that meet the needs of previously excluded groups.</p>	<p>ADF X operations will focus on achieving sustainable economic growth and poverty reduction to eliminate shortfalls in achieving Millennium Development Goals. ADB should focus on its operations on areas where priority needs of client countries for poverty reduction (achieving and maintaining fast growth, promoting social development and mitigating the environmental costs of rapid growth) intersect with ADB's institutional strength and operational success.</p> <p>ADF X resources will focus on inclusiveness by promoting equitable access to basic education and health services, along with opportunities for productive employment.</p>
<b>B. Good Governance</b>		
ADF VIII resources will focus on improving good governance. Governance was viewed as a broad-based concept intended to encompass all factors that impact on a country's ability to assure sustained economic and social development and reduce poverty, and donors noted that these factors should be addressed in a manner compatible with ADB's Charter.	ADF IX operations and assistance will require, among other things, a continued and sharper focus on good governance. ADB seeks to mainstream good governance into all operations.	The ADF X pipeline will comply with ADB's governance and anticorruption policies. ADB's engagement in this field will be selective in line with its Governance and Anticorruption Action Plan II (2006), with priority on public financial management, legal and regulatory framework, and capacity development.

ADF VIII Commitments	ADF IX Commitments/Statements	ADF X Commitments/Statements
<b>C. Sector Selectivity</b>		
		The strategic priority will be pursued through operations in sectors where ADB has a proven track record, especially infrastructure and education. At the same time, ADB needs to maintain some flexibility and capacity to very selectively deliver quality assistance in a few other sectors to respond to varying country needs and priorities.
<b>D. Private Sector Development</b>		
ADF VIII is an instrument for pursuing private sector development outcomes. The main strategic thrusts of the Private Sector Development Strategy were endorsed. Donors also agreed with the aim to strengthen the rule of law and associated legal frameworks and the application for corporate governance.	In the context of CSPs, ADB's private sector development programs seek to create the enabling environment for high levels of private sector investment in DMCs, through supportive private sector operations. ADB will increase its support of small and medium-sized enterprises, including, where appropriate, through microfinance and microenterprise initiatives.	ADF X will focus on improving the investment climate and attracting more private investment. ADB should continue its important work in improving enabling environment for private sector investment and business creation.
<b>E. Gender and Environment</b>		
During ADF VIII, gender, environment, and core labor standards should be mainstreamed. On core labor standards, ADB will, in selected DMCs, assist in the preparation of national compendia.	<p>ADB is implementing core labor standards through its Social Protection Strategy, which commits ADB to developing interventions in the areas of labor markets, social insurance, social assistance, schemes to protect communities, and child protection.</p> <p>Gender and development concerns must continue to be aggressively addressed in all operations.</p> <p>The Poverty Reduction Strategy's thematic issues such as environmental sustainability are viable and should be strengthened during ADF IX.</p>	<p>ADF operations will continue to emphasize gender and development as a key theme. ADB will aim gender mainstreaming in designing projects across all the sectors. ADF X operations will be guided by ADB's Gender and Development Policy and gender action plan.</p> <p>ADF X operations will help governments integrate environmental considerations into their development planning and programs, and support subregional environmental programs. ADF X assistance will also incorporate measures to support climate mitigation and adaptation.</p>
<b>F. Regional Cooperation and Integration</b>		
ADF VIII should support regional cooperation to achieve prosperity and stability.	The Poverty Reduction Strategy's thematic issues such as regional cooperation are viable and should be strengthened during ADF IX.	ADF X assistance will promote regional cooperation and integration based on ADB's extensive experience and achievements.

ADF VIII Commitments	ADF IX Commitments/Statements	ADF X Commitments/Statements
<b>G. Partnerships and Aid Coordination and Harmonization</b>		
ADF VIII will promote development partnerships using the principles of the Comprehensive Development Framework, and much closer aid coordination.	ADB should strengthen alignment with NPRSs and collaborate more effectively with its development partners. Processes and procedures of development partners should be aligned more closely at the country level.	ADB works closely with development partners to harmonize ADF operations, align them with country priorities in line with the Paris Declaration, and deepen partnerships around an agreed-upon assistance strategy and division of responsibilities.
<b>H. Environmental Sustainability</b>		
ADB should (i) give special attention be given to environment-poverty nexus, (ii) integrate environmental concerns and expertise at each stage of the Poverty Reduction Strategy country-level process leading to the Partnership Agreement between ADB and the DMCs, (iii) ADB continue with the integration of environmental expertise in the country programming cycle, and (iv) timely completion of the environment policy and revisions to the environmental assessment guidelines.	ADB should (i) widely disseminates results of environmental assessment both internally and externally; (ii) undertake country consultation meetings involving government agencies, NGOs, academia, private sector, civil society and other development agencies provide feedback to improve all elements of ADB's environment work during ADF IX; and (iii) include environmental sustainability as one of the four thematic issues is strengthened and taken into account in all dimensions of ADB operations.	ADB should assist DMCs to (i) mitigate environmental costs of rapid economic growth, (ii) help governments integrate environmental considerations in their development planning and programs, and supporting subregional environmental program and liii) provide assistance to incorporate measures to support climate change mitigation and adaptation. ADB's review of the safeguard framework should result in a Safeguard Policy Statement.
<b>I. Performance Based Allocation of ADF Resources</b>		
ADF VIII resources should be allocated according to each country's policy performance.	<p>The PBA policy should be strengthened; provision of ADF grants (up to 21%) should also be based on it; the scoring system should increase the effective weight of governance to more than 50%.</p> <p>Weakly performing countries should be a development priority. The acute need for basic human assistance in countries recovering from conflict suggests that grant aid could have a beneficial effect in many cases.</p> <p>A separate pool of resources should be maintained for the Pacific DMCs.</p>	<p>A threshold of 14% of the resources distributed under PBA will be set to determine which blend countries will be subject to the modified PBA. Blend countries with PBA greater than the threshold will retain half of the amount above the threshold.</p> <p>ADF operations will emphasize partnerships (including harmonization and alignment), innovation and flexibility, country ownership, and sound diagnostics in weakly performing countries. ADB will employ differentiated modes of engagement and instruments based on specific country situation.</p> <p>An ADF of 4.5% distributed through PBA (before the application of the grants framework) will be earmarked for the Pacific pool.</p> <p>The share of ADF operations earmarked for regional and subregional project assistance will be increased from 5% under ADF IX to 10%.</p>

ADF VIII Commitments	ADF IX Commitments/Statements	ADF X Commitments/Statements
<b>J. Reform Agenda</b>		
<p>ADF VIII should reinforce good governance principles (transparency, accountability, participation, and predictability) in ADB's corporate management.</p>	<p>ADB should nurture a strong "results culture" across the organization. ADB will reorient staff incentives to reward achievement of outcomes rather than lending targets. Better internal governance and management systems are needed. ADB needs to address human resource issues, a new accountability mechanism, and empowering resident missions.</p>	<p>ADB will continue to implement its 2005 public communication policy, to sustain strict compliance with its new disclosure requirements. ADB will conduct another global perception survey in 2009.</p> <p>Building on the results of the human resources strategy review, ADB will develop a revised action plan covering future human resources initiatives by the first quarter of 2009 and it will conduct staff engagement surveys every 2–3 years.</p>
<p>Better evaluation systems should be developed, linked to the planning of ADF operations (in particular methodologies, databases, and indicators).</p>	<p>ADB will continue to establish a more results-oriented monitoring and evaluation system.</p>	<p>ADB will adopt the results framework.</p> <p>ADB will measure the overall impact of institutional reform on its effectiveness through its results framework and will report progress through its annual Development Effectiveness Review. The Review will include a responsibility and accountability matrix on the implementation of the results framework.</p> <p>ADB will develop more coherent procedures for Managing for Development Results across operations departments, focusing initially on CPSs, country portfolio reviews, use of country development effectiveness briefs, and sector results profiles to plan and assess ADB country operations.</p> <p>ADB's progress on Paris commitments will be reported upon and analyzed in more detail in th Development Effectiveness Reviews.</p>
<p>ADB should redesign and strengthen operational processes to support ADF VIII—notably to improve quality at entry for key products such as country operational strategies, country assistance plans, TA, and loans. The core of the redesign is to significantly change the processes for country planning, programming, and TA and loan processing.</p>	<p>ADB will develop results-based country strategies that are aligned with nationally owned poverty reduction strategies.</p> <p>Donors supported ADB's reform agenda.</p> <p>Two key issues of results management and internal efficiency lie at the core of the ADF IX replenishment.</p>	<p>ADB will prepare short- and medium-term options to improve resident mission operations, including the resource implication. In the meantime, ADB will prioritize.</p> <p>ADB will continue to improve its business processes – an area which clients and staff view as weakness.</p>
		<p>ADB will accelerate its transformation into a more effective learning and knowledge-sharing organizations.</p>



ADF VIII Commitments	ADF IX Commitments/Statements	ADF X Commitments/Statements
		Review of ADB's safeguards framework should result in a Safeguard Policy Statement (SPS), Operations Manual and SPS Implementation Plan.
		Outcome of the Operations Evaluation Department's (OED) review and its follow-up actions would reflect international best practices.

ADB = Asian Development Bank, ADF = Asian Development Fund, CPS = country partnership strategy, CSP = country strategy and program, DMC = developing member country, HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome, NPRS = national poverty reduction strategy, PBA = performance-based allocation, SARS = severe acute respiratory syndrome, TA = technical assistance.

Source: ADF donor reports, as prepared by ADB.

**Table A1.2: ADF X Reform Agenda and Coverage in the Special Evaluation Study Focusing on Asian Development Fund Operations**

<b>Reform Agenda Item</b>	<b>Coverage in the SES</b>
Managing for Development Results	IED is preparing a separate SES in 2011 solely on this topic and it will be discussed with the ADF donors in the December meeting; therefore the topic is not covered in this SES.
Updating Safeguard Policy	ADB approved its new Safeguard Policy Statement in July 2009. This SES discusses environmental sustainability, given its prominence in Strategy 2020, but does not focus on the Safeguard Policy, as it is too early to evaluate results. A review of safeguards implementation is currently included in the IED Work Program for 2014.
Responding Better and Faster to Clients	Discussed in this SES under the presentation of several initiatives undertaken by ADB to improve implementation.
Transforming to a Learning Organization	Not discussed in this SES, as it is outside the scope of the study.
Ensuring Effective and Independent Operations Evaluation Function	The Review of the Independence and Effectiveness of the Operations Evaluation Department was approved in November 2008. Progress on this is not covered in this SES, as it is outside the scope of the study.
Implementing Paris Declaration on Aid Effectiveness	Not discussed in this SES, as IED is preparing a separate SES in 2011 solely on this topic.
Operating Transparently	Not discussed in this SES, as it is outside the scope of the study.
Managing Human Resources Better	Not discussed in this SES, as it is outside the scope of the study.

ADB = Asian Development Bank, ADF = Asian Development Fund, IED = Independent Evaluation Department, SES = special evaluation study.

Source: Independent Evaluation Department.

## METHODOLOGY

1. This special evaluation study (SES) adopted a five-stage approach comprising (i) portfolio and performance analysis of Asian Development Fund (ADF) operations, (ii) meta evaluation and synthesis of key findings from relevant evaluation reports discussing the development effectiveness of ADF operations, (iii) review of Asian Development Bank (ADB) documents on reform measures and new initiatives, (iv) case studies of selected ADF projects, and (v) a consultation workshop with senior officials from developing member countries (DMCs).

### A. Portfolio Analysis

2. The portfolio is analyzed on the basis of financing modality, country, sector, theme, project modality and areas of operation for approvals during ADF VIII, IX, and X.

### B. Performance Analysis

3. The SES analyzed evaluation reports with regard to the performance of ADF support at the country, sector, and project levels. Country-level performance assessments and success rates were derived from the country assistance program evaluations (CAPEs), and project-level performance assessments and success rates were based on project completion reports (PCRs), PCR validation reports, and project/program performance evaluation reports (PPERs) (as applicable) for projects approved and completed during 2001–2010. CAPEs, PCR validation reports, and PPERs are prepared by the Independent Evaluation Department (IED), while PCRs are prepared as self-evaluation by the regional departments. The study also reviewed other performance measures for completed and ongoing ADF projects, i.e., (i) the time that elapsed between loan approval and loan signing, between loan signing and loan effectiveness, and between loan approval and loan effectiveness; (ii) contract awards; (iii) loan disbursements; (iv) loan cancellations; (v) loan delegation; and (vi) project implementation delays.

### C. Document Review and Synthesis

4. The following documents were reviewed and their data synthesized: (i) documents related to ADF operations such as the donors' reports, midterm reports, performance-based allocation policy and other relevant policy papers, country performance assessment annual reports, and the ADB Long-Term Strategic Framework (Strategy 2020); (ii) project documents; (iii) other related evaluation studies prepared by IED; (iv) development effectiveness reports; and (iv) other relevant documents and reports prepared by other development partners.

### D. Case Studies

5. Fifty-one projects in five major ADF countries, i.e., Bangladesh, Lao People's Democratic Republic (Lao PDR), Nepal, Pakistan, and Viet Nam were selected for in-depth review to facilitate a qualitative assessment of project performance. The case studies comprised 25 projects and programs approved in the early years of ADF VIII and covered by the 2007 SES, and an additional 26 projects approved in the early years of ADF IX. The projects were selected using stratified random sampling based on sector representation. For each country, a list of projects in a given sector was drawn from the ADB database. The projects had been approved in the corresponding years, and at least 4 years would have elapsed from loan approval. A national consultant in each country visited and held discussions with the executing and implementing agencies and prepared a project case study summary. The summaries reflect project status and performance with indicative success ratings. The team leader visited four of

the five countries, held a second round of discussions to cross-check data collected by the national consultants, and sought additional information on the DMC perspective of ADF operations. A visit to Pakistan was not feasible within the time frame for the study because of the massive floods in 2010. Table A2 lists the case study projects. A review of ADB documents and content analysis preceded the fieldwork.

**Table A2: Projects/Programs Reviewed for the Case Studies**

<b>Country/Project No.</b>	<b>Project/Program</b>
<b>Bangladesh</b>	
1881-BAN	Post-Literacy and Continuing Education Project
1884/1885-BAN	West Zone Power System Development Project
1920-BAN	Road Network Improvement and Maintenance Project
1941-BAN	Jamuna-Meghna River Erosion Mitigation Project
1947-BAN	Urban Governance and Infrastructure Development Project
2156-BAN	Emergency Flood Damage Rehabilitation Project
2172-BAN	Second Primary Health Care Project
2190-BAN	Agribusiness Development Project
2265-BAN	Secondary Towns Water Supply and Sanitation Sector Project
2266/2267-BAN	Secondary Education Sector Development Program
<b>Lao PDR</b>	
0016-LAO	Northern and Central Regions Water Supply and Sanitation Sector Project
0026-LAO	GMS Regional Communicable Diseases Control Project
1834-LAO	Vientiane Urban Infrastructure and Services Project
1933-LAO	Nam Ngum River Basin Development Sector Project
1970-LAO	GMS Mekong Tourism Development Project (Regional)
1989-LAO	GMS Northern Economic Corridor Project
2005-LAO	Northern Area Rural Power Distribution Project
2252/2253-LAO	Rural Finance Sector Development Program
2259-LAO	Northern Region Sustainable Livelihood through Livestock Development Project
2306/0069-LAO	Basic Education Sector Development Program
<b>Nepal</b>	
0051-NEP	Road Connectivity Sector Development Project
0063-NEP	Commercial Agricultural Development Project
0093/0094-NEP	Rural Reconstruction and Rehabilitation Sector Development Program
1609-NEP	Community Groundwater Irrigation Sector Project
1755-NEP	Small Towns Water Supply and Sanitation Sector Project
1841-NEP	Teacher Education Project
1861-NEP	Governance Reform Program
1876-NEP	Road Network Development Project
1966-NEP	Urban and Environmental Improvement Project
2268/0059-NEP	Rural Finance Sector Development Cluster Program (Subprogram I)
2277/0065-NEP	Education Sector Program I/Education Sector Program I (Capacity Development) Project

Country/Project No.	Project/Program
<b>Pakistan</b>	
1854-PAK	NWFP Urban Development Sector Project
1877/1878/1879-PAK	Agriculture Sector Program II
1897/1898/1899-PAK	Access to Justice Program
1900-PAK	Reproductive Health Project
2103/2104-PAK	NWFP Road Development Sector and Subregional Connectivity Project
2171-PAK	Agribusiness Development Project
2212-PAK	Rawalpindi Environmental Improvement Project
2213-PAK	Earthquake Emergency Assistance Project
2287-PAK	Renewable Energy Development Sector Investment Program
2292-PAK	Improving Access to Financial Services (Phase I) Program
<b>Viet Nam</b>	
0027-VIE	GMS Regional Communicable Diseases Control Project
1855-VIE	Second Red River Basin Sector Project
1883-VIE	Central Region Livelihood Improvement Project
1888-VIE	Provincial Roads Improvement Sector Project
1979-VIE	Upper Secondary Education Development Project
1990-VIE	Housing Finance Project
2195/0022-VIE	Central Region Transport Networks Improvement Sector Project
2223-VIE	Central Region Water Resources Project
2272-VIE	Central Region Small and Medium Towns Development Project
2284-VIE	SME Development Program - Subprogram II

BAN = Bangladesh, GMS = Greater Mekong Subregion, LAO = Lao People's Democratic Republic, NEP = Nepal, NWFP = North-West Frontier Province, PAK = Pakistan, SME = small and medium enterprise, VIE = Viet Nam.

Source: Independent Evaluation Mission.

## E. Consultation Workshop

6. A consultation workshop with 15 DMC senior officials was held at the Thailand Resident Mission (TRM) in Bangkok on 27–28 January 2011. At the workshop, emerging findings from the SES were presented for discussion. The participants from Bangladesh, Bhutan, Lao PDR, Mongolia, Nepal, Pakistan, Solomon Islands, Sri Lanka, Timor-Leste, and Viet Nam presented their respective country perspectives on ADF operations. The presentations covered (i) the extent to which the ADF has helped in addressing the country's development constraints; (ii) performance and effectiveness of ADF operations in the country; (iii) actions needed to improve the performance of ADF operations for better results and higher success rates; (iv) suggestions for refining ADF approaches (including eligibility, sector selectivity, choice of lending modality, poverty targeting, etc.); and (v) future directions for ADF operations in light of emerging challenges such as environmental management, response to climate change, emergency assistance, regional cooperation and integration, and economic crises.

7. The former Director General of IED delivered the opening remarks and the TRM Country Director welcomed the participants. All participants actively participated in the discussion, with the former Director, IED1, serving as moderator. At the end of the workshop, the participants agreed on a summary of the workshop conclusions. Representatives from Afghanistan, Cambodia, and Kyrgyz Republic were invited but were unable to attend the workshop.

## ASIAN DEVELOPMENT FUND: SOURCES AND UTILIZATION

**Table A3.1: ADF Resources since Inception, ADF I to X**  
(nominal dollars)

Period	Inclusive Years	Nominal (amount in \$ million)			Total	% Change from Previous Period
		Donor Contributions	Reflows	Other Resources		
ADF I	1973–1975	710	0	61	771	
ADF II	1976–1978	761	0	61	822	6.6
ADF III	1979–1982	2,141	0	141	2,282	177.6
ADF IV	1983–1986	3,260	0	153	3,413	49.6
ADF V	1987–1991	3,569	0	462	4,031	18.1
ADF VI	1992–1996	4,073	603	498	5,174	28.4
ADF VII	1997–2000	2,688	2,231	230	5,149	(0.5)
ADF VIII	2001–2004	2,926	3,005	1,040	6,971	35.4
ADF IX	2005–2008	3,188	3,688	1,293	8,169	17.2
ADF X	2009–2012	3,890	7,175	1,130	12,195	49.3
<b>Total</b>		<b>27,206</b>	<b>16,702</b>	<b>5,069</b>	<b>48,977</b>	

ADB = Asian Development Bank, ADF = Asian Development Fund.

Sources: Nominal data for ADF I-VII from the Special Evaluation Study on ADF VIII and IX Operations (2007); Nominal data for ADF VIII to X from ADB's Treasury Department.

**Table A3.2: ADF Resources since Inception, ADF I to X**  
(constant [inflation adjusted] dollars)

Period	Inclusive Years	Adjusted for Inflation (amount in \$ million)			Total	% Change from Previous Period
		Donor Contributions	Reflows	Other Resources		
ADF I	1973–1975	1495	0	126	1,621	
ADF II	1976–1978	1475	0	118	1,593	(1.7)
ADF III	1979–1982	3,901	0	257	4,157	160.9
ADF IV	1983–1986	5,468	0	257	5,724	37.7
ADF V	1987–1991	5,398	0	699	6,096	6.5
ADF VI	1992–1996	5,555	822	679	7,056	15.7
ADF VII	1997–2000	3,375	2,801	289	6,465	(8.4)
ADF VIII	2001–2004	3,382	3,473	1,202	8,057	24.6
ADF IX	2005–2008	3,392	3,924	1,376	8,692	7.9
ADF X	2009–2012	3,890	7,175	1,130	12,195	40.3
<b>Total</b>		<b>37,330</b>	<b>18,196</b>	<b>6,132</b>	<b>61,657</b>	

ADF = Asian Development Fund.

Note: For consistency with the previous Special Evaluation Study of the ADF (2007), an average discount rate of 2.09% was used to convert nominal values to constant dollars with 2009 (December) as the base year.

Source: Table A3.1.

**Table A3.3: Net ADF Resource Flows,<sup>a</sup> by Year, 1981–2015**  
(\$ million)

Year	Loan Disbursements	Loan Repayments <sup>b</sup>	Other Charges <sup>c</sup>	Net Resource Flows
1981	147.1	9.7	10.1	127.3
1982	168.3	10.5	10.2	147.5
1983	207.6	9.9	11.7	186.0
1984	287.1	11.8	13.4	262.0
1985	377.6	15.1	15.8	346.7
1986	371.8	18.8	24.5	328.5
1987	496.3	23.7	31.1	441.5
1988	655.2	30.3	39.0	585.9
1989	841.4	36.0	43.8	761.6
1990	942.0	42.7	50.8	848.4
1991	935.6	51.4	60.5	823.7
1992	800.5	58.2	73.3	669.0
1993	827.4	72.0	88.3	667.1
1994	1,133.9	100.7	96.7	936.5
1995	1,093.1	118.5	112.8	861.8
1996	1,179.5	131.9	112.7	934.9
1997	1,085.1	142.6	113.5	829.0
1998	1,104.9	141.2	111.7	852.0
1999	1,074.7	166.7	133.3	774.7
2000	1,097.7	195.6	134.9	767.2
2001	987.6	201.6	137.4	648.6
2002	1,116.7	241.8	146.2	728.7
2003	1,115.4	288.7	165.0	661.8
2004	1,047.5	365.4	186.0	496.1
2005	1,242.5	406.3	190.7	645.5
2006	1,337.5	435.1	193.8	708.6
2007	1,617.8	506.3	201.9	909.6
2008	2,042.6	639.5	246.3	1,156.8
2009	2,200.8	760.1	251.0	1,189.6
2010	1,571.2	864.5	278.1	428.6
2011		990.3	300.4	
2012		1,068.3	296.1	
2013		1,135.8	287.9	
2014		1,186.8	277.8	
2015		1,235.3	266.9	

ADF = Asian Development Fund.

<sup>a</sup> Excludes nonsovereign operations. Includes Cook Islands and Indonesia, which were still ADF eligible for the most part of the study period.

<sup>b</sup> Includes loan prepayments.

<sup>c</sup> Includes interest and service charges collected and capitalized.

Source of basic data: Controller's Department's loan operations 2010 and projections.

**Table A3.4: Net ADF Resource Flows to DMCs,<sup>a</sup> 2001–2010**  
(\$'000)

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total 2001–2010
Afghanistan	-	82,986	54,540	40,483	20,658	63,620	91,085	46,778	69,221	59,602	528,973
Armenia	-	-	-	-	-	-	-	8,031	119,046	20,968	148,044
Azerbaijan	-	-	-	-	500	4,034	12,979	8,618	14,727	4,651	45,509
Bangladesh	84,938	50,697	47,864	(69,879)	(12,020)	57,330	79,186	237,987	93,153	15,295	584,552
Bhutan	5,693	12,816	3,339	5,347	10,480	2,366	6,435	869	18,000	14,706	80,051
Cambodia	46,416	76,398	68,400	70,865	76,728	45,061	45,649	89,160	38,608	25,567	582,851
Cook Islands	210	(327)	(16)	1,140	529	(344)	(718)	403	(1,241)	(407)	(771)
Georgia	-	-	-	-	-	-	-	69,856	110,833	36,199	216,889
Indonesia	4,360	1,016	30,079	28,934	37,576	67,438	91,496	13,368	77,695	53,007	404,969
Kiribati	1,321	718	2,265	2,315	1,362	(102)	(253)	(288)	(500)	(497)	6,341
Kyrgyz Republic	55,828	24,173	22,177	50,363	25,099	35,760	21,349	11,187	5,702	(14,846)	236,792
Lao PDR	34,605	37,655	40,533	31,004	47,779	49,211	47,603	13,858	(3,657)	(23,489)	275,102
Maldives	2,163	5,593	3,908	939	3,664	3,635	3,720	558	2,993	22,542	49,715
Marshall Islands	5,867	6,298	3,981	738	(48)	(507)	(2,173)	(1,237)	(3,277)	6,880	16,523
Micronesia, Fed. States of	2,247	1,078	2,415	634	1,237	1,942	2,828	2,223	(624)	(855)	13,125
Mongolia	27,462	22,671	34,515	32,538	21,134	18,355	12,017	8,968	37,550	(5,952)	209,258
Nepal	30,708	(2,606)	(425)	(17,339)	2,922	62,451	43,976	(2,402)	(997)	(427)	115,861
Pakistan	121,185	117,485	(14,184)	59,312	92,459	56,072	228,837	377,722	152,462	17,521	1,208,871
Papua New Guinea	(5,727)	(3,987)	(4,633)	(104)	(4,747)	3,310	(5,926)	(10,902)	(12,169)	(8,434)	(53,319)
Samoa	1,605	(1,215)	(812)	(174)	(347)	(1,990)	(2,475)	(1,813)	1,611	20,386	14,776
Solomon Islands	(796)	-	(2,983)	(710)	1,164	2,346	1,705	(2,230)	(3,449)	(3,334)	(8,288)
Sri Lanka	54,093	71,126	129,368	79,663	101,537	66,385	58,075	52,238	34,534	(9,893)	637,127
Tajikistan	2,754	13,809	14,244	18,995	25,221	34,051	36,804	46,872	59,864	29,423	282,037
Tonga	(610)	4,138	5,021	(1,258)	(1,365)	(1,458)	(1,546)	(1,633)	(1,589)	(1,964)	(2,264)
Tuvalu	1,144	(40)	87	10	63	1,136	1,069	280	73	11	3,834
Uzbekistan	4,441	6,696	3,222	2,430	(206)	(47)	(27)	2,512	18,403	35,806	73,230
Vanuatu	2,129	(236)	(841)	(918)	(926)	(1,078)	(1,281)	(1,736)	(1,984)	(2,169)	(9,041)
Viet Nam	166,537	201,786	219,694	160,800	195,016	139,440	138,849	187,031	364,228	138,122	1,911,503
Regional	-	-	-	-	-	150	309	545	429	136	1,569
<b>Total</b>	<b>648,573</b>	<b>728,728</b>	<b>661,758</b>	<b>496,128</b>	<b>645,469</b>	<b>708,567</b>	<b>909,573</b>	<b>1,156,823</b>	<b>1,189,644</b>	<b>428,554</b>	<b>7,573,817</b>

ADF = Asian Development Fund, DMC = developing member country, Lao PDR = Lao People's Democratic Republic.

<sup>a</sup> Sovereign loan operations only.

Note: Figures may not add to total due to rounding.

Source of basic data: Controller's Department.



**Table A3.5: Amount of ADF Loan and Grant Approvals, by Region and Country**  
(amount in \$ million)

Region and Country	ADF VIII 2001–2004	ADF IX 2005–2008	ADF X 2009–2010	Total	%
<b>Central and West Asia Subtotal</b>	<b>1,865.9</b>	<b>3,061.1</b>	<b>2,408.7</b>	<b>7,335.7</b>	<b>36.7</b>
Afghanistan	487.2	865.0	685.1	2,037.3	10.2
Armenia		83.9	140.0	223.9	1.1
Azerbaijan	42.0	13.0		55.0	0.3
Georgia		110.0	313.8	423.8	2.1
Kyrgyz Republic	145.8	162.0	247.8	555.6	2.8
Pakistan	1,045.6	1,458.8	515.0	3,019.4	15.1
Tajikistan	145.3	210.8	182.0	538.1	2.7
Uzbekistan		157.6	325.0	482.6	2.4
<b>East Asia Subtotal</b>	<b>136.4</b>	<b>144.5</b>	<b>182.0</b>	<b>463.0</b>	<b>2.3</b>
Mongolia	136.4	144.5	182.0	463.0	2.3
<b>Pacific Subtotal</b>	<b>102.8</b>	<b>293.5</b>	<b>253.3</b>	<b>649.6</b>	<b>3.2</b>
Cook Islands <sup>a</sup>	2.2	9.7		11.9	0.1
Kiribati			12.0	12.0	0.1
Marshall Islands	15.0		9.5	24.5	0.1
Micronesia, Fed. States of	27.2			27.2	0.1
Palau			3.4	3.4	0.0
Papua New Guinea	30.6	173.0	124.4	328.0	1.6
Samoa	14.0	61.0	16.0	91.0	0.5
Solomon Islands		19.3	32.0	51.3	0.3
Timor-Leste		16.0	46.0	62.0	0.3
Tonga	10.0	11.3	10.0	31.3	0.2
Tuvalu	3.8	3.2		7.1	0.0
<b>South Asia<sup>b</sup> Subtotal</b>	<b>1,784.5</b>	<b>2,444.8</b>	<b>1,794.6</b>	<b>6,023.9</b>	<b>30.2</b>
Bangladesh	873.7	1,490.6	876.9	3,241.1	16.2
Bhutan	16.4	138.9	60.4	215.6	1.1
Maldives	28.5	20.6	36.5	85.6	0.4
Nepal	359.3	418.2	598.7	1,376.2	6.9
Sri Lanka	506.6	376.5	222.2	1,105.3	5.5
<b>Southeast Asia<sup>c</sup> Subtotal</b>	<b>1,743.0</b>	<b>2,058.0</b>	<b>1,662.8</b>	<b>5,463.7</b>	<b>27.4</b>
Cambodia	355.0	270.0	305.3	930.2	4.7
Indonesia <sup>a</sup>	330.4	430.4		760.8	3.8
Lao PDR	225.6	112.6	254.5	592.7	3.0
Viet Nam	832.0	1,245.0	1,103.0	3,180.0	15.9
<b>Regional</b>		<b>34.5</b>		<b>34.5</b>	<b>0.2</b>
<b>Total</b>	<b>5,632.6</b>	<b>8,036.4</b>	<b>6,301.4</b>	<b>19,970.4</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, Lao PDR = Lao People's Democratic Republic, TA = technical assistance.

<sup>a</sup> ADF eligible at the time of loan approval.

<sup>b</sup> Excludes India, which currently has no access to ADF.

<sup>c</sup> Excludes Myanmar, which currently has no access to ADF.

Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals.

**Table A3.6: Country Eligibility for ADF since 1973**

Economy	Eligibility Classification <sup>a</sup>									
	ADF I	ADF II	ADF III	ADF IV	ADF V	ADF VI	ADF VII	ADF VIII	ADF IX	ADF X
Afghanistan	A	A	A	A	A	A	A	A	A	A
Armenia									B1	B
Azerbaijan <sup>b</sup>								B1	B1	B
Bangladesh	A	A	A	A	A	A	B1	B1	B1	B
Bhutan				A	A	A	A	A	A	A
Cambodia	A	A	A	A	A	A	A	A	A	A
China, People's Republic of					A	A	B2	B2	B2	C
Cook Islands		A	A	A	A	A	B1	B1	B1	C
Fiji	C	C	C	C	C	C	C	C	C	C
Georgia									B1	B
Hong Kong, China	C	C	C	C	C	C	Grad.	Grad.	Grad.	Grad.
India				A	A	A	B2	B2	B2	B
Indonesia	B	B	B	B	B	B	B2	B2	B2	C
Kazakhstan							B	C	C	C
Kiribati		A	A	A	A	A	A	A	A	A
Kyrgyz Republic							A	A	A	A
Republic of Korea	B	C	C	C	C	C	Grad.	Grad.	Grad.	Grad.
Lao People's Democratic Republic	A	A	A	A	A	A	A	A	A	A
Malaysia	C	C	C	C	C	C	C	C	C	C
Maldives			A	A	A	A	A	A	A	A
Marshall Islands, Republic of							A	B1	B1	B1
Micronesia, Fed. States of							A	B1	B1	B1
Mongolia							A	A	A	A
Myanmar	A	A	A	A	A	A	A	A	A	A
Nauru							B	B2	B2	B2
Nepal	A	A	A	A	A	A	A	A	A	A
Pakistan	A	A	A	A	A	A	B1	B1	B1	B
Palau									B2	B
Papua New Guinea <sup>c</sup>	B	B	B	B	B	B	C	B2	B2	B
Philippines	B	B	B	B	B	B	C	C	C	C
Samoa	A	A	A	A	A	A	A	A	A	A
Singapore	C	C	C	C	C	C	Grad.	Grad.	Grad.	Grad.
Solomon Islands	A	A	A	A	A	A	A	A	A	A
Sri Lanka	A	A	A	A	A	A	B1	B1	B1	B
Taipei, China	C	C	C	C	C	C	Grad.	Grad.	Grad.	Grad.
Tajikistan							A	A	A	A
Timor-Leste									A	A
Thailand	B	B	B	B	B	B	C	C	C	C

Economy	Eligibility Classification <sup>a</sup>									
	ADF I	ADF II	ADF III	ADF IV	ADF V	ADF VI	ADF VII	ADF VIII	ADF IX	ADF X
Tonga	A	A	A	A	A	A	B1	B1	B1	A
Turkmenistan									C	C
Tuvalu						A	A	A	A	A
Uzbekistan						B	C	C	B2	B
Vanuatu				A	A	A	A	A	A	A
Viet Nam	A	A	A	A	A	A	B1	B1	B1	B

ADB = Asian Development Bank, ADF = Asian Development Fund, Grad. = graduated.

<sup>a</sup> The joint application of two criteria (i.e., per capita gross national product and debt repayment capacity) yields the following system of DMC eligibility for ADF and OCR: Group A = ADF only; Group B = ADF and OCR; Group B1 = ADF with limited amounts of OCR; Group B2 = OCR with limited amounts of ADF; and Group C = OCR only.

<sup>b</sup> Officially recognized as an ADB DMC in December 1999.

<sup>c</sup> Papua New Guinea was reclassified from C to B2 on 17 November 2000.

Sources: ADB. 2003. *Special Evaluation Study of the Asian Development Fund VI-VII Operations*. Manila; ADB. 2007. *Special Evaluation Study on Asian Development Fund VIII and IX Operations*. Manila; ADB. 2010. *Operations Manual, Classification and Graduation of Developing Member Countries*. Manila.

**Table A3.7: ADF Loan and Grant Approvals, by Country**  
(amount in \$ million)

Country Classification/ Country	ADF VIII 2001–2004	ADF IX 2005–2008	ADF X 2009–2010	Total Approvals	%
<b>A. ADF-Only Countries</b>	<b>1,927.3</b>	<b>2,453.4</b>	<b>2,668.3</b>	<b>7,049.0</b>	<b>35.3</b>
<b>Ordinary Situation<sup>a</sup> Subtotal</b>	<b>706.1</b>	<b>808.3</b>	<b>857.9</b>	<b>2,372.3</b>	<b>11.9</b>
Bhutan	16.4	138.9	60.4	215.6	1.1
Cambodia	355.0	270.0	305.3	930.2	4.7
Kyrgyz Republic	145.8	162.0	247.8	555.6	2.8
Maldives	28.5	20.6	36.5	85.6	0.4
Mongolia	136.4	144.5	182.0	463.0	2.3
Samoa	14.0	61.0	16.0	91.0	0.5
Tonga	10.0	11.3	10.0	31.3	0.2
<b>Exited FCAS Subtotal</b>	<b>730.2</b>	<b>741.5</b>	<b>1,035.2</b>	<b>2,507.0</b>	<b>12.6</b>
Lao PDR	225.6	112.6	254.5	592.7	3.0
Nepal	359.3	418.2	598.7	1,376.2	6.9
Tajikistan	145.3	210.8	182.0	538.1	2.7
<b>Current FCAS Subtotal</b>	<b>491.0</b>	<b>903.5</b>	<b>775.1</b>	<b>2,169.6</b>	<b>10.9</b>
Afghanistan	487.2	865.0	685.1	2,037.3	10.2
Kiribati			12.0	12.0	0.1
Solomon Islands		19.3	32.0	51.3	0.3
Timor-Leste		16.0	46.0	62.0	0.3
Tuvalu	3.8	3.2		7.1	0.0
<b>B. Blend Countries<sup>b</sup></b>	<b>3,705.3</b>	<b>5,548.6</b>	<b>3,633.1</b>	<b>12,887.0</b>	<b>64.5</b>
<b>Ordinary Situation Subtotal</b>	<b>3,590.5</b>	<b>5,205.0</b>	<b>3,170.8</b>	<b>11,966.3</b>	<b>59.9</b>
Armenia		83.9	140.0	223.9	1.1
Bangladesh	873.7	1,490.6	876.9	3,241.1	16.2
Cook Islands <sup>c</sup>	2.2	9.7		11.9	0.1
Georgia		110.0	313.8	423.8	2.1
Indonesia <sup>c</sup>	330.4	430.4		760.8	3.8
Pakistan	1,045.6	1,458.8	515.0	3,019.4	15.1
Sri Lanka	506.6	376.5	222.2	1,105.3	5.5
Viet Nam	832.0	1,245.0	1,103.0	3,180.0	15.9
<b>Exited FCAS Subtotal</b>	<b>42.0</b>	<b>170.6</b>	<b>325.0</b>	<b>537.6</b>	<b>2.7</b>
Azerbaijan	42.0	13.0		55.0	0.3
Uzbekistan		157.6	325.0	482.6	2.4
<b>Current FCAS Subtotal</b>	<b>72.8</b>	<b>173.0</b>	<b>137.3</b>	<b>383.1</b>	<b>1.9</b>
Micronesia, Fed. States of	27.2			27.2	0.1
Palau			3.4	3.4	0.0
Papua New Guinea	30.6	173.0	124.4	328.0	1.6
Marshall Islands	15.0		9.5	24.5	0.1
<b>C. Regional</b>		<b>34.5</b>		<b>34.5</b>	<b>0.2</b>
<b>Total</b>	<b>5,632.6</b>	<b>8,036.4</b>	<b>6,301.4</b>	<b>19,970.4</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, FCAS = fragile and conflict-affected situation, Lao PDR = Lao People's Democratic Republic, TA = technical assistance.

<sup>a</sup> Excludes Myanmar, which currently has no access to ADF.

<sup>b</sup> Only the ADF-financed component of loans is counted for blend countries; excludes India, which currently has no access to ADF.

<sup>c</sup> At the time of loan approval, these countries were still ADF eligible.

Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals.

Table A3.8: Amount of ADF Loan and Grant Approvals, by Sector

Country Classification/ Sector <sup>a</sup>	Amount (\$ million)				Percentage Share (%)			
	ADF VIII	ADF IX	ADF X	Total	ADF VIII	ADF IX	ADF X	Total
<b>A. ADF-Only Countries<sup>b</sup></b>	<b>1,927.3</b>	<b>2,453.4</b>	<b>2,668.3</b>	<b>7,049.0</b>	<b>34.2</b>	<b>30.5</b>	<b>42.3</b>	<b>35.3</b>
Agriculture and Natural Resources	330.9	375.6	278.7	985.2	5.9	4.7	4.4	4.9
Education	210.6	151.1	184.3	546.0	3.7	1.9	2.9	2.7
Energy	117.7	441.6	369.4	928.6	2.1	5.5	5.9	4.7
Finance	75.7	203.5	97.5	376.7	1.3	2.5	1.5	1.9
Health and Social Protection	64.0	54.0	99.1	217.1	1.1	0.7	1.6	1.1
Industry and Trade	89.7	42.5	15.0	147.2	1.6	0.5	0.2	0.7
Multisector	342.2	22.2	239.0	603.3	6.1	0.3	3.8	3.0
Public Sector Management	140.5	215.2	85.5	441.2	2.5	2.7	1.4	2.2
Transport and ICT	408.1	808.7	1,092.0	2,308.8	7.2	10.1	17.3	11.6
Water and Other Municipal Infrastructure and Services	148.0	139.1	207.7	494.8	2.6	1.7	3.3	2.5
<b>B. Blend Countries<sup>c</sup></b>	<b>3,705.3</b>	<b>5,548.6</b>	<b>3,633.1</b>	<b>12,887.0</b>	<b>65.8</b>	<b>69.0</b>	<b>57.7</b>	<b>64.5</b>
Agriculture and Natural Resources	850.7	699.3	488.0	2,037.9	15.1	8.7	7.7	10.2
Education	625.9	539.0	130.0	1,294.9	11.1	6.7	2.1	6.5
Energy	172.6	100.0	327.4	600.0	3.1	1.2	5.2	3.0
Finance	136.0	198.0	73.0	407.0	2.4	2.5	1.2	2.0
Health and Social Protection	91.2	350.0	177.0	618.2	1.6	4.4	2.8	3.1
Industry and Trade	162.5	85.0	101.0	348.5	2.9	1.1	1.6	1.7
Multisector	316.2	1,466.6	364.8	2,147.6	5.6	18.2	5.8	10.8
Public Sector Management	378.4	538.8	674.4	1,591.6	6.7	6.7	10.7	8.0
Transport and ICT	509.5	761.5	757.2	2,028.2	9.0	9.5	12.0	10.2
Water and Other Municipal Infrastructure and Services	462.3	810.3	540.4	1,813.0	8.2	10.1	8.6	9.1
<b>C. Regional</b>	<b>-</b>	<b>34.5</b>	<b>-</b>	<b>34.5</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>	<b>0.2</b>
Health and Social Protection		33.0		33.0	0.0	0.4	0.0	0.2
Transport and ICT		1.5		1.5	0.0	0.0	0.0	0.0
<b>Total</b>	<b>5,632.6</b>	<b>8,036.4</b>	<b>6,301.4</b>	<b>19,970.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>D. All ADF-Eligible Countries and Regional</b>								
Agriculture and Natural Resources	1,181.5	1,074.9	766.7	3,023.1	21.0	13.4	12.2	15.1
Education	836.5	690.1	314.3	1,840.9	14.9	8.6	5.0	9.2
Energy	290.3	541.6	696.8	1,528.6	5.2	6.7	11.1	7.7
Finance	211.7	401.5	170.5	783.7	3.8	5.0	2.7	3.9
Health and Social Protection	155.2	437.0	276.1	868.3	2.8	5.4	4.4	4.3
Industry and Trade	252.2	127.5	116.0	495.7	4.5	1.6	1.8	2.5
Multisector	658.4	1,488.8	603.8	2,750.9	11.7	18.5	9.6	13.8
Public Sector Management	518.9	754.0	759.9	2,032.7	9.2	9.4	12.1	10.2
Transport and ICT	917.6	1,571.7	1,849.2	4,338.5	16.3	19.6	29.3	21.7
Water and Other Municipal Infrastructure and Services	610.3	949.4	748.1	2,307.8	10.8	11.8	11.9	11.6
<b>Total</b>	<b>5,632.6</b>	<b>8,036.4</b>	<b>6,301.4</b>	<b>19,970.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, ICT = information and communication technology, TA = technical assistance.

<sup>a</sup> Based on the January 2009 Revised Project Classification System.

<sup>b</sup> Excludes Myanmar and India which currently have no access to ADF.

<sup>c</sup> Only the ADF-financed component of loans is counted for the blend countries. At the time of loan approval, Cook Islands and Indonesia were still ADF eligible (blend).

Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals.

Table A3.9: ADF VIII, IX, X Operational Programs, by Sector, Based on Project Pipeline

Sector	Indicative												Actual								
	ADF IX 2005–2008				ADF X 2009–2012				ADF VIII 2001–2004				ADF IX 2005–2008				ADF X 2009–2010				
	No.	%	\$ m <sup>a</sup>	%	No.	%	\$ m <sup>a</sup>	%	No.	%	\$ m <sup>a</sup>	%	No.	%	\$ m <sup>a</sup>	%	No.	%	\$ m <sup>a</sup>	%	
Infrastructure																					
Energy	15	7	514	6	21	9	1,404	13	9	5	290	5	17	7	542	7	16	10	697	11	
Road Transport	30	15	1,345	17	38	16	1,901	17													
Rural Infrastructure	22	11	958	12	32	14	1,532	14													
Urban Infrastructure	17	8	655	8	36	15	1,604	14													
Railways	4	2	161	2	1	0	25	0													
Other Transport and Communication	6	3	101	1	3	1	74	1													
<b>Infrastructure Subtotal<sup>b</sup></b>	<b>94</b>	<b>46</b>	<b>3,733</b>	<b>47</b>	<b>131</b>	<b>56</b>	<b>6,539</b>	<b>59</b>	<b>54</b>	<b>28</b>	<b>1,818</b>	<b>32</b>	<b>92</b>	<b>38</b>	<b>3,063</b>	<b>38</b>	<b>72</b>	<b>46</b>	<b>3,294</b>	<b>52</b>	
Education	19	9	614	8	21	9	1,131	10	25	13	837	15	24	10	690	9	10	6	314	5	
Health	12	6	342	4	15	6	574	5	9	5	155	3	18	8	437	5	8	5	276	4	
Agriculture and Natural Resources	23	11	935	12	18	8	601	5	39	20	1,182	21	37	15	1,075	13	21	13	767	12	
Finance	16	8	472	6	15	6	715	6	16	8	212	4	17	7	402	5	7	4	171	3	
Other Sectors <sup>c</sup>	17	8	542	7	20	9	953	9	39	20	771	14	28	12	882	11	21	13	876	14	
Multisector	22	11	1,365	17	15	6	551	5	11	6	658	12	23	10	1,489	19	19	12	604	10	
<b>Total</b>	<b>203</b>	<b>100</b>	<b>8,004</b>	<b>100</b>	<b>235</b>	<b>100</b>	<b>11,065</b>	<b>100</b>	<b>193</b>	<b>100</b>	<b>5,633</b>	<b>100</b>	<b>239</b>	<b>100</b>	<b>8,037</b>	<b>100</b>	<b>158</b>	<b>100</b>	<b>6,301</b>	<b>100</b>	

ADB = Asian Development Bank, ADF = Asian Development Fund, TA = technical assistance.

<sup>a</sup> Conversion rates used for ADF IX as of 31 December 2004, and for ADF X as of 31 December 2008.

<sup>b</sup> Includes energy, transport and information and communication technology, and water and other municipal infrastructure and services.

<sup>c</sup> Other sectors include (i) public sector management, and (ii) industry and trade.

Sources: ADB. 2008. *ADF X Donors' Report: Towards an Asia and Pacific Region Free of Poverty*. Manila; and ADB database on Loan, TA, Grant and Equity Approvals.

**Table A3.10: ADF Loan and Grant<sup>a</sup> Approvals, by Theme<sup>b</sup> (2001–2010)**

Theme	No. of Projects				% of Projects			
	ADF VIII	ADF IX	ADF X	Total	ADF VIII	ADF IX	ADF X	Total
Capacity Development	0	68	66	134	0.0	35.6	62.9	45.3
Economic Growth	90	132	81	303	52.9	69.1	77.1	65.0
Environmental Sustainability	14	23	36	73	8.2	12.0	34.3	15.7
Gender Equity	40	35	23	98	23.5	18.3	21.9	21.0
Governance	44	52	25	121	25.9	27.2	23.8	26.0
Private Sector Development	15	30	25	70	8.8	15.7	23.8	15.0
Regional Cooperation and Integration	12	27	32	71	7.1	14.1	30.5	15.2
Social Development	61	75	44	180	35.9	39.3	41.9	38.6

ADB = Asian Development Bank, ADF = Asian Development Fund, COSO = Central Operations Services Office, TA = technical assistance.

<sup>a</sup> Each project/program may have more than one theme.

<sup>b</sup> Prior to 2004, projects/programs were classified into seven themes and covered economic growth, human development, good governance, environmental protection, gender and development, private sector development and regional cooperation. The classification system was further adjusted to support monitoring and reporting on sectors, thematic, and target areas. Economic growth was renamed sustainable and pro-poor economic growth, human development to inclusive social development, good governance to governance, environmental protection to environmental sustainability, and a new theme capacity development was introduced. The private sector development and regional cooperation remained unchanged. In order to align with Strategy 2020, the thematic classification was further adjusted in 2009. The sustainable and pro-poor economic growth was designated as economic growth, inclusive development to social development, gender and development to gender equity, and all others remained unchanged. Prior to 2009, projects/programs could be classified into only three categories. There is also provision for adding subthemes. Thus, the themes for ADF VIII and ADF IX had been restated accordingly.

Sources of basic data: ADB database on Loan, TA, Grant and Equity Approvals; Thematic classification of loans and grants from COSO.

**Table A3.11: ADB Financing of Projects/Programs in Blend Countries**  
(2001–2010; in \$ million)

Country	ADF VIII							ADF IX						
	ADF only		Blend Funding			OCR only	Total	ADF only		Blend Funding			OCR only	Total
	Loans	Grants	ADF	OCR	Subtotal			Loans	Grants	ADF <sup>a</sup>	OCR	Subtotal		
Armenia	-	-	-	-	-	-	-	83.9	-	-	-	-	-	83.9
Azerbaijan	22.0	-	20.0	10.0	30.0	-	52.0	-	-	13.0	239.0	252.0	215.4	467.4
Bangladesh	771.1	-	102.6	168.9	271.5	316.6	1,359.2	1,297.6	10.0	183.0	807.0	990.0	-	2,297.6
Cook Islands	2.2	-	-	-	-	-	2.2	2.8	-	6.9	8.6	15.5	-	18.3
Georgia	-	-	-	-	-	-	-	110.0	-	-	-	-	-	110.0
Indonesia	231.2	-	99.2	387.4	486.6	1,036.0	1,753.8	313.3	-	117.1	754.1	871.2	2,281.0	3,465.5
Marshall Islands	7.0	-	8.0	4.0	12.0	-	19.0	-	-	-	-	-	-	-
Micronesia, FS	13.0	-	14.2	4.8	19.0	-	32.0	-	-	-	-	-	-	-
Pakistan	356.8	-	688.8	2,182.1	2,870.9	450.0	3,677.7	1,010.0	-	448.8	2,005.8	2,454.6	1,400.0	4,864.6
Palau	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Papua New Guinea	30.6	-	-	-	-	70.0	100.6	-	15.0	158.0	95.0	253.0	-	268.0
Sri Lanka	301.8	-	204.8	346.2	551.0	-	852.8	277.8	52.2	46.5	13.5	60.0	540.0	930.0
Uzbekistan	-	-	-	-	-	472.7	472.7	115.0	-	42.6	117.6	160.2	96.0	371.2
Viet Nam	832.0	-	-	-	-	120.0	952.0	999.4	45.6	200.0	896.0	1,096.0	994.1	3,135.1
<b>Total</b>	<b>2,567.7</b>	<b>-</b>	<b>1,137.6</b>	<b>3,103.4</b>	<b>4,241.0</b>	<b>2,465.3</b>	<b>9,274.0</b>	<b>4,209.8</b>	<b>122.9</b>	<b>1,215.9</b>	<b>4,936.6</b>	<b>6,152.5</b>	<b>5,526.5</b>	<b>16,011.6</b>
<b>Ratio of OCR to ADF</b>				<b>2.7</b>			<b>1.5</b>				<b>4.1</b>			<b>1.9</b>
<b>Annualized Data</b>	<b>641.9</b>	<b>-</b>	<b>284.4</b>	<b>775.9</b>	<b>1,060.3</b>	<b>616.3</b>	<b>2,318.5</b>	<b>1,052.5</b>	<b>30.7</b>	<b>304.0</b>	<b>1,234.2</b>	<b>1,538.1</b>	<b>1,381.6</b>	<b>4,002.9</b>



Country	ADF X							ADF VIII-X						
	ADF only		Blend Funding			OCR only	Total	ADF only		Blend Funding			OCR only	Total
	Loans	Grants	ADF	OCR	Subtotal			Loans	Grants	ADF <sup>a</sup>	OCR	Subtotal		
Armenia	140.0	-	-	-	-	170.0	310.0	223.9	-	-	-	-	170.0	393.9
Azerbaijan	-	-	-	-	-	75.0	75.0	22.0	-	33.0	249.0	282.0	290.4	594.4
Bangladesh	651.0	-	225.9	1,400.0	1,625.9	-	2,276.9	2,719.7	10.0	511.5	2,375.9	2,887.4	316.6	5,933.6
Cook Islands	-	-	-	-	-	10.0	10.0	5.0	-	6.9	8.6	15.5	10.0	30.5
Georgia	313.8	-	-	-	-	250.0	563.8	423.8	-	-	-	-	250.0	673.8
Indonesia	-	-	-	-	-	2,669.2	2,669.2	544.5	-	216.3	1,141.5	1,357.8	5,986.2	7,888.6
Marshall Islands	9.5	-	-	-	-	-	9.5	16.5	-	8.0	4.0	12.0	-	28.5
Micronesia, FS	-	-	-	-	-	-	-	13.0	-	14.2	4.8	19.0	-	32.0
Pakistan	270.0	-	245.0	465.0	710.0	472.0	1,452.0	1,636.8	-	1,382.6	4,652.9	6,035.5	2,322.0	9,994.3
Palau	-	-	3.4	12.6	16.0	-	16.0	-	-	3.4	12.6	16.0	-	16.0
Papua New Guinea	38.0	-	86.4	65.9	152.3	-	190.3	68.6	15.0	244.4	160.9	405.3	70.0	558.9
Sri Lanka	82.8	-	139.4	365.0	504.4	200.0	787.2	662.3	52.2	390.7	724.7	1,115.4	740.0	2,570.0
Uzbekistan	315.0	-	10.0	340.0	350.0	50.0	715.0	430.0	-	52.6	457.6	510.2	618.7	1,558.9
Viet Nam	1,093.0	-	10.0	120.0	130.0	1,792.9	3,015.9	2,924.4	45.6	210.0	1,016.0	1,226.0	2,906.9	7,102.9
<b>Total</b>	<b>2,913.1</b>	<b>-</b>	<b>720.1</b>	<b>2,768.5</b>	<b>3,488.6</b>	<b>5,689.1</b>	<b>12,090.7</b>	<b>9,690.6</b>	<b>122.9</b>	<b>3,073.5</b>	<b>10,808.5</b>	<b>13,882.1</b>	<b>13,680.9</b>	<b>37,376.4</b>
<b>Ratio of OCR to ADF</b>				<b>3.8</b>			<b>2.3</b>				<b>3.5</b>			<b>1.9</b>
<b>Annualized Data</b>	<b>1,456.5</b>	<b>-</b>	<b>360.0</b>	<b>1,384.3</b>	<b>1,744.3</b>	<b>2,844.5</b>	<b>6,045.4</b>	<b>969.1</b>	<b>12.3</b>	<b>307.4</b>	<b>1,080.9</b>	<b>1,388.2</b>	<b>1,368.1</b>	<b>3,737.6</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, FS = Federated States of, OCR = ordinary capital resources, TA = technical assistance.

<sup>a</sup> Includes a grant to Pakistan amounting to \$5 million.

Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals.

**Table A3.12: Financing and Cofinancing for ADF IX and ADF X,<sup>a</sup> by Country (\$ million)**

Country Classification/ Country	ADF IX (2005–2008)			ADF X (2009–2010)			ADF IX–X (2005–2010)		
	ADF Financing	Co- financing	% Co- financing	ADF Financing	Co- financing	% Co- financing	ADF Financing	Co- financing	% Co- financing
<b>A. ADF-Only Countries</b>	<b>622.8</b>	<b>433.0</b>	<b>41.0</b>	<b>642.3</b>	<b>392.5</b>	<b>37.9</b>	<b>1,265.0</b>	<b>825.5</b>	<b>39.5</b>
<b>Ordinary Situations<sup>b</sup></b>	227.5	214.9	48.6	232.4	173.7	42.8	459.9	388.6	45.8
<b>Subtotal</b>									
Bhutan	54.3	56.5	51.0	21.6	0.3	1.2	75.9	56.7	42.8
Cambodia	90.0	92.6	50.7	136.8	103.0	43.0	226.8	195.6	46.3
Kyrgyz Republic	0.0	0.0		0.0	0.0		0.0	0.0	
Maldives	0.0	0.0		0.0	0.0		0.0	0.0	
Mongolia	33.2	2.6	7.3	74.0	70.5	48.8	107.2	73.1	40.5
Samoa	50.1	63.2	55.8	0.0	0.0		50.1	63.2	55.8
Tonga	0.0	0.0		0.0	0.0		0.0	0.0	
<b>Exited FCAS Subtotal</b>	317.1	176.2	35.7	284.3	120.3	29.7	601.4	296.4	33.0
Lao PDR	47.0	65.1	58.1	83.0	70.7	46.0	130.0	135.8	51.1
Nepal	211.5	102.5	32.6	190.6	48.0	20.1	402.1	150.5	27.2
Tajikistan	58.6	8.6	12.7	10.7	1.6	13.0	69.3	10.2	12.8
<b>Current FCAS Subtotal</b>	78.2	42.0	34.9	125.6	98.5	44.0	203.8	140.5	40.8
Afghanistan	47.3	8.4	15.0	86.6	3.3	3.7	133.9	11.7	8.0
Kiribati	0.0	0.0		12.0	20.6	63.2	12.0	20.6	63.2
Nauru	0.0	0.0		0.0	0.0		0.0	0.0	
Solomon Islands	30.9	33.6	52.1	27.0	74.6	73.4	57.9	108.2	65.2
Timor-Leste	0.0	0.0		0.0	0.0		0.0	0.0	
Tuvalu	0.0	0.0		0.0	0.0		0.0	0.0	
Vanuatu	0.0	0.0		0.0	0.0		0.0	0.0	
<b>B. Blend<sup>c</sup> Countries</b>	<b>1,673.1</b>	<b>1,506.9</b>	<b>47.4</b>	<b>669.8</b>	<b>366.7</b>	<b>35.4</b>	<b>2,342.9</b>	<b>1,873.6</b>	<b>44.4</b>
<b>Ordinary Situations</b>	1,557.5	1,467.3	48.5	646.8	360.7	35.8	2,204.3	1,827.9	45.3
<b>Subtotal</b>									
Armenia	0.0	0.0		0.0	0.0		0.0	0.0	
Bangladesh	694.4	409.1	37.1	206.0	39.4	16.1	900.4	448.5	33.2
Georgia	0.0	0.0		118.8	170.0	58.9	118.8	170.0	58.9
Indonesia <sup>d</sup>	70.6	52.1	42.4	30.0	3.8	11.2	100.6	55.9	35.7
Pakistan	232.5	37.5	13.9	20.0	25.0	55.6	252.5	62.5	19.8
Sri Lanka	130.0	23.9	15.5	70.0	48.8	41.1	200.0	72.7	26.7
Viet Nam	430.0	944.7	68.7	202.0	73.7	26.7	632.0	1,018.4	61.7
<b>Exited FCAS Subtotal</b>	60.6	25.9	29.9	10.0	0.0	0.0	70.6	25.9	26.8
Azerbaijan	3.0	21.4	87.7	0.0	0.0		3.0	21.4	87.7
Uzbekistan	57.6	4.5	7.2	10.0	0.0	0.0	67.6	4.5	6.2
<b>Current FCAS Subtotal</b>	55.0	13.8	20.0	13.0	6.0	31.6	68.0	19.8	22.5
Marshall Islands	0.0	0.0		0.0	0.0		0.0	0.0	
Micronesia, Fed. States of	0.0	0.0		0.0	0.0		0.0	0.0	
Palau	0.0	0.0		0.0	0.0		0.0	0.0	
Papua New Guinea	55.0	13.8	20.0	13.0	6.0	31.6	68.0	19.8	22.5
<b>Regional</b>	<b>86.5</b>	<b>35.9</b>	<b>29.3</b>	<b>0.0</b>	<b>0.0</b>		<b>86.5</b>	<b>35.9</b>	<b>29.3</b>
<b>Total</b>	<b>2,382.4</b>	<b>1,975.8</b>	<b>45.3</b>	<b>1,312.1</b>	<b>759.1</b>	<b>36.7</b>	<b>3,694.4</b>	<b>2,734.9</b>	<b>42.5</b>

ADF = Asian Development Fund, FCAS = fragile and conflict-affected situation, Lao PDR = Lao People's Democratic Republic.

<sup>a</sup> Excludes financing from ordinary capital resources. Includes cofinancing only for ADF-supported projects.

<sup>b</sup> Excludes Myanmar, which currently has no access to ADF.

<sup>c</sup> Only the ADF-financed component of loans is counted for blend countries.

<sup>d</sup> This country was still ADF-eligible at the time of loan approval.

Source of basic data: Cofinancing database.

Table A3.13: ADF Projects, by Type of Intervention, 2001–2010

Replenishment Period/ Fund Source	Targeted Intervention		General Intervention			% Targeted	
	Amount (\$ million)	No. of Loan/ Grant Projects	Amount (\$ million)	No. of Loan/ Grant Projects	%	\$ Amount	No. of Projects
<b>A. ADF VIII (2001–2004)</b>							
ADF-only	3,131.4	89	1,363.6	51	79.7	69.7	63.6
Blended	697.0	17	440.6	13	20.3	61.3	56.7
<b>Total</b>	<b>3,828.4</b>	<b>106</b>	<b>1,804.2</b>	<b>64</b>	<b>100.0</b>	<b>68.0</b>	<b>62.4</b>
<b>B. ADF IX (2005–2008)</b>							
ADF-only	2,860.3	61	4,006.0	103	83.1	41.7	37.2
Blended	227.1	5	943.1	22	16.9	19.4	18.5
<b>Total</b>	<b>3,087.4</b>	<b>66</b>	<b>4,949.0</b>	<b>125</b>	<b>100.0</b>	<b>38.4</b>	<b>34.6</b>
<b>C. ADF X (2009–2010)</b>							
ADF-only <sup>a</sup>	1,988.8	36	3,592.4	56	84.1	35.6	39.1
Blended	384.9	3	335.2	10	15.9	53.4	23.1
<b>Total</b>	<b>2,373.6</b>	<b>39</b>	<b>3,927.6</b>	<b>66</b>	<b>100.0</b>	<b>37.7</b>	<b>37.1</b>
<b>D. ADF VIII–X (2001–2010)</b>							
ADF-only	7,980.4	186	8,962.1	210	82.5	47.1	47.0
Blended	1,308.9	25	1,718.9	45	17.5	43.2	35.7
<b>Total</b>	<b>9,289.4</b>	<b>211</b>	<b>10,680.9</b>	<b>255</b>	<b>100.0</b>	<b>46.5</b>	<b>45.3</b>

E. Summary by Fund Source	% Targeted Intervention					
	ADF VIII		ADF IX		ADF X	
	By \$ Amount	By No. of Projects	By \$ Amount	By No. of Projects	By \$ Amount	By No. of Projects
ADF-only	69.7	63.6	41.7	37.2	35.6	39.1
Blended	61.3	56.7	19.4	18.5	53.4	23.1
<b>Total</b>	<b>68.0</b>	<b>62.4</b>	<b>38.4</b>	<b>34.6</b>	<b>37.7</b>	<b>37.1</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, OCR = ordinary capital resources, TA = technical assistance.

<sup>a</sup> Excludes a supplementary loan amounting to \$117,000, which was approved in 2009.

Notes:

1. Projects that indirectly address poverty reduction are classified as general interventions, while those that address poverty reduction and inclusive growth more directly (i.e., in a more targeted fashion) are considered as targeted interventions. This classification follows the new project classification system approved in December 2008. Thus, projects approved from 2001 to 2008 were reclassified to fit into the new project classification system. Projects originally classified under core poverty and poverty intervention were reclassified under targeted intervention, while those originally classified under "others" were reclassified under general intervention.

2. Blended projects are funded jointly by ADF and OCR loans. ADF-only projects are funded purely by ADF.

Sources of basic data: ADB database on Loan, TA, Grant and Equity Approvals; Central Operations Services Office database.

Table A3.14: ADF Grant Approvals, by Financing Modality and by Country, 2005–2010

Financing Modality/ Country Classification/ Country	ADF IX			ADF X			Total (ADF IX–X)		
	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total
<b>A. Program Grants</b>	<b>10</b>	<b>262.8</b>	<b>15.1</b>	<b>10</b>	<b>190.9</b>	<b>10.2</b>	<b>20</b>	<b>453.7</b>	<b>12.5</b>
<b>1. ADF-Only Countries</b>	<b>10</b>	<b>262.8</b>	<b>15.1</b>	<b>10</b>	<b>190.9</b>	<b>10.2</b>	<b>20</b>	<b>453.7</b>	<b>12.5</b>
Afghanistan	1	56.0	3.2			0.0	1	56.0	1.5
Bhutan	1	6.0	0.3			0.0	1	6.0	0.2
Cambodia	1	6.7	0.4	3	24.0	1.3	4	30.7	0.8
Kyrgyz Republic	1	12.5	0.7			0.0	1	12.5	0.3
Lao PDR	1	5.0	0.3	2	25.0	1.3	3	30.0	0.8
Mongolia	1	9.0	0.5	1	16.9	0.9	2	25.9	0.7
Nepal	3	164.3	9.4	1	70.0	3.7	4	234.3	6.5
Solomon Islands			0.0	1	5.0	0.3	1	5.0	0.1
Tajikistan			0.0	1	40.0	2.1	1	40.0	1.1
Tonga			0.0	1	10.0	0.5	1	10.0	0.3
Tuvalu	1	3.2	0.2			0.0	1	3.2	0.1
<b>B. Project Grants</b>	<b>75</b>	<b>1,482.5</b>	<b>84.9</b>	<b>51</b>	<b>1,687.6</b>	<b>89.8</b>	<b>126</b>	<b>3,170.1</b>	<b>87.5</b>
<b>1. ADF-Only Countries</b>	<b>63</b>	<b>1,321.6</b>	<b>75.7</b>	<b>51</b>	<b>1,687.6</b>	<b>89.8</b>	<b>114</b>	<b>3,009.2</b>	<b>83.0</b>
Afghanistan	10	574.0	32.9	5	685.1	36.5	15	1,259.1	34.7
Bhutan	3	39.0	2.2	2	60.4	3.2	5	99.3	2.7
Cambodia	9	110.4	6.3	8	114.6	6.1	17	225.0	6.2
Kyrgyz Republic	8	119.0	6.8	4	115.1	6.1	12	234.1	6.5
Lao PDR	7	79.4	4.5	11	229.4	12.2	18	308.8	8.5
Mongolia	5	79.3	4.5	5	67.0	3.6	10	146.3	4.0
Nepal	7	167.9	9.6	11	201.1	10.7	18	369.0	10.2
Samoa	3	23.5	1.3			0.0	3	23.5	0.6
Solomon Islands	3	19.3	1.1	2	27.0	1.4	5	46.3	1.3
Tajikistan	5	82.6	4.7	2	142.0	7.6	7	224.6	6.2
Timor Leste	2	16.0	0.9	1	46.0	2.4	3	62.0	1.7
Tonga	1	11.3	0.6			0.0	1	11.3	0.3
<b>2. Blend Countries</b>	<b>10</b>	<b>127.9</b>	<b>7.3</b>				<b>10</b>	<b>127.9</b>	<b>3.5</b>
Bangladesh	1	10.0	0.6				1	10.0	0.3
Pakistan	1	5.0	0.3				1	5.0	0.1
Papua New Guinea	1	15.0	0.9				1	15.0	0.4
Sri Lanka	3	52.2	3.0				3	52.2	1.4
Viet Nam	4	45.6	2.6				4	45.6	1.3
<b>3. Regional</b>	<b>2</b>	<b>33.0</b>	<b>1.9</b>				<b>2</b>	<b>33.0</b>	<b>0.9</b>

Financing Modality/ Country Classification/ Country	ADF IX			ADF X			Total (ADF IX-X)		
	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total
<b>C. All Grants</b>									
<b>1. ADF-Only Countries</b>	<b>73</b>	<b>1,584.4</b>	<b>90.8</b>	<b>61</b>	<b>1,878.5</b>	<b>100.0</b>	<b>134</b>	<b>3,462.9</b>	<b>95.5</b>
Afghanistan	11	630.0	36.1	5	685.1	36.5	16	1,315.1	36.3
Bhutan	4	45.0	2.6	2	60.4	3.2	6	105.3	2.9
Cambodia	10	117.1	6.7	11	138.6	7.4	21	255.7	7.1
Kyrgyz Republic	9	131.5	7.5	4	115.1	6.1	13	246.6	6.8
Lao PDR	8	84.4	4.8	13	254.4	13.5	21	338.8	9.3
Mongolia	6	88.3	5.1	6	83.9	4.5	12	172.2	4.8
Nepal	10	332.2	19.0	12	271.1	14.4	22	603.3	16.6
Samoa	3	23.5	1.3	0	0.0	0.0	3	23.5	0.6
Solomon Islands	3	19.3	1.1	3	32.0	1.7	6	51.3	1.4
Tajikistan	5	82.6	4.7	3	182.0	9.7	8	264.6	7.3
Timor Leste	2	16.0	0.9	1	46.0	2.4	3	62.0	1.7
Tonga	1	11.3	0.6	1	10.0	0.5	2	21.3	0.6
Tuvalu	1	3.2	0.2	0	0.0	0.0	1	3.2	0.1
<b>2. Blend Countries</b>	<b>10</b>	<b>127.9</b>	<b>7.3</b>				<b>10</b>	<b>127.9</b>	<b>3.5</b>
Bangladesh	1	10.0	0.6				1	10.0	0.3
Pakistan	1	5.0	0.3				1	5.0	0.1
Papua New Guinea	1	15.0	0.9				1	15.0	0.4
Sri Lanka	3	52.2	3.0				3	52.2	1.4
Viet Nam	4	45.6	2.6				4	45.6	1.3
<b>3. Regional</b>	<b>2</b>	<b>33.0</b>	<b>1.9</b>				<b>2</b>	<b>33.0</b>	<b>0.9</b>
<b>Total</b>	<b>85</b>	<b>1,745.3</b>	<b>100.0</b>	<b>61</b>	<b>1,878.5</b>	<b>100.0</b>	<b>146</b>	<b>3,623.8</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, Lao PDR = Lao People's Democratic Republic, TA = technical assistance.

Source: ADB database on Loan, TA, Grant and Equity Approvals.

**Table A3.15: ADF Grant Approvals, by Financing Modality and by Sector, 2005–2010**

Financing Modality/Sector <sup>a</sup>	ADF IX			ADF X			Total (ADF IX–X)		
	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total
<b>A. Program Grants</b>	<b>10</b>	<b>262.8</b>	<b>15.1</b>	<b>10</b>	<b>190.9</b>	<b>10.2</b>	<b>20</b>	<b>453.7</b>	<b>12.5</b>
Agriculture and Natural Resources	1	50.0	2.9			0.0	1	50.0	1.4
Education	1	8.0	0.5	1	70.0	3.7	2	78.0	2.2
Finance	1	56.0	3.2	1	5.0	0.3	2	61.0	1.7
Health and Social Protection	1	9.0	0.5	1	10.0	0.5	2	19.0	0.5
Industry and Trade	2	11.0	0.6	1	15.0	0.8	3	26.0	0.7
Multisector	1	12.5	0.7	4	71.9	3.8	5	84.4	2.3
Public Sector Management	3	116.3	6.7	2	19.0	1.0	5	135.3	3.7
<b>B. Project Grants</b>	<b>75</b>	<b>1,482.5</b>	<b>84.9</b>	<b>51</b>	<b>1,687.6</b>	<b>89.8</b>	<b>126</b>	<b>3,170.1</b>	<b>87.5</b>
Agriculture and Natural Resources	12	190.1	10.9	9	245.2	13.1	21	435.3	12.0
Education	8	98.2	5.6	4	89.3	4.8	12	187.5	5.2
Energy	5	282.9	16.2	7	287.7	15.3	12	570.6	15.7
Finance	2	12.7	0.7	1	12.1	0.6	3	24.8	0.7
Health and Social Protection	12	148.1	8.5	4	46.0	2.4	16	194.1	5.4
Industry and Trade	2	19.0	1.1			0.0	2	19.0	0.5
Multisector	4	26.9	1.5	3	89.9	4.8	7	116.7	3.2
Public Sector Management	5	30.9	1.8	2	10.0	0.5	7	40.9	1.1
Transport and ICT	18	573.0	32.8	15	783.3	41.7	33	1,356.2	37.4
Water and Other Municipal Infrastructure and Services	7	100.7	5.8	6	124.2	6.6	13	224.9	6.2
<b>C. All Grants</b>									
Agriculture and Natural Resources	13	240.1	13.8	9	245.2	13.1	22	485.3	13.4
Education	9	106.2	6.1	5	159.3	8.5	14	265.5	7.3
Energy	5	282.9	16.2	7	287.7	15.3	12	570.6	15.7
Finance	3	68.7	3.9	2	17.1	0.9	5	85.8	2.4
Health and Social Protection	13	157.1	9.0	5	56.0	3.0	18	213.1	5.9
Industry and Trade	4	30.0	1.7	1	15.0	0.8	5	45.0	1.2
Multisector	5	39.4	2.3	7	161.8	8.6	12	201.1	5.5
Public Sector Management	8	147.2	8.4	4	29.0	1.5	12	176.2	4.9
Transport and ICT	18	573.0	32.8	15	783.3	41.7	33	1,356.2	37.4
Water and Other Municipal Infrastructure and Services	7	100.7	5.8	6	124.2	6.6	13	224.9	6.2
<b>Total</b>	<b>85</b>	<b>1,745.3</b>	<b>100.0</b>	<b>61</b>	<b>1,878.5</b>	<b>100.0</b>	<b>146</b>	<b>3,623.8</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, ICT = information and communication technology, TA = technical assistance.

<sup>a</sup> Based on the January 2009 Revised Project Classification System.

Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals.

**Table A3.16: Distribution of ADF VI–X Approvals, by Financing Modality,<sup>a</sup> 1992–2010**

Financing Modality	ADF VI–VII		ADF VIII		ADF IX		ADF X		ADF VIII–X	
	\$ million	Share (%)	\$ million	Share (%)	\$ million	Share (%)	\$ million	Share (%)	\$ million	Share (%)
Project	10,820.8	90.2	4,330.7	76.9	6,541.3	81.4	4,738.2	75.2	15,610.3	78.2
Loan	10,820.8	90.2	4,330.7	76.9	5,058.8	62.9	3,050.6	48.4	12,440.2	62.3
Grant					1,482.5	18.4	1,687.6	26.8	3,170.1	15.9
Program	1,172.6	9.8	1,301.9	23.1	1,495.1	18.6	1,563.2	24.8	4,360.2	21.8
Loan	1,172.6	9.8	1,301.9	23.1	1,232.4	15.3	1,372.3	21.8	3,906.5	19.6
Grant					262.8	3.3	190.9	3.0	453.7	2.3
<b>Total</b>	<b>11,993.4</b>	<b>100.0</b>	<b>5,632.6</b>	<b>100.0</b>	<b>8,036.4</b>	<b>100.0</b>	<b>6,301.4</b>	<b>100.0</b>	<b>19,970.4</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, TA = technical assistance.

<sup>a</sup> The program and project loan/grant components of a sector development program are counted separately.

Sources of basic data: ADB database on Loan, TA, Grant and Equity Approvals; Loan Financial Information System.

**Table A3.17: ADF Program Loan and Grant Approvals,<sup>a</sup> by Sector, 2001–2010**

Sector <sup>b</sup>	ADF VIII			ADF IX			ADF X			Total (ADF VIII–X)		
	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total	No.	Amount (\$ million)	% of Amount to Total
Agriculture and Natural Resources	4	263.0	20.2	1	50.0	3.3	1	20.0	1.3	6	333.0	7.6
Education	2	40.0	3.1	4	76.9	5.1	3	115.0	7.4	9	231.9	5.3
Energy				1	60.0	4.0				1	60.0	1.4
Finance	6	124.0	9.5	12	381.5	25.5	5	145.4	9.3	23	650.9	14.9
Health and Social Protection	1	8.0	0.6	2	109.0	7.3	3	203.1	13.0	6	320.1	7.3
Industry and Trade	6	140.0	10.8	3	31.0	2.1	1	15.0	1.0	10	186.0	4.3
Multisector	4	362.2	27.8	4	57.5	3.8	10	277.9	17.8	18	697.6	16.0
Public Sector Management	12	359.7	27.6	10	679.3	45.4	13	713.4	45.6	35	1,752.3	40.2
Transport and ICT			-							0	-	-
Water and Other Municipal Infrastructure and Services	1	5.0	0.4	1	50.0	3.3	2	73.4	4.7	4	128.4	2.9
<b>Total</b>	<b>36</b>	<b>1,301.9</b>	<b>100.0</b>	<b>38</b>	<b>1,495.1</b>	<b>100.0</b>	<b>38</b>	<b>1,563.2</b>	<b>100.0</b>	<b>112</b>	<b>4,360.2</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, ICT = information and communication technology, TA = technical assistance.

<sup>a</sup> Includes only the program loan/grant component of a sector development program.

<sup>b</sup> Based on the January 2009 Revised Project Classification System.

Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals.

**Table A3.18: Technical Assistance<sup>a</sup> to ADF Countries, by Source of Funds, 2001–2010**

Fund Source	Amount (\$ million)				% Share			
	ADF VIII	ADF IX	ADF X	Total	ADF VIII	ADF IX	ADF X	Total
TASF-IV <sup>b</sup>			92.3	92.3	0.0	0.0	39.8	9.1
TASF-other sources <sup>c</sup>	170.2	163.3	4.2	337.6	43.9	41.8	1.8	33.4
Other Sources <sup>d</sup>	217.6	227.7	135.6	580.9	56.1	58.2	58.4	57.5
<b>Total</b>	<b>387.8</b>	<b>391.0</b>	<b>232.0</b>	<b>1,010.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, CCF = Climate Change Fund, DMC = developing member country, JSF = Japan Special Fund, RCIF = Regional Cooperation and Integration Fund, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Excludes regional technical assistance.

<sup>b</sup> This is a part of TASF, which is replenished through TASF regularized replenishments together with ADF replenishments and limits the utilization of the resources to countries of ADB eligible for ADF, and for regional technical assistance, and research and development technical assistance for the benefit of such DMCs. (Source: Guidelines for the Use of Technical Assistance Resources, December 2008).

<sup>c</sup> "TASF-other sources" refers to resources transferred to TASF through voluntary contributions, ordinary capital resources net income transfer, and TASF income. These resources can be used for TA for all ADB DMCs. (Source: ADB. 2011. Technical Assistance. *Operations Manual*. OM D12/BP. Manila.)

<sup>d</sup> Includes funding from JSF, Special Funds (RCIF and CCF) and other donors.

Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals.

**Table A3.19: Amount of Technical Assistance to ADF Countries, by Instrument, 2001–2010 (\$ million)**

Country Classification/ Country	ADF VIII		ADF IX		ADF X			ADF VIII–X		
	TASF	Others <sup>a</sup>	TASF	Others <sup>a</sup>	TASF- Others	TASF- IV <sup>b</sup>	Others <sup>a</sup>	TASF/ TASF- Others	TASF- IV	Others
<b>A. ADF-Only Countries</b>	<b>89.5</b>	<b>70.7</b>	<b>71.7</b>	<b>89.0</b>	<b>0.6</b>	<b>42.4</b>	<b>42.4</b>	<b>161.8</b>	<b>42.4</b>	<b>202.1</b>
<b>Ordinary Situations<sup>c</sup> Subtotal</b>	<b>32.3</b>	<b>31.2</b>	<b>21.9</b>	<b>36.1</b>	<b>0.2</b>	<b>24.5</b>	<b>16.9</b>	<b>54.4</b>	<b>24.5</b>	<b>84.2</b>
Bhutan	3.9	3.3	4.5	4.2	0.0	2.9	1.6	8.4	2.9	9.1
Cambodia	10.0	14.2	7.9	13.9	0.0	7.4	6.1	17.9	7.4	34.2
Kyrgyz Republic	4.4	5.6	3.4	2.2	0.0	1.6	0.7	7.7	1.6	8.5
Maldives	2.3	1.5	1.5	0.8	0.0	3.7	0.0	3.8	3.7	2.3
Mongolia	5.9	5.4	3.2	9.0	0.2	6.9	7.5	9.3	6.9	21.8
Samoa	3.1	1.1	0.9	4.2	0.0	1.1	0.5	4.0	1.1	5.8
Tonga	2.7	0.3	0.5	1.8	0.0	1.0	0.5	3.2	1.0	2.6
<b>Exited FCAS Subtotal</b>	<b>15.1</b>	<b>28.8</b>	<b>22.5</b>	<b>27.4</b>	<b>0.4</b>	<b>12.2</b>	<b>20.0</b>	<b>38.0</b>	<b>12.2</b>	<b>76.2</b>
Lao PDR	6.6	11.1	8.2	8.7	0.4	4.5	10.0	15.2	4.5	29.8
Nepal	6.7	8.6	10.1	10.2	0.0	6.9	9.2	16.8	6.9	28.0
Tajikistan	1.8	9.2	4.2	8.4	0.0	0.7	0.8	6.0	0.7	18.3
<b>Current FCAS Subtotal</b>	<b>42.1</b>	<b>10.7</b>	<b>27.3</b>	<b>25.5</b>	<b>0.0</b>	<b>5.7</b>	<b>5.5</b>	<b>69.5</b>	<b>5.7</b>	<b>41.7</b>
Afghanistan	33.9	5.3	19.2	4.7	0.0	2.4	1.5	53.1	2.4	11.5
Kiribati	1.9	0.5	0.0	1.4	0.0	0.4	0.7	1.9	0.4	2.6
Nauru	0.0	0.0	0.2	0.5	0.0	0.0	0.0	0.2	0.0	0.5
Solomon Islands	1.2	0.7	2.7	2.8	0.0	0.4	1.3	3.9	0.4	4.7
Timor-Leste	2.2	3.0	3.6	14.9	0.0	1.5	0.8	5.8	1.5	18.7
Tuvalu	0.9	0.6	0.8	0.6	0.0	0.0	0.0	1.7	0.0	1.2
Vanuatu	2.2	0.7	0.8	0.6	0.0	1.1	1.3	3.0	1.1	2.6



Country Classification/ Country	ADF VIII		ADF IX		ADF X			ADF VIII-X		
	TASF	Others <sup>a</sup>	TASF	Others <sup>a</sup>	TASF- Others	TASF- IV <sup>b</sup>	Others <sup>a</sup>	TASF/ TASF- Others	TASF- IV	Others
<b>B. Blend Countries<sup>d</sup></b>	<b>80.7</b>	<b>146.9</b>	<b>91.5</b>	<b>138.7</b>	<b>3.6</b>	<b>49.9</b>	<b>93.2</b>	<b>175.8</b>	<b>49.9</b>	<b>378.8</b>
<b>Ordinary Situations Subtotal</b>	<b>62.2</b>	<b>129.6</b>	<b>83.7</b>	<b>118.8</b>	<b>1.8</b>	<b>41.9</b>	<b>89.1</b>	<b>147.7</b>	<b>41.9</b>	<b>337.6</b>
Armenia	0.0	0.0	2.2	0.0	0.0	1.2	0.5	2.2	1.2	0.5
Bangladesh	8.9	12.3	12.3	13.1	0.0	11.4	8.2	21.2	11.4	33.5
Cook Islands <sup>e</sup>	0.4	0.5	1.0	0.7	0.0	0.0	0.9	1.3	0.0	2.1
Georgia	0.0	0.0	0.7	0.0	0.0	3.1	1.7	0.7	3.1	1.7
Indonesia <sup>e</sup>	16.9	48.2	27.4	19.1	1.0	1.6	62.6	45.3	1.6	129.8
Pakistan	19.5	33.1	21.3	28.6	0.4	4.0	0.4	41.1	4.0	62.1
Sri Lanka	6.4	11.8	3.6	4.3	0.0	5.4	9.0	10.0	5.4	25.0
Viet Nam	10.2	23.8	15.2	53.1	0.4	15.3	6.0	25.8	15.3	82.9
<b>Exited FCAS Subtotal</b>	<b>9.8</b>	<b>9.8</b>	<b>5.3</b>	<b>6.6</b>	<b>1.8</b>	<b>4.4</b>	<b>0.9</b>	<b>16.9</b>	<b>4.4</b>	<b>17.3</b>
Azerbaijan	3.3	4.3	2.6	1.9	0.0	1.0	0.0	5.9	1.0	6.2
Uzbekistan	6.5	5.5	2.7	4.7	1.8	3.4	0.9	11.0	3.4	11.0
<b>Current FCAS Subtotal</b>	<b>8.7</b>	<b>7.5</b>	<b>2.5</b>	<b>13.3</b>	<b>0.0</b>	<b>3.6</b>	<b>3.2</b>	<b>11.2</b>	<b>3.6</b>	<b>24.0</b>
Marshall Islands	2.9	0.7	0.3	0.5	0.0	0.8	0.0	3.1	0.8	1.1
Micronesia, Fed. States of	2.7	1.6	0.6	1.2	0.0	0.0	0.0	3.3	0.0	2.8
Palau	0.0	0.0	0.0	2.1	0.0	0.5	0.7	0.0	0.5	2.8
Papua New Guinea	3.1	5.2	1.7	9.6	0.0	2.2	2.5	4.8	2.2	17.3
<b>Total</b>	<b>170.2</b>	<b>217.6</b>	<b>163.3</b>	<b>227.7</b>	<b>4.2</b>	<b>92.3</b>	<b>135.6</b>	<b>337.6</b>	<b>92.3</b>	<b>580.9</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, CCF = Climate Change Fund, FCAS = fragile and conflict-affected situation, JSF = Japan Special Fund, Lao PDR = Lao People's Democratic Republic, RCIF = Regional Cooperation and Integration Fund, TA = technical assistance, TASF = Technical Assistance Special Fund.

<sup>a</sup> Includes funding from JSF, Special Funds (RCIF and CCF) and other external donors.

<sup>b</sup> This is a part of TASF, which is replenished through TASF regularized replenishments together with ADF replenishments and limits the utilization of the resources to countries of ADB eligible for ADF, and for regional technical assistance, and research and development technical assistance for the benefit of such DMCS. (Source: Guidelines for the Use of Technical Assistance Resources, December 2008).

<sup>c</sup> Excludes Myanmar, which currently has no access to ADF.

<sup>d</sup> Excludes India, which currently has no access to ADF.

<sup>e</sup> These countries were ADF eligible during a part of the review period.

Sources of basic data: ADB database on Loan, TA, Grant and Equity Approvals; Strategy and Policy Department.

**Table A3.20: Technical Assistance-IV<sup>a</sup> Funded Technical Assistance, 2009–2010**

Coverage	Amount (\$ million)	% Share
Regional	88.6	49.0
Country level	92.3	51.0
ADF-only	42.4	23.4
Blend	49.9	27.6
<b>Total</b>	<b>180.9</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, TASF = Technical Assistance Special Fund.

<sup>a</sup> TASF-IV refers to resources transferred to the TASF in the context of the fourth regularized replenishment of TASF.

Source of basic data: ADB Strategy and Policy Department.

**Table A3.21: Regional Technical Assistance, by Fund Source, 2009–2010**

<b>Fund Source</b>	<b>Amount (\$ million)</b>	<b>% Share</b>
TASF-IV	88.6	40.2
TASF-other sources	23.2	10.5
Other Sources	108.8	49.3
<b>Total</b>	<b>220.6</b>	<b>100.0</b>

ADB = Asian Development Bank, TA = technical assistance, TASF = Technical Assistance Special Fund.

Source of basic data: ADB database on Loan, TA, Grant and Equity Approvals; ADB Strategy and Policy Department.

## PERFORMANCE ANALYSIS OF ASIAN DEVELOPMENT FUND OPERATIONS

### Table A4.1: Performance of Country Assistance Programs and ADB

Criterion	BAN 2003	BAN 2009	Change BAN	BHU 2005	BHU 2010	Change BHU	CAM 2004	CAM 2009	Change CAM	LAO 2006	LAO 2010 <sup>a</sup>	Change LAO	MON 2002	MON 2008	Change MON	NEP 2004	NEP 2009	Change NEP	UZB 2006	UZB 2011	Change UZB
Positioning	–	High	na	–	S	na	–	Substantial	na	–	Satisfactory	na	S	Substantial	na	[PS]	Substantial	na	–	Satisfactory	na
Relevance	S	Relevant	na	S	Relevant	na	S	Relevant	na	S	Relevant	na	S	Relevant	na	S	Highly Relevant	na	S	Relevant	na
Effectiveness	[PS]	[Less Effective]	na	PS-S	Effective	na	S	Effective	na	S	Effective	na	–	Effective	na	[S]	Effective	na	S	Less Effective	na
Efficiency	[PS]	Efficient	Improved	PS	Efficient	Improved	S	Efficient	na	PS-S	Less Efficient	na	[PS]	Efficient	Improved	[PS]	Less Efficient	na	–	Efficient	na
Sustainability	PS-US	Less Likely	na	PS	Less Likely	na	PS	Likely	Improved	S-PS	Likely	Improved	PS-US	Likely	Improved	[PS]	Less Likely	na	–	Less Likely	na
Development Impacts	[PS]	Substantial	Improved	PS-S	Modest to Substantial	na	S	Substantial	na	–	Satisfactory	na	–	Substantial	na	[PS]	Modest to Substantial	na	–	Partly Satisfactory	na
ADB Performance	[PS]	Substantial	Improved	S	S	Same	S	Substantial	na	S	Satisfactory	na	[S]	Substantial	na	[PS]	Substantial	Improved	[S]	Positive	na
<b>End Ratings</b>	<b>[PS]</b>	<b>S</b>	Improved	<b>[S]</b>	<b>S</b>	Same	<b>S</b>	<b>S</b>	Same	<b>S</b>	<b>S</b>	Same	<b>[S]</b>	<b>S</b>	Same	<b>[PS]</b>	<b>PS</b>	Same	<b>[S]</b>	<b>S</b>	Same
ADF Projects Approved	39	1	Improved	5	2	Same	10	6	Improved	21		Same	15	2	Worsened	22	0	Worsened	1		
in 1990s/2000s <sup>b</sup> Rated Successful	(74%)	(100%)		(100%)	(100%)		(90%)	(100%)		(71%)			(73%)	(67%)		(55%)	(0%)		(100%)		
<b>Themes</b>																					
Targeting the Poor	[PS]	[S]	Improved	[S]	[S]	Same	[S]	[S]	Same	–	–	–	[PS]	[S]	Improved	[S]	[S]	Same	[PS]	–	na
Governance	[PS]	[PS]	Same	S	[S]	Same	PS-S	[S]	Improved	PS	[S]	Improved	–	[PS]	–	[PS]	[PS]	Same	[PS]	–	na
Gender Equality	PS-S	[HS]	Improved	[S]	[PS]	Worsened	[S]	[S]	Same	S	[S]	Same	–	[S]	–	[S]	[S]	Same	[PS]	–	na
Regional Cooperation and Integration	–	[PS]	–	[S]	[S]	Same	S	[S]	Same	S	[S]	Same	–	[S]	–	–	[PS]	–	[S]	–	na
Capacity Development	–	[HS]	–	[S]	[PS]	Worsened	PS	[S]	Improved	PS	[PS]	Same	[PS]	[PS]	Same	[PS]	[PS]	Same	–	–	na
Private Sector	[PS]	[PS]	Same	[PS]	PS	Same	S	S (low side)	Worsened	–	[S]	–	[PS]	[S]	Same	–	[PS]	–	[PS]	–	na
Environment	[PS]	[S]	Improved	[PS]	[PS]	Same	–	[S]	–	PS	[S]	Improved	PS	[PS]	Same	–	[S]	–	[PS]	–	na
<b>Sectors</b>																					
Agriculture and Natural Resources	[HS]	PS	Worsened	[S]	–	–	S	S (low side)	Worsened	PS	S	Improved	[PS]	–	–	[S]	PS	Worsened	[S]	PS	Worsened
Education	[S]	S	Same	[S]	–	–	HS	S (low side)	Worsened	S	S	Same	[PS]	–	–	[S]	S	Same	[S]	S	Same
Energy	[S]	S	Same	[S]	S	Same	[S]	PS (high side)	Worsened	S	S	Same	[S]	–	–	[S]	PS	Worsened	US	–	na
Finance	[PS]	PS	Same	[S]	PS	Worsened	[S]	S (low side)	Worsened	PS	S	Improved	[S]	S	Same	–	S	–	[PS]	PS <sup>o</sup>	Same
Health and Social Protection	[PS]	–	–	[S]	–	–	[S]	–	–	S	S	Same	–	–	–	–	–	–	–	–	na
Multisector	–	PS	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	na
Public Sector Management	–	PS	–	–	–	–	–	–	–	–	S	–	–	–	–	–	PS	–	–	–	na
Transport and ICT	[S]	PS	Worsened	[S]	PS	Worsened	[S]	PS (high side)	Worsened	HS	S	Worsened	[S]	S	Same	[S]	PS	Worsened	US	S	Improved
Water and Other Municipal Infrastructure and Services	[PS-S]	PS	Same	[S]	S	Same	[S]	–	–	PS-S	–	–	[PS]	S	Improved	[S]	PS	Worsened	[S]	S	Same
Others	–	–	–	–	S <sup>c</sup>	–	–	–	–	–	S <sup>d</sup>	–	–	–	–	–	–	–	–	–	–

Criterion	INO 2005	PAK 2007	PNG 2003	SRI 2007	VIE 2009
Positioning	–	S	S-PS	S-PS	Substantial
Relevance	S	[PS]	S	S-PS	Relevant
Effectiveness	PS	PS	[PS]	PS-S	Effective
Efficiency	PS	[PS]	[PS]	PS-S	Less Efficient
Sustainability	PS	[PS]	[PS]	[S]	Likely
Institutional Impacts	PS	–	–	[S]	Substantial
ADB Performance	[PS]	PS	[PS]	S	Substantial
<b>End Ratings</b>	<b>PS</b>	<b>PS</b>	[PS- US]	<b>PS</b>	<b>S</b>
ADF Projects Approved in 1990s/2000s <sup>b</sup> Rated Successful	14 (64%)	24 (54%)	9 (11%)	26 (62%)	7 (100%)
<b>Themes</b>					
Targeting the Poor	[PS]	[PS]	[PS]	[S]	[S]
Governance	S	–	[PS]	PS	[PS]
Gender Equality	[S]	[S]	–	[S]	[S]
Regional Cooperation and Integration	–	[S]	–	[S]	[S]
Capacity Development	PS	[PS]	[PS]	[PS]	[S]
Private Sector	[PS]	[PS]	[PS]	–	[PS]
Environment	PS	[PS]	[PS]	–	[S]
<b>Sectors</b>					
Agriculture and Natural Resources	PS	PS	[PS]	PS	S
Education	S	PS	–	S	S
Energy	S	S	–	PS	S
Finance	HS	PS	[PS]	–	PS
Health and Social Protection	S	US	[PS]	–	PS (high side)
Multisector	–	–	–	–	–
Public Sector Management	S	PS	–	–	PS
Transport and ICT	HS	S	[S]	S	PS
Water and Other Municipal Infrastructure and Services	S	US	–	S	S
Others	–	–	–	–	–

– = no discussion; ADB = Asian Development Bank; ADF = Asian Development Fund; BAN = Bangladesh; BHU = Bhutan; CAM = Cambodia; CAPE = country assistance program evaluation; HS = highly successful; ICT = information and communication technology; INO = Indonesia; LAO = Lao People's Democratic Republic; MON = Mongolia; na = not assessed, since the ratings are not comparable; NEP = Nepal; PAK = Pakistan; PNG = Papua New Guinea; PS = partly successful; S = successful; SRI = Sri Lanka; US = unsuccessful; UZB = Uzbekistan, VIE = Viet Nam.

Note: Ratings in brackets were derived based on discussion in CAPE reports; such derived ratings were provided only when there were no specific ratings given.

<sup>a</sup> Based on the revised CAPE guidelines.

<sup>b</sup> For the latest CAPE, these are projects approved in the 2000s.

<sup>c</sup> CAPE gave a combined rating for the projects on regional cooperation and integration, public sector management, and health and social protection, and classified as "others."

<sup>d</sup> Rating for crosscutting areas/urban.

<sup>e</sup> The rating is for the finance-public policy sector.

Sources: ADB CAPE reports; Independent Evaluation Department database of project/program completion reports and project/program performance evaluation reports.

**Table A4.2: Overall Performance of ADF Projects in ADF-Only and Blend Countries by Approval Year<sup>a</sup>**

<b>Year</b>	<b>Total (Successful Operations)</b>	<b>% of Successful Operations (HS+S+GS)</b>	<b>Partly Successful (PS)</b>	<b>Unsuccessful (US)</b>	<b>Total (Unsuccessful Operations)</b>	<b>% of Unsuccessful Operations (PS+US)</b>
1973	8	44.4	9	1	10	55.6
1974	3	23.1	10	0	10	76.9
1975	7	70.0	1	2	3	30.0
<b>1973-1975</b>	18	43.9	20	3	23	56.1
1976	1	10.0	7	2	9	90.0
1977	9	64.3	2	3	5	35.7
1978	6	35.3	9	2	11	64.7
<b>1976-1978</b>	16	39.0	18	7	25	61.0
1979	10	50.0	5	5	10	50.0
1980	10	47.6	7	4	11	52.4
1981	11	45.8	10	3	13	54.2
1982	4	30.8	8	1	9	69.2
<b>1979-1982</b>	35	44.9	30	13	43	55.1
1983	7	41.2	8	2	10	58.8
1984	8	53.3	5	2	7	46.7
1985	6	35.3	9	2	11	64.7
1986	9	50.0	7	2	9	50.0
<b>1983-1986</b>	30	44.8	29	8	37	55.2
1987	18	75.0	5	1	6	25.0
1988	16	66.7	8	0	8	33.3
1989	15	48.4	15	1	16	51.6
1990	13	41.9	17	1	18	58.1
1991	15	48.4	12	4	16	51.6
<b>1987-1991</b>	77	54.6	57	7	64	45.4
1992	18	60.0	12	0	12	40.0
1993	22	61.1	12	2	14	38.9
1994	18	72.0	6	1	7	28.0
1995	26	72.2	8	2	10	27.8
1996	32	78.0	8	1	9	22.0
<b>1992-1996</b>	116	69.0	46	6	52	31.0
1997	32	76.2	10	0	10	23.8
1998	17	68.0	6	2	8	32.0
1999	22	78.6	4	2	6	21.4
2000	26	63.4	13	2	15	36.6
<b>1997-2000</b>	97	71.3	33	6	39	28.7
2001	17	63.0	5	5	10	37.0
2002	16	61.5	7	3	10	38.5
2003	13	81.3	3	0	3	18.8
2004	4	44.4	3	2	5	55.6
<b>2001-2004</b>	50	64.1	18	10	28	35.9
2005	7	87.5	1	0	1	12.5
2006	2	40.0	1	2	3	60.0
2007	0	0.0	0	0	0	0.0
2008	1	100.0	0	0	0	0.0

Year	Total (Successful Operations)	% of			Total (Unsuccessful Operations)	% of Unsuccessful Operations (PS+US)
		Successful Operations (HS+S+GS)	Partly Successful (PS)	Unsuccessful (US)		
2005–2008	10	71.4	2	2	4	28.6
2009	3	100.0	0	0	0	0.0
2010	0	0.0	0	0	0	0.0

ADB = Asian Development Bank, ADF = Asian Development Fund, GS = generally successful, HS = highly successful, IED = Independent Evaluation Department, PCR = project completion report, PVR = project completion report validation, PEIS = postevaluation information system, PPER = project/program performance evaluation report, PS = partly successful, S = successful, SES = special evaluation study, TA = technical assistance, US = unsuccessful.

<sup>a</sup> For projects evaluated as of 31 December 2010. At the time of SES preparation, there were no PCRs, PVRs, nor PPERs available for ADF-funded grant projects approved from 2005. Project ratings are based on the latest rating available, i.e., either from the PCR, PVR, or PPER.

Sources of basic data: ADB database on Loan, TA, Grant and Equity Approvals, PEIS, IED website, IED database, PCRs, PVRs, PPERs.

**Table A4.3: Performance Ratings of ADF-Supported Projects and Programs<sup>a</sup>**  
(by ADF replenishment period and modality; in %)

ADF Replenishment Period	Modality											
	Project				Program				Total			
	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total
ADF I	43.9	48.8	7.3	100.0					43.9	48.8	7.3	100.0
ADF II	37.5	45.0	17.5	100.0	100.0	0.0	0.0	100.0	39.0	43.9	17.1	100.0
ADF III	42.9	38.6	18.6	100.0	62.5	37.5	0.0	100.0	44.9	38.5	16.7	100.0
ADF IV	48.4	38.7	12.9	100.0	0.0	100.0	0.0	100.0	44.8	43.3	11.9	100.0
ADF V	62.0	33.1	5.0	100.0	10.0	85.0	5.0	100.0	54.6	40.4	5.0	100.0
ADF VI	69.7	26.5	3.9	100.0	61.5	38.5	0.0	100.0	69.0	27.4	3.6	100.0
ADF VII	75.0	20.5	4.5	100.0	54.2	41.7	4.2	100.0	71.3	24.3	4.4	100.0
ADF VIII	68.1	14.9	17.0	100.0	58.1	35.5	6.5	100.0	64.1	23.1	12.8	100.0
ADF IX	75.0	0.0	25.0	100.0	66.7	33.3	0.0	100.0	71.4	14.3	14.3	100.0
ADF X					100.0	0.0	0.0	100.0	100.0	0.0	0.0	100.0
Others (1969–1972)	58.3	36.1	5.6	100.0					58.3	36.1	5.6	100.0
ADF I–X	60.5	30.8	8.7	100.0	48.6	47.7	3.6	100.0	58.8	33.1	8.1	100.0
ADF VIII–X	69.1	12.7	18.2	100.0	62.5	32.5	5.0	100.0	66.3	21.1	12.6	100.0

ADF = Asian Development Fund, GS = generally successful, HS = highly successful, IED = Independent Evaluation Department, PCR = project/program completion report, PS = partly successful, S = successful, US = unsuccessful.

<sup>a</sup> Includes all ADF-eligible countries.

Sources of basic data: IED database; PCRs; project/program performance evaluation reports; PCR validation reports.

**TableA4.4: Reasons Associated with Partly Successful/Unsuccessful Projects/Programs<sup>a</sup>**

<b>Reason</b>	<b>No. of Projects/ Programs with Issue</b>	<b>% to Total No. of Projects/ Programs</b>
<b>Design-Related Issues</b>		
Inadequate understanding of underlying development problem/project does not address underlying development problems	3	10.7
Lack of stakeholder consultation/support	9	32.1
Project design does not adequately consider country conditions	17	60.7
Technical design problems (for infrastructure projects)	2	7.1
Project complexity	13	46.4
Lack of risk assessment/mitigation	5	17.9
<b>Implementation-Related Issues</b>		
Lack of actual demand for project outputs	1	3.6
Lack of institutional capacity to achieve project outputs/outcomes	16	57.1
Cost overruns caused by project implementation delays	1	3.6
Cost overruns caused by other factors such as price or design changes	3	10.7
Lack of Government coordination	9	32.1
Lack of adequate ADB implementation support	11	39.3
Lack of continued political commitment	14	50.0
Lack of financial resources to maintain project outputs/outcomes	4	14.3
Lack of institutional capacity to maintain project outputs/outcomes	3	10.7
<b>Others:</b> Political instability/deteriorating security situation	3	10.7

ADB = Asian Development Bank.

<sup>a</sup> For projects/programs approved from 2001 to 2010, which were rated *partly successful* or *unsuccessful*.

Sources of basic data: Project completion reports and project completion validation reports.

**Table A4.5: Assessment of 51 ADF-Supported Operations in Five Countries**

Project Type <sup>a</sup>	Status <sup>b</sup>	Country <sup>c</sup>	Loan No.	Project	Approval Date	Original Financial Closing Date	Delay	Revised Financial Closing Date	PPR Rating	PCR Rating	PVR Rating	IEM Rating <sup>d</sup>	Poverty Component		Governance Ambitions		Design Problem (Yes/No)	Scope Change (Yes/No)
													Yes/No	Likely Success <sup>d</sup>	Yes/No	Likely Success <sup>d</sup>		
L	O	BAN	1881	Post-Literacy and Continuing Education Project	13-Dec-01	31-Dec-08	5 yrs	30-Jun-13	S	NA		S	Yes	S	Yes	S	Yes	Yes
L	C	BAN	1884	West Zone Power System Development Project	17-Dec-01	30-Sep-06	3 yrs & 9 mos	21-Jun-10	<sup>e</sup> S				Yes		Yes		Yes	No
L	O	BAN	1885	West Zone Power System Development Project	17-Dec-01	30-Sep-06	3.5 yrs	8-Nov-10	<sup>e</sup> S	NA		S	Yes	PS	Yes	PS	Yes	No
L	O	BAN	1920	Road Network Improvement and Maintenance Project	10-Oct-02	31-Dec-07	3.5 yrs	30-Jun-11	S	NA		S	No	NA	Yes	PS	Yes	No
L	O	BAN	1941	Jamuna-Meghna River Erosion Mitigation Project	25-Nov-02	30-Jun-09	2 yrs	30-Jun-11	S	NA		S	Yes	S	No	NA	Yes	Yes
L	O	BAN	1947	Urban Governance and Infrastructure Improvement (Sector)	28-Nov-02	31-Dec-09	1 yr	31-Dec-10	HS	NA		HS	Yes	S	Yes	HS	No	No
L	C	BAN	2156	Emergency Flood Damage Rehabilitation	20-Jan-05	31-Jul-07	6 mos	13-Dec-07	<sup>e</sup> -	HS	S	S	Yes	S	No	NA	No	No
L	O	BAN	2172	Second Urban Primary Health Care	31-May-05	30-Jun-12	None	30-Jun-12	S	NA		S	Yes	S	Yes	S	No	No
L	O	BAN	2190	Agribusiness Development	27-Oct-05	30-Jun-11	None	30-Jun-11	S	NA		PS	Yes	S	Yes	PS	No	No
L	O	BAN	2265	Secondary Towns Water Supply and Sanitation Sector	16-Oct-06	30-Jun-11	None	30-Jun-11	S	NA		S	Yes	S	Yes	S	No	No
L	O	BAN	2266	Secondary Education Sector Development Project	26-Oct-06	30-Jun-13	None	30-Jun-13	HS				Yes		Yes		No	No
L	C	BAN	2267	Secondary Education Sector Development Program	26-Oct-06	30-Sep-09	9 mos	21-Jun-10	<sup>e</sup> S	NA		S	Yes	S	Yes	S	No	No
L	C	LAO	1834	Vientiane Urban Infrastructure and Services Project	23-Aug-01	28-Feb-07	1 yr & 1 mos	2-Apr-08	<sup>e</sup> S	S	S	S	Yes	S	Yes	S	Yes	Yes
L	O	LAO	1933	Nam Ngum River Basin Development Sector	11-Nov-02	31-Mar-09	2 yrs	31-Mar-11	S	NA		S	Yes	S	Yes	S	Yes	Yes
L	C	LAO	1970	GMS: Mekong Tourism Development (Regional)	12-Dec-02	30-Jun-08	None	18-Aug-08	<sup>e</sup> S	NA		S	Yes	S	Yes	S	No	Yes
L	C	LAO	1989	GMS: Northern Economic Corridor	20-Dec-02	30-Jun-07	2 yrs	30-Jun-09	<sup>e</sup> S	S		S	Yes	PS	Yes	PS	No	No
L	O	LAO	2005	Northern Area Rural Power Distribution	18-Sep-03	30-Sep-08	1.5 yrs	31-Mar-10	S	NA		S	Yes	S	No	NA	Yes	Yes
L	O	LAO	2252	Rural Finance Sector Development Program	17-Aug-06	30-Sep-10	None	30-Sep-10	S				Yes		Yes		No	No
L	O	LAO	2253	Rural Finance Sector Development Program (Project Loan)	17-Aug-06	31-Mar-11	None	31-Mar-11	S	NA		S	Yes	PS	Yes	S	No	No



Project Type <sup>a</sup>	Status <sup>b</sup>	Country <sup>c</sup>	Loan No.	Project	Approval Date	Original Financial Closing Date	Delay	Revised Financial Closing Date	PPR Rating	PCR Rating	PVR Rating	IEM Rating <sup>d</sup>	Poverty Component		Governance Ambitions		Design Problem (Yes/No)	Scope Change (Yes/No)
													Yes/No	Likely Success <sup>d</sup>	Yes/No	Likely Success <sup>d</sup>		
L	O	LAO	2259	Northern Region Sustainable Livelihoods through Livestock Development	29-Sep-06	31-Dec-12	None	31-Dec-12	HS	NA		S	Yes	S	Yes	S	No	No
L	O	LAO	2306	Basic Education Sector Development Program	20-Dec-06	30-Apr-10	1 yr	30-Apr-11	S				Yes	S	Yes	S	No	No
G	O	LAO	0069	Basic Education Sector Development Program-Project Grant	20-Dec-06	30-Sep-12	None	30-Sep-12	S	NA		S	Yes	S	Yes	S	No	No
G	O	LAO	0016	Northern and Central Regions Water Supply and Sanitation Sector	25-Aug-05	30-Sep-10	2 yrs	30-Sep-12	S	NA		S	Yes	S	No	NA	No	No
G	O	LAO	0026	GMS Regional Communicable Diseases Control (Regional)	21-Nov-05	30-Jun-10	None	30-Jun-10	S	NA		S	Yes	S	Yes	S	No	No
L	C	NEP	1609	Community Groundwater Irrigation Sector <sup>f</sup>	26-Feb-98	31-Jul-05	2.5 yrs	21-Jan-08	<sup>e</sup> -	S	S	S	Yes	S	No	NA	No	No
L	C	NEP	1755	Small Towns Water Supply and Sanitation <sup>f</sup>	12-Sep-00	31-Dec-06	3 yrs	3-Dec-09	<sup>e</sup> S	S		S	Yes	S	Yes	S	Yes	Yes
L	C	NEP	1840	Teacher Education	24-Sep-01	30-Jun-08	1.5 yrs	9-Dec-09	<sup>e</sup> S	NA		S	Yes	S	Yes	S	Yes	No
L	C	NEP	1861	Governance Reform Program	27-Nov-01	31-Dec-05	1.5 yrs	18-Jul-07	<sup>e</sup> -	PS	PS	PS	No	NA	Yes	PS	Yes	Yes
L	C	NEP	1876	Road Network Development	13-Dec-01	31-Dec-07	1.5 yrs	30-Jun-09	S	NA		S	Yes	PS	Yes	PS	Yes	No
L	O	NEP	1966	Urban and Environmental Improvement	10-Dec-02	31-Mar-10	1 yr	31-Mar-11	S	NA		PS	No	NA	Yes	PS	Yes	Yes
L	C	NEP	2268	Rural Finance Sector Development Cluster Program (Subprogram I)	26-Oct-06	30-Jun-09	None	30-Jun-09	S				Yes		Yes		No	No
G	O	NEP	0059	Rural Finance Sector Development Cluster Program	26-Oct-06	30-Jun-09	2 yrs	30-Jun-11	S	NA		S	Yes	S	Yes	PS	Yes	Yes
L	O	NEP	2277	Education Sector Program I	1-Dec-06	31-Jan-10	None	31-Jan-10	S	NA		S	Yes	S	Yes	PS	No	No
G	O	NEP	0065	Education Sector Program I-Capacity Development Project	1-Dec-06	30-Jun-10	None	30-Jun-10	S	NR			Yes		Yes	PS	No	No
G	O	NEP	0051	Road Connectivity Sector I	10-Aug-06	30-Jun-13	None	30-Jun-13	HS	NA		S	Yes	PS	Yes	S	No	No
G	O	NEP	0063	Commercial Agriculture Development	16-Nov-06	30-Jun-13	None	30-Jun-13	S	NA		PS	Yes	PS	Yes	S	Yes	Yes
G	O	NEP	0093	Rural Reconstruction and Rehabilitation Sector Development Program (Project Grant)	12-Dec-07	30-Jun-12	None	30-Jun-12	HS				Yes		Yes		No	Yes
G	O	NEP	0094	Rural Reconstruction and Rehabilitation Sector Development Program (Program Grant)	12-Dec-07	31-Dec-11	None	31-Dec-11	S	NA		PS	Yes	PS	Yes	PS	Yes	No

Project Type <sup>a</sup>	Status <sup>b</sup>	Country <sup>c</sup>	Loan No.	Project	Approval Date	Original Financial Closing Date	Delay	Revised Financial Closing Date		PPR Rating	PCR Rating	PVR Rating	IEM Rating <sup>d</sup>	Poverty Component		Governance Ambitions		Design Problem (Yes/No)	Scope Change (Yes/No)
														Yes/No	Likely Success <sup>d</sup>	Yes/No	Likely Success <sup>d</sup>		
L	C	PAK	1854	North-West Frontier Province Urban Development Sector	8-Nov-01	30-Jun-08	6 mos	19-Dec-08	<sup>e</sup>	S	US		PS	No	NA	Yes	PS	Yes	Yes
L	C	PAK	1877	Agriculture Sector Program II	13-Dec-01	30-Jun-07	None	3-Jul-07	<sup>e</sup>	-				Yes				Yes	No
L	C	PAK	1878	Agriculture Sector Program II	13-Dec-01	30-Jun-07	None	3-Jul-07	<sup>e</sup>	S	PS	US	US	Yes	PS	Yes	PS	Yes	No
L	C	PAK	1879	Agriculture Sector Program II (TA Loan)	13-Dec-01	31-Aug-05	2 yrs & 5 mos	24-Jan-08	<sup>e</sup>	S				Yes				Yes	No
L	C	PAK	1897	Access to Justice Program	20-Dec-01	30-Jun-05	2 yrs & 3 mos	30-Sep-07	<sup>e</sup>	S				Yes				Yes	Yes
L	C	PAK	1898	Access to Justice Program	20-Dec-01	30-Jun-05	2 yrs & 3 mos	30-Sep-07	<sup>e</sup>	S	PS		PS	Yes	PS	Yes	PS	Yes	No
L	C	PAK	1899	Access to Justice Program (TA Loan)	20-Dec-01	30-Jun-06	3 yrs	2-Jul-09	<sup>e</sup>	S				Yes				Yes	No
L	C	PAK	1900	Reproductive Health	20-Dec-01	30-Jun-08	1 yr & 2 mos	18-Aug-09	<sup>e</sup>	-	US	US	US	Yes	US	Yes	US	Yes	No
L	O	PAK	2103	North-West Frontier Province Road Development Sector and Subregional Connectivity	18-Nov-04	31-Dec-10	None	31-Dec-10		S				Yes				No	Yes
L	O	PAK	2104	North-West Frontier Province Road Development Sector and Subregional Connectivity	18-Nov-04	31-Dec-10	None	31-Dec-10		S	NA		PS	Yes	PS	Yes	PS	No	No
L	O	PAK	2171	Agribusiness Development	19-May-05	31-Mar-11	None	31-Mar-11		S	NA		PS	Yes	PS	Yes	PS	No	No
L	C	PAK	2212	Rawalpindi Environmental Improvement	13-Dec-05	31-Aug-09	4 mos	31-Dec-09	<sup>e</sup>	US	NA		US	Yes	US	Yes	US	Yes	Yes
L	O	PAK	2213	Earthquake Emergency Assistance	13-Dec-05	30-Jun-09	2 yrs	30-Jun-11		S	NA		S	Yes	S	Yes	S	Yes	Yes
L	O	PAK	2287	Renewable Energy Development Sector Investment Program	13-Dec-06	30-Jun-12	None	30-Jun-12		S	NA		S	Yes	S	Yes	S	No	No
L	C	PAK	2292	Improving Access to Financial Services (Phase I) Program	14-Dec-06	31-Mar-07	None	12-Jan-07	<sup>e</sup>	-	S	PS	PS	Yes	S	Yes	S	No	No
L	O	VIE	1855	Second Red River Basin Sector	13-Nov-01	30-Jun-08	1.5 yrs	31-Dec-09		S	NA		S	Yes	S	Yes	PS	Yes	Yes
L	O	VIE	1883	Central Region Livelihood Improvement	17-Dec-01	30-Sep-07	2 yrs & 7 mos	28-Apr-10	<sup>e</sup>	S	S		S	Yes	S	Yes	S	Yes	No
L	O	VIE	1888	Provincial Roads Improvement Sector	18-Dec-01	31-Dec-06	2.5 yrs	30-Jun-09		S	NA		S	Yes	PS	Yes	S	Yes	No
L	O	VIE	1979	Upper Secondary Education Development	17-Dec-02	31-Dec-09	1.5 yrs	30-Jun-11		S	NA		S	Yes	S	No	NA	No	No
L	O	VIE	1990	Housing Finance	20-Dec-02	30-Jun-08	2 yrs & 2 mos	31-Aug-11		PS	NA		PS	Yes	PS	Yes	PS	Yes	Yes
L	O	VIE	2195	Central Region Transport Networks Improvement Sector	11-Nov-05	31-Dec-10	1.5 yrs	30-Jun-12		S				Yes		Yes		No	Yes
G	O	VIE	0022	Central Region Transport Networks Improvement Sector	11-Nov-05	31-Dec-10	None	31-Dec-10		S	NA		S	Yes	S	Yes	S	No	Yes

Project Type <sup>a</sup>	Status <sup>b</sup>	Country <sup>c</sup>	Loan No.	Project	Approval Date	Original Financial Closing Date	Delay	Revised Financial Closing Date	PPR Rating	PCR Rating	PVR Rating	IEM Rating <sup>d</sup>	Poverty Component		Governance Ambitions		Design Problem (Yes/No)	Scope Change (Yes/No)
													Yes/No	Likely Success <sup>d</sup>	Yes/No	Likely Success <sup>d</sup>		
L	O	VIE	2223	Central Water Resources Project	19-Dec-05	30-Jun-12	None	30-Jun-12	PS	NA		PS	Yes	S	Yes	S	No	No
L	O	VIE	2272	Central Region Small and Medium Towns Development	17-Nov-06	30-Jun-12	None	30-Jun-12	PS	NA		PS	Yes	PS	Yes	PS	No	No
L	C	VIE	2284	Small and Medium Enterprise Development Program - Subprogram II	12-Dec-06	1-Jul-08	9 mos	31-Mar-09 <sup>e</sup>	-	S		S	Yes	S	Yes	S	No	No
G	O	VIE	0027	GMS Regional Communicable Diseases Control (Regional)	21-Nov-05	30-Jun-10	None	30-Jun-10	S	NR		S	Yes	S	Yes	S	No	No

ADF = Asian Development Fund, GMS = Greater Mekong Subregion, HS = highly successful, IEM = Independent Evaluation Mission, NA = not applicable, PCR = project completion report, PVR = PCR validation report, PPR = project performance report, PS = partly successful, RRP = report and recommendation of the President, S = successful, TA = technical assistance, US = unsuccessful.

<sup>a</sup> G = grant, L = loan.

<sup>b</sup> C = completed. O = ongoing.

<sup>c</sup> BAN = Bangladesh, LAO = Lao People's Democratic Republic, NEP = Nepal, PAK = Pakistan, VIE = Viet Nam.

<sup>d</sup> Performance assessment was based on PCRs or PVRs for completed projects, PPRs for ongoing ones, or IEM estimates.

<sup>e</sup> Actual closing date.

<sup>f</sup> These projects were approved before 2001.

Sources: PCRs, RRP and back-to-office reports of ongoing projects, and Project Information Documents, available at <http://adbportal.asiadevbank.org/> and [www.adb.org](http://www.adb.org).

Table A4.6: Amount of ADF Support for Case Study Projects in Five Selected Countries

Item	No. of Countries <sup>a</sup>	Total Amount <sup>b</sup> (\$ million)						% Share					
		BAN	LAO	NEP	PAK	VIE	Total	BAN	LAO	NEP	PAK	VIE	Total
<b>Sector</b>													
Agriculture and Natural Resources	5	84.67	30.80	148.00	381.00	187.39	831.86	9.7	16.7	31.5	27.6	34.7	24.1
Education	4	180.00	21.56	51.30		55.00	307.86	20.6	11.7	10.9	-	10.2	8.9
Energy	3	219.00	30.00		10.00		259.00	25.1	16.2	-	0.7	-	7.5
Finance	4	-	10.00	64.70	40.80	30.00	145.50	-	5.4	13.8	3.0	5.6	4.2
Health and Social Protection	4	62.00	6.00	-	36.00	15.00	119.00	7.1	3.2	-	2.6	2.8	3.5
Industry and Trade	2	-	10.90	-	-	20.00	30.90	-	5.9	-	-	3.7	0.9
Multisector	2	152.30	-	-	220.00	-	372.30	17.4	-	-	16.0	-	10.8
Public Sector Management	2	-	-	30.00	350.00	-	380.00	-	-	6.4	25.4	-	11.0
Transport and ICT	5	65.00	30.00	111.20	301.20	178.92	686.32	7.4	16.2	23.6	21.8	33.2	19.9
Water and Other Municipal Infrastructure and Services	5	110.00	45.70	65.00	40.00	53.22	313.92	12.6	24.7	13.8	2.9	9.9	9.1
<b>Targeting</b>													
Targeted Intervention <sup>c</sup>	5	309.80	25.00	277.90	728.20	172.01	1,512.91	35.5	13.5	59.1	52.8	31.9	43.9
General Intervention	4	451.17	85.90	160.30	370.80	225.00	1,293.17	51.7	46.4	34.1	26.9	41.7	37.5
Others	2	112.00	74.06	32.00	280.00	142.52	640.58	12.8	40.0	6.8	20.3	26.4	18.6
<b>Safeguards</b>													
<b>Environment Impact<sup>d</sup></b>													
Significant adverse impact (A)	4	42.17	30.00	46.00	341.20		459.37	4.8	16.2	9.8	24.7	-	13.3
Some adverse impact (B)	5	608.30	117.40	278.20	600.80	419.53	2,024.23	69.7	63.5	59.2	43.6	77.8	58.7
No significant impact (C)	5	180.00	37.56	146.00	406.00	120.00	889.56	20.6	20.3	31.1	29.4	22.2	25.8
Involving credit line through a financial intermediary (FI)	2	42.50	-	-	31.00		73.50	4.9	-	-	2.2	-	2.1
<b>Involuntary Resettlement Effects<sup>e</sup></b>													
Significant (A)	5	344.00	65.90	211.20	341.20	376.44	1,338.74	39.4	35.6	44.9	24.7	69.8	38.8
Not significant (B)	4	306.47	50.70	30.00	230.00		617.17	35.1	27.4	6.4	16.7	-	17.9
None (C)	5	222.50	68.36	229.00	807.80	78.09	1,405.75	25.5	37.0	48.7	58.6	14.5	40.8
To be determined (A/B) <sup>f</sup>	1	-	-	-	-	85.00	85.00	-	-	-	-	15.8	2.5
<b>Indigenous People<sup>g</sup></b>													
Yes	4	115.00	73.36	176.00	-	296.31	660.67	13.2	39.7	37.4	-	54.9	19.2
Limited	5	-	20.70	97.20	230.00	53.22	401.12	-	11.2	20.7	16.7	9.9	11.6
No	4	757.97	90.90	197.00	1,149.00	190.00	2,384.87	86.8	49.1	41.9	83.3	35.2	69.2
<b>Total</b>	<b>5</b>	<b>872.97</b>	<b>184.96</b>	<b>470.20</b>	<b>1,379.00</b>	<b>539.53</b>	<b>3,446.66</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

ADF = Asian Development Fund, BAN = Bangladesh, ICT = information and communication technology, LAO = Lao People's Democratic Republic, NEP = Nepal, PAK = Pakistan, PCR = project completion report, RRP = report and recommendation of the President, VIE = Viet Nam.

- <sup>a</sup> Covers five countries: Bangladesh, Lao PDR, Nepal, Pakistan, and Viet Nam.
- <sup>b</sup> Total amount includes ordinary capital resources funding component of ADF projects amounting to \$903.10 million (26% of total) and cofinancing for 7 projects amounting to \$102.22 million (3% of total).
- <sup>c</sup> Targeted intervention includes projects classified as core poverty intervention and poverty intervention.
- <sup>d</sup> Environment classification is as follows: Category A = operations have significant adverse environmental impacts; Category B= operations have some adverse environmental impacts; Category C = project has no significant environmental impact; FI = project involves a credit line through a financial intermediary (FI); FI must apply an environmental management system, unless all subprojects will result in insignificant impacts.
- <sup>e</sup> Involuntary resettlement classification is as follows: A = significant, requires a full resettlement plan; B = not significant, requires a short resettlement plan; A/B = to be determined; and C = no involuntary resettlement effects are foreseen.
- <sup>f</sup> Viet Nam has two projects with resettlement classification to be determined.
- <sup>g</sup> Significance of impacts on indigenous peoples is classified as follows: Category A = has significant impacts that require indigenous people's plan and/or indigenous people's planning framework; Category B = has limited impacts; and Category C = no expected impacts.
- Sources of basic data: PCRs, RRP, and back-to-office reports of ongoing projects; and Project Information Documents, available at <http://adbportal.asiandevbank.org/> and [www.adb.org](http://www.adb.org).

Table A4.7: Number of ADF-Supported Case Study Operations in Five Selected Countries

Item	No. of Countries <sup>a</sup>	Number of Projects						% Share					
		BAN	LAO	NEP	PAK	VIE	Total	BAN	LAO	NEP	PAK	VIE	Total
<b>Sector</b>													
Agriculture and Natural Resources	5	2	2	3	2	3	12	20.0	20.0	27.3	20.0	30.0	23.5
Education	4	2	1	2		1	6	20.0	10.0	18.2	-	10.0	11.8
Energy	3	1	1		1		3	10.0	10.0	-	10.0	-	5.9
Finance	4	-	1	1	2	1	5	-	10.0	9.1	20.0	10.0	9.8
Health and Social Protection	4	1	1	-	1	1	4	10.0	10.0	-	10.0	10.0	7.8
Industry and Trade	2	-	1	-	-	1	2	-	10.0	-	-	10.0	3.9
Multisector	2	1	-	-	1	-	2	10.0	-	-	10.0	-	3.9
Public Sector Management	2	-	-	1	1		2	-	-	9.1	10.0	-	3.9
Transport and ICT	5	1	1	2	1	2	7	10.0	10.0	18.2	10.0	20.0	13.7
Water and Other Municipal Infrastructure and Services	5	2	2	2	1	1	8	20.0	20.0	18.2	10.0	10.0	15.7
<b>Targeting</b>													
Targeted Intervention <sup>b</sup>	5	7	10	6	6	8	37	70.0	100.0	54.5	60.0	80.0	72.5
General Intervention	4	3	-	4	3	2	12	30.0	-	36.4	30.0	20.0	23.5
Others	2	-	-	1	1	-	2	-	-	9.1	10.0	-	3.9
<b>Safeguards</b>													
<b>Environment<sup>c</sup></b>													
Significant adverse impact (A)	4	1	1	1	2	-	5	10.0	10.0	9.1	20.0	-	9.8
Some adverse impact (B)	5	6	6	6	4	6	28	60.0	60.0	54.5	40.0	60.0	54.9
No significant impact (C)	5	2	3	4	3	4	16	20.0	30.0	36.4	30.0	40.0	31.4
Involving credit line through a financial intermediary (FI)	2	1	-	-	1	-	2	10.0	-	-	10.0	-	3.9
<b>Involuntary Resettlement<sup>d</sup></b>													
Significant (A)	5	3	3	3	2	5	16	30.0	30.0	27.3	20.0	50.0	31.4
Not significant (B)	4	4	2	1	2	-	9	40.0	20.0	9.1	20.0	-	17.6
None (C)	5	3	5	7	6	3	24	30.0	50.0	63.6	60.0	30.0	47.1
To be determined (A/B) <sup>e</sup>	1	-	-	-	-	2	2	-	-	-	-	20.0	3.9
<b>Indigenous People<sup>f</sup></b>													
Yes	4	1	4	3	-	5	13	10.0	40.0	27.3	-	50.0	25.5
Limited	5	-	1	2	2	1	6	-	10.0	18.2	20.0	10.0	11.8
No	4	9	5	6	8	4	32	90.0	50.0	54.5	80.0	40.0	62.7
<b>Total</b>	<b>5</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>51</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

ADF = Asian Development Fund, BAN = Bangladesh, ICT = information and communication technology, LAO = Lao People's Democratic Republic, NEP = Nepal, PAK = Pakistan, PCR = project completion report, RRP = report and recommendation of the President, VIE = Viet Nam.

<sup>a</sup> Covers five countries: Bangladesh, Lao PDR, Nepal, Pakistan, and Viet Nam.

<sup>b</sup> Targeted intervention includes projects classified as core poverty intervention and poverty intervention.

<sup>c</sup> Environment classification is as follows: Category A = operations have significant adverse environmental impacts; Category B = operations have some adverse environmental impacts; Category C = project has no significant environmental impact; FI = project involves a credit line through a financial intermediary (FI); FI must apply an environmental management system, unless all subprojects will result in insignificant impacts.

<sup>d</sup> Involuntary resettlement classification is as follows: A = significant, requires a full resettlement plan; B = not significant, requires a short resettlement plan; A/B = to be determined; and C = no involuntary resettlement effects are foreseen.

<sup>e</sup> Viet Nam has two projects with resettlement classification to be determined.

<sup>f</sup> Significance of impacts on indigenous peoples is classified as follows: Category A = has significant impacts that require indigenous peoples plan and/or indigenous peoples planning framework; Category B = has limited impacts; and Category C = no expected impacts.

Sources of basic data: PCRs, RRP, and back-to-office reports of ongoing projects; and Project Information Documents, available at <http://adbportal.asiadevbank.org/> and [www.adb.org](http://www.adb.org).

**Table A4.8: Comparison of Performance Ratings of 25 Case Study Projects/Programs**  
(sorted by country)

Loan No.	Project	Approval Date	IEM Rating		
			2007 SES <sup>a</sup>	Current <sup>b</sup>	Remarks
<b>Bangladesh</b>					
1881	Post-Literacy and Continuing Education Project	13-Dec-01	PS	S	improved
1884/1885	West Zone Power System Development Project	17-Dec-01	S	S	same
1920	Road Network Improvement and Maintenance Project	10-Oct-02	PS	S	improved
1941	Jamuna-Meghna River Erosion Mitigation Project	25-Nov-02	HS	S	deteriorated
1947	Urban Governance and Infrastructure Improvement Project	28-Nov-02	S	HS	improved
<b>Lao People's Democratic Republic</b>					
1834	Vientiane Urban Infrastructure and Services Project	23-Aug-01	S	S	same
1933	Nam Ngum River Basin Development Sector Project	11-Nov-02	S	S	same
1970	GMS: Mekong Tourism Development Project	12-Dec-02	HS	S	deteriorated
1989	Northern Economic Corridor Project	20-Dec-02	S	S	same
2005	Northern Area Rural Power Distribution Project	18-Sep-03	S	S	same
<b>Nepal</b>					
1609	Community Groundwater Irrigation Sector Project	26-Feb-98	S	S	same
1755	Small Towns Water Supply and Sanitation Sector Project	12-Sep-00	PS	S	improved
1840	Teacher Education Project	24-Sep-01	S	S	same
1861	Governance Reform Program	27-Nov-01	PS	PS	same
1876	Road Network Development Project	13-Dec-01	PS	S	improved
<b>Pakistan</b>					
1854	North-West Frontier Province Urban Development Sector Program	8-Nov-01	PS	PS	same
1877/1878/1879	Agriculture Sector Program II	13-Dec-01	S	PS	deteriorated
1897/1898	Access to Justice Program	20-Dec-01	PS	PS	same
1900	Reproductive Health Project	20-Dec-01	US	US	same
2103/2104	North-West Frontier Province Road Development Sector Program and Subregional Connectivity	18-Nov-04	PS	PS	same



Loan No.	Project	Approval Date	IEM Rating		
			2007 SES <sup>a</sup>	Current <sup>b</sup>	Remarks
<b>Viet Nam</b>					
1855	Second Red River Basin Sector Project	13-Nov-01	PS	S	improved
1883	Central Regions Livelihood Improvement Project	17-Dec-01	PS	S	improved
1888	Provincial Roads Improvement Sector Project	18-Dec-01	PS	S	improved
1979	Upper Secondary Education Development Project	17-Dec-02	HS	S	deteriorated
1990	Housing Finance Project	20-Dec-02	PS	PS	same

GMS = Greater Mekong Subregion, HS = highly successful, IEM = independent evaluation mission, PS = partly successful, S = successful, SES = Special Evaluation Study, US = unsuccessful.

<sup>a</sup> ADB. 2007. Special Evaluation Study on Asian Development Fund VIII and IX Operations. Manila.

<sup>b</sup> Based on the project/program completion report, project/program completion report validation, project/program performance evaluation report, or IEM's estimates.

Sources: ADB. 2007. *Special Evaluation Study on Asian Development Fund VIII and IX Operations*. Manila; project/program completion reports; project/program completion report validation; project/program performance evaluation reports; IEM estimates.

**Table A4.9: Comparison of Performance Ratings of 25 Case Study Projects/Programs**  
(sorted based on change in performance rating)

Loan No.	Country	Project	Approval Date	IEM Rating		
				2007 SES <sup>a</sup>	Current <sup>b</sup>	Remark
1941	BAN	Jamuna-Meghna River Erosion Mitigation Project	25-Nov-02	HS	S	deteriorated
1970	LAO	GMS: Mekong Tourism Development Project	12-Dec-02	HS	S	deteriorated
1877/1878/1879	PAK	Agriculture Sector Program II	13-Dec-01	S	PS	deteriorated
1979	VIE	Upper Secondary Education Development Project	17-Dec-02	HS	S	deteriorated
1881	BAN	Post-Literacy and Continuing Education Project	13-Dec-01	PS	S	improved
1920	BAN	Road Network Improvement and Maintenance Project	10-Oct-02	PS	S	improved
1947	BAN	Urban Governance and Infrastructure Improvement Project	28-Nov-02	S	HS	improved
1755	NEP	Small Towns Water Supply and Sanitation Sector Project	12-Sep-00	PS	S	improved
1876	NEP	Road Network Development Project	13-Dec-01	PS	S	improved
1855	VIE	Second Red River Basin Sector Project	13-Nov-01	PS	S	improved
1883	VIE	Central Regions Livelihood Improvement Project	17-Dec-01	PS	S	improved

Loan No.	Country	Project	Approval Date	IEM Rating		
				2007 SES <sup>a</sup>	Current <sup>b</sup>	Remark
1888	VIE	Provincial Roads Improvement Sector Project	18-Dec-01	PS	S	improved
1884/1885	BAN	West Zone Power System Development Project	17-Dec-01	S	S	same
1834	LAO	Vientiane Urban Infrastructure and Services Project	23-Aug-01	S	S	same
1933	LAO	Nam Ngum River Basin Development Sector Project	11-Nov-02	S	S	same
1989	LAO	Northern Economic Corridor Project	20-Dec-02	S	S	same
2005	LAO	Northern Area Rural Power Distribution Project	18-Sep-03	S	S	same
1609	NEP	Community Groundwater Irrigation Sector Project	26-Feb-98	S	S	same
1840	NEP	Teacher Education Project	24-Sep-01	S	S	same
1861	NEP	Governance Reform Program	27-Nov-01	PS	PS	same
1854	PAK	North-West Frontier Province Urban Development Sector Program	8-Nov-01	PS	PS	same
1897/1898	PAK	Access to Justice Program	20-Dec-01	PS	PS	same
1900	PAK	Reproductive Health Project	20-Dec-01	US	US	same
2103/2104	PAK	North-West Frontier Province Road Development Sector Program and Subregional Connectivity	18-Nov-04	PS	PS	same
1990	VIE	Housing Finance Project	20-Dec-02	PS	PS	same

BAN = Bangladesh, GMS = Greater Mekong Subregion, HS = highly successful, IEM = independent evaluation mission, LAO = Lao People's Democratic Republic, NEP = Nepal, PAK = Pakistan, PS = partly successful, S = successful, SES = Special Evaluation Study, US = unsuccessful, VIE = Viet Nam.

<sup>a</sup> ADB. 2007. *Special Evaluation Study on Asian Development Fund VIII and IX Operations*. Manila.

<sup>b</sup> Based on the project/program completion report, project/program completion report validation, project/program performance evaluation report or IEM's estimates.

Sources: ADB. 2007. *Special Evaluation Study on Asian Development Fund VIII and IX Operations*. Manila; project/program completion reports; project/program completion report validation; project/program performance evaluation reports; IEM estimates.

**Table A4.10: Summary of Project/Program Performance by Evaluation Criterion,<sup>a</sup>  
by Country Classification**  
(for projects/programs approved from 2001 to 2010)

<b>Criterion/ Country Classification</b>	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>	<b>No.</b>	<b>%</b>
										<b>Highly Relevant + Relevant</b>
<b>Relevance</b>		<b>Highly Relevant</b>		<b>Relevant</b>		<b>Partly Relevant</b>		<b>Irrelevant</b>		<b>Not Rated<sup>b</sup></b>
ADF-only	22	50.0	20	45.5	2	4.5	0	0.0	1	95.5
Blend	15	30.0	22	44.0	12	24.0	1	2.0	0	74.0
ADF	13	36.1	15	41.7	7	19.4	1	2.8	0	77.8
Blended	2	14.3	7	50.0	5	35.7	0	0.0	0	64.3
All ADF-eligible	37	39.4	42	44.7	14	14.9	1	1.1	1	84.1
										<b>Highly Effective + Effective</b>
<b>Effectiveness</b>		<b>Highly Effective</b>		<b>Effective</b>		<b>Less Effective</b>		<b>Ineffective</b>		<b>Not Rated<sup>b</sup></b>
ADF-only	4	9.3	29	67.4	9	20.9	1	2.3	2	76.7
Blend	5	10.0	21	42.0	15	30.0	9	18.0	0	52.0
ADF	4	11.1	19	52.8	5	13.9	8	22.2	0	63.9
Blended	1	7.1	2	14.3	10	71.4	1	7.1	0	21.4
All ADF-eligible	9	9.7	50	53.8	24	25.8	10	10.8	2	63.4
										<b>Highly Efficient + Efficient</b>
<b>Efficiency</b>		<b>Highly Efficient</b>		<b>Efficient</b>		<b>Less Efficient</b>		<b>Inefficient</b>		<b>Not Rated<sup>b</sup></b>
ADF-only	9	22.0	21	51.2	9	22.0	2	4.9	4	73.2
Blend	6	12.2	15	30.6	18	36.7	10	20.4	1	42.8
ADF	6	17.1	13	37.1	7	20.0	9	25.7	1	54.3
Blended	0	0.0	2	14.3	11	78.6	1	7.1	0	14.3
All ADF-eligible	15	16.7	36	40.0	27	30.0	12	13.3	5	56.7
										<b>Most Likely + Likely</b>
<b>Sustainability</b>		<b>Most Likely</b>		<b>Likely</b>		<b>Less Likely</b>		<b>Unlikely</b>		<b>Not Rated<sup>b</sup></b>
ADF-only	3	7.7	26	66.7	8	20.5	2	5.1	6	74.4
Blend	6	12.2	19	38.8	13	26.5	11	22.4	1	51.0
ADF	6	17.1	15	42.9	4	11.4	10	28.6	1	60.0
Blended	0	0.0	4	28.6	9	64.3	1	7.1	0	28.6
All ADF-eligible	9	10.2	45	51.1	21	23.9	13	14.8	7	61.3

ADF = Asian Development Fund, IED = Independent Evaluation Department.

<sup>a</sup> Based on the latest performance assessment available (i.e., project/program completion report, project/program completion report validation, or project/program performance evaluation report).

<sup>b</sup> Excluded when computing for the percent share to total.

Source of basic data: IED database.

**Table A4.11: Project/Program Performance by Evaluation Criterion and Replenishment Period<sup>a</sup>**

(for projects/programs approved in 2001–2010, in %)

Criterion	ADF VIII	ADF IX	ADF X	ADF VIII–X
Relevance <sup>b</sup>	81.8 (77)	92.9 (14)	100.0 (3)	84.0 (94)
Effectiveness <sup>c</sup>	61.0 (77)	69.2 (13)	100.0 (3)	63.4 (93)
Efficiency <sup>d</sup>	56.0 (75)	58.3 (12)	66.7 (3)	56.7 (90)
Sustainability <sup>e</sup>	56.2 (73)	83.3 (12)	100.0 (3)	61.4 (88)

ADF = Asian Development Fund, IED = Independent Evaluation Department.

<sup>a</sup> Based on the latest performance assessment available (i.e., project/program completion report, project/program completion report validation, or project/program performance evaluation report). Figures under relevance show the percentage of projects/programs that were rated *highly relevant* or *relevant*; for effectiveness, *highly effective* or *effective*; for efficiency, *highly efficient* or *efficient*; for sustainability, *most likely* or *likely sustainable*. Figures in parentheses show the total number of self-evaluated projects/programs.

<sup>b</sup> Excludes one project in ADF VIII, which was not rated in terms of its relevance.

<sup>c</sup> Excludes one project each in ADF VIII and IX, which were not rated in terms of effectiveness.

<sup>d</sup> Excludes 3 projects in ADF VIII and 2 in ADF IX, which were not rated in terms of efficiency.

<sup>e</sup> Excludes 5 projects in ADF VIII and 2 in ADF IX, which were not rated in terms of sustainability.

Source of basic data: IED database.

**Table A4.12: Project/Program Performance by Evaluation Criterion and Sector<sup>a</sup>**

(for projects/programs approved in 2001–2010, in %)

Sector	Relevance <sup>b</sup>	Effectiveness <sup>c</sup>	Efficiency <sup>d</sup>	Sustainability <sup>e</sup>
	ADF VIII–X	ADF VIII–X	ADF VIII–X	ADF VIII–X
Agriculture and Natural Resources	71 (14)	57 (14)	57 (14)	46 (13)
Education	67 (6)	50 (6)	50 (6)	67 (6)
Energy	67 (3)	67 (3)	33 (3)	67 (3)
Finance	67 (9)	56 (9)	44 (9)	78 (9)
Health and Social Protection	83 (6)	83 (6)	83 (6)	83 (6)
Industry and Trade	100 (7)	71 (7)	43 (7)	71 (7)
Multisector	94 (18)	76 (17)	69 (16)	75 (16)
Public Sector Management	92 (13)	46 (13)	46 (13)	42 (12)
Transport and ICT	100 (10)	70 (10)	56 (9)	44 (9)
Water and Other Municipal Infrastructure and Services	75 (8)	63 (8)	71 (7)	57 (7)
<b>All Sectors</b>	<b>84 (94)</b>	<b>63 (93)</b>	<b>57 (90)</b>	<b>61 (88)</b>

ADF = Asian Development Fund, ICT = information and communication technology, IED = Independent Evaluation Department.

<sup>a</sup> Based on the latest performance assessment available (i.e., project/program completion report, project/program completion report validation, or project/program performance evaluation report). Figures under relevance show the percentage of projects/programs that were rated *highly relevant* or *relevant*; for effectiveness, *highly effective* or *effective*; for efficiency, *highly efficient* or *efficient*; for sustainability, *most likely* or *likely sustainable*. Figures in parentheses show the total number of self-evaluated projects/programs.

<sup>b</sup> Excludes one project in ADF VIII, which was not rated in terms of its relevance.

<sup>c</sup> Excludes one project each in ADF VIII and IX, which were not rated in terms of effectiveness.

<sup>d</sup> Excludes 3 projects in ADF VIII and 2 in ADF IX, which were not rated in terms of efficiency.

<sup>e</sup> Excludes 5 projects in ADF VIII and 2 in ADF IX, which were not rated in terms of sustainability.

Source of basic data: IED database.

**Table A4.13: Selected Problems Encountered by ADF Case Study Projects**

Item	Number					Total	
	BAN	LAO	NEP	PAK	VIE	Number	%
<b>Delay in Loan Closing</b>							
None	4	4	5	5	3	21	41.2
Less than a year <sup>a</sup>	1	0	0	2	1	4	7.8
One year to less than 2 years <sup>b</sup>	1	3	4	1	3	12	23.5
Two years to less than 3 years	1	3	1	2	3	10	19.6
Three years and over <sup>c</sup>	3	0	1	0	0	4	7.8
<b>Total</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>51</b>	<b>100.0</b>
<b>Design Problem</b>							
None	6	7	5	4	6	28	54.9
With design problem	4	3	6	6	4	23	45.1
<b>Total</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>51</b>	<b>100.0</b>
<b>Change in Scope</b>							
None	8	6	6	5	7	32	62.7
With change in scope	2	4	5	5	3	19	37.3
<b>Total</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>51</b>	<b>100.0</b>

ADF = Asian Development Fund, BAN = Bangladesh, LAO = Lao People's Democratic Republic, NEP = Nepal, PAK = Pakistan, PCR = program/project completion report, PPR = program/project performance report, VIE = Viet Nam.

<sup>a</sup> 4 to 9 months.

<sup>b</sup> 1 year to 1 year and 6 months.

<sup>c</sup> 3 years to 4 years and 6 months.

Sources of basic data: PPRs and PCRs, available at <http://adbportal.asiandevbank.org/> and [www.adb.org](http://www.adb.org).

**Table A4.14: Frequency Distribution of Projects Based on EIRR at Appraisal<sup>a</sup>**  
(number of projects)

Country Classification	EIRR (%)					Total
	0 to <12	12 to 20	>20 to 30	>30 to 40	>40	
ADF-only	0	8	4	1	0	13
Blend	0	5	7	0	1	13
<b>All ADF-Eligible</b>	<b>0</b>	<b>13</b>	<b>11</b>	<b>1</b>	<b>1</b>	<b>26</b>

ADF = Asian Development Fund, EIRR = economic internal rate of return.

<sup>a</sup> Of the 95 completed and rated projects and programs (approved from 2001 to 2010), the EIRR was calculated for only 26. Some EIRRs were given as a range. To simplify this table, the lower bound of the range was used.

Sources of basic data: IED database; various reports and recommendation of the President and project completion reports.

**Table A4.15: Frequency Distribution of Projects Based on EIRR at Appraisal<sup>a</sup>**  
(percent share to total)

Country Classification	EIRR (%)					Total
	0 to <12	12 to 20	>20 to 30	>30 to 40	>40	
ADF-only		61.5	30.8	7.7	0.0	100.0
Blend		38.5	53.8	0.0	7.7	100.0
<b>All ADF-Eligible</b>		<b>50.0</b>	<b>42.3</b>	<b>3.8</b>	<b>3.8</b>	<b>100.0</b>

ADF = Asian Development Fund, EIRR = economic internal rate of return.

<sup>a</sup> Of the 95 completed and rated projects and programs (approved from 2001 to 2010), the EIRR was calculated for only 26. Some EIRRs were given as a range. To simplify this table, the lower bound of the range was used.

Sources of basic data: IED database; various reports and recommendation of the President and project completion reports.

**Table A4.16: Frequency Distribution of Projects Based on EIRR at Completion<sup>a</sup>**  
(number of projects)

Country Classification	EIRR (%)					Total
	0 to <12	12 to 20	>20 to 30	>30 to 40	>40	
ADF-only	1	4	4	2	0	11
Blend	2	4	3	2	1	12
<b>All ADF-Eligible</b>	<b>3</b>	<b>8</b>	<b>7</b>	<b>4</b>	<b>1</b>	<b>23</b>

ADF = Asian Development Fund, EIRR = economic internal rate of return.

<sup>a</sup> Of the 95 completed and rated projects and programs (approved from 2001 to 2010), the EIRR was calculated for only 23. Some EIRRs were given as a range. To simplify this table, the lower bound of the range was used.

Sources of basic data: IED database; various reports and recommendation of the President and project completion reports.

**Table A4.17: Frequency Distribution of Projects Based on EIRR at Completion<sup>a</sup>**  
(percent share to total)

Country Classification	EIRR (%)					Total
	0 to <12	12 to 20	>20 to 30	>30 to 40	>40	
ADF-only	9.1	36.4	36.4	18.2	0.0	100.0
Blend	16.7	33.3	25.0	16.7	8.3	100.0
<b>All ADF-Eligible</b>	<b>13.0</b>	<b>34.8</b>	<b>30.4</b>	<b>17.4</b>	<b>4.3</b>	<b>100.0</b>

ADF = Asian Development Fund, EIRR = economic internal rate of return.

<sup>a</sup> Of the 95 completed and rated projects and programs (approved from 2001 to 2010), the EIRR was calculated for only 23. Some EIRRs were given as a range. To simplify this table, the lower bound of the range was used.

Sources of basic data: IED database; various reports and recommendation of the President and project completion reports.

**Table A4.18: Comparison of EIRRs at Appraisal and at Completion<sup>a</sup>**  
(number of projects)

Country Classification	Change (in percentage points)				Total
	>0 to 5	>5 to 10	>10 to 15	>15	
<b>A. Improved</b>					
ADF-only	3	1	1	1	6
Blend	3	2	0	1	6
<b>All ADF-Eligible</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>12</b>
<b>B. Deteriorated</b>					
ADF-only	1	3	1	0	5
Blend	3	0	3	0	6
<b>All ADF-Eligible</b>	<b>4</b>	<b>3</b>	<b>4</b>	<b>0</b>	<b>11</b>

ADF = Asian Development Fund, EIRR = economic internal rate of return .

<sup>a</sup> Of the 95 completed and rated projects and programs (approved from 2001 to 2010), the EIRR was calculated for only 26 at the time of appraisal, and 23 at the time of completion. Some EIRRs were given as a range. To simplify this table, the lower bound of the range was used.

Sources of basic data: IED database; various reports and recommendation of the President and project completion reports.

**Table A4.19: Comparison of EIRRs at Appraisal and at Completion<sup>a</sup>**  
(percent share to total)

Country Classification	Change (in percentage points)				Total
	>0 to 5	>5 to 10	>10 to 15	>15	
<b>A. Improved</b>					
ADF-only	50.0	16.7	16.7	16.7	100.0
Blend	50.0	33.3	0.0	16.7	100.0
<b>All ADF-Eligible</b>	<b>50.0</b>	<b>25.0</b>	<b>8.3</b>	<b>16.7</b>	<b>100.0</b>
<b>B. Deteriorated</b>					
ADF-only	20.0	60.0	20.0	0.0	100.0
Blend	50.0	0.0	50.0	0.0	100.0
<b>All ADF-Eligible</b>	<b>36.4</b>	<b>27.3</b>	<b>36.4</b>	<b>0.0</b>	<b>100.0</b>

ADF = Asian Development Fund, EIRR = economic internal rate of return .

<sup>a</sup> Of the 95 completed and rated projects and programs (approved from 2001 to 2010), the EIRR was calculated for only 26 at the time of appraisal, and 23 at the time of completion. Some EIRRs were given as a range. To simplify this table, the lower bound of the range was used.

Sources of basic data: IED database; various reports and recommendation of the President and project completion reports.



**Table A4.20: Start-Up<sup>a</sup> Times for ADF Loans, by Country Classification**

Country Classification <sup>b/</sup> Country	ADF VIII (2001–2004)							ADF IX (2005–2008)							ADF X (2009–2010)						
	No. <sup>c</sup>	%	\$ million	%	App Sgn	Sgn Eff	App Eff	No. <sup>c</sup>	%	\$ million	%	App Sgn	Sgn Eff	App Eff	No. <sup>c</sup>	%	\$ million	%	App Sgn	Sgn Eff	App Eff
<b>A. ADF-Only<sup>d</sup></b>	<b>90</b>	<b>47.1</b>	<b>1,902.3</b>	<b>33.9</b>	<b>103.5</b>	<b>115.1</b>	<b>218.5</b>	<b>45</b>	<b>29.4</b>	<b>869.0</b>	<b>13.9</b>	<b>80.9</b>	<b>113.4</b>	<b>194.2</b>	<b>17</b>	<b>29.3</b>	<b>460.1</b>	<b>15.5</b>	<b>64.6</b>	<b>64.3</b>	<b>128.9</b>
Afghanistan	6	3.1	487.2	8.7	58.2	65.8	124.0	5	3.3	235.0	3.8	78.6	110.8	189.4	0	-	-	-	-	-	-
Bhutan	2	1.0	16.4	0.3	68.0	97.5	165.5	5	3.3	93.9	1.5	68.2	78.4	146.6	0	-	-	-	-	-	-
Cambodia	18	9.4	355.0	6.3	124.3	84.3	208.6	10	6.5	152.9	2.5	45.2	164.5	209.7	4	6.9	71.7	2.4	37.8	68.3	106.0
Kyrgyz Republic	7	3.7	145.8	2.6	84.4	121.7	206.1	2	1.3	30.5	0.5	138.0	101.0	239.0	2	3.4	44.5	1.5	29.0	85.5	114.5
Lao PDR	13	6.8	225.6	4.0	76.3	138.5	214.8	4	2.6	28.2	0.5	102.3	147.5	249.8	1	1.7	0.1	0.0	-	-	-
Maldives	3	1.6	23.5	0.4	138.7	90.3	229.0	4	2.6	20.6	0.3	125.0	96.0	221.0	2	3.4	36.5	1.2	99.0	82.0	181.0
Mongolia	10	5.2	136.4	2.4	77.4	100.8	178.2	4	2.6	56.2	0.9	170.0	108.5	278.5	2	3.4	58.1	2.0	5.7	27.3	33.0
Nepal	15	7.9	359.3	6.4	159.9	181.3	341.2	2	1.3	86.0	1.4	16.5	30.0	46.5	5	8.6	233.2	7.9	146.2	80.8	227.0
Samoa	2	1.0	14.0	0.2	160.0	136.0	296.0	3	2.0	37.5	0.6	73.0	119.7	192.7	1	1.7	16.0	0.5	8.0	64.0	72.0
Tajikistan	11	5.8	125.3	2.2	96.4	96.5	192.8	6	3.9	128.2	2.1	56.2	80.2	136.3	0	-	-	-	-	-	-
Tonga	1	0.5	10.0	0.2	1.0	13.0	14.0	0	-	-	-	-	-	-	0	-	-	-	-	-	-
Tuvalu	2	1.0	3.8	0.1	19.0	125.5	144.5	0	-	-	-	-	-	-	0	-	-	-	-	-	-
<b>B. Blend<sup>e</sup></b>	<b>101</b>	<b>52.9</b>	<b>3,705.3</b>	<b>66.1</b>	<b>88.8</b>	<b>162.5</b>	<b>251.3</b>	<b>107</b>	<b>69.9</b>	<b>5,365.7</b>	<b>86.0</b>	<b>87.4</b>	<b>91.3</b>	<b>178.7</b>	<b>41</b>	<b>70.7</b>	<b>2,501.3</b>	<b>84.5</b>	<b>35.9</b>	<b>82.9</b>	<b>118.7</b>
Armenia	0	-	-	-	-	-	-	3	2.0	83.9	1.3	35.7	108.0	143.7	3	5.2	140.0	4.7	8.0	101.7	109.7
Azerbaijan	2	1.0	42.0	0.7	286.5	235.5	522.0	2	1.3	13.0	0.2	139.0	98.0	237.0	0	-	-	-	-	-	-
Bangladesh	16	8.4	873.7	15.6	63.3	169.5	232.8	23	15.0	1,480.6	23.7	69.7	78.5	148.2	8	13.8	427.9	14.4	14.4	117.4	131.8
Cook Islands <sup>f</sup>	1	0.5	2.2	0.0	69.0	31.0	100.0	2	1.3	9.7	0.2	83.0	71.0	154.0	0	-	-	-	-	-	-
Georgia	0	-	-	-	-	-	-	2	1.3	110.0	1.8	33.5	25.0	58.5	5	8.6	313.8	10.6	12.2	35.4	47.6
Indonesia <sup>f</sup>	8	4.2	330.4	5.9	197.4	125.4	322.8	10	6.5	430.4	6.9	85.5	64.0	149.5	0	-	-	-	-	-	-
Marshall Islands	2	1.0	15.0	0.3	46.5	61.0	107.5	0	-	-	-	-	-	-	1	1.7	9.5	0.3	22.0	20.0	42.0
Micronesia, FS	3	1.6	27.2	0.5	107.0	392.7	499.7	0	-	-	-	-	-	-	0	-	-	-	-	-	-
Pakistan	29	15.2	1,045.6	18.6	75.9	183.7	259.6	23	15.0	1,398.8	22.4	100.7	61.8	162.6	5	8.6	515.0	17.4	44.0	30.4	74.4
Papua New Guinea	3	1.6	30.6	0.5	46.3	201.0	247.3	4	2.6	158.0	2.5	92.8	93.3	186.0	3	5.2	95.0	3.2	59.3	54.3	113.7
Sri Lanka	19	9.9	506.6	9.0	63.7	126.5	190.2	8	5.2	324.3	5.2	50.6	110.0	160.6	5	8.6	152.2	5.1	68.2	102.8	171.0
Uzbekistan	0	-	-	-	-	-	-	6	3.9	157.6	2.5	245.3	102.2	347.5	4	6.9	325.0	11.0	21.3	85.3	106.5
Viet Nam	18	9.4	832.0	14.8	98.3	142.3	240.6	24	15.7	1,199.4	19.2	71.8	136.7	208.5	7	12.1	523.0	17.7	60.6	112.4	173.0
<b>C. Regional</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>0.7</b>	<b>1.5</b>	<b>0.0</b>	<b>35.0</b>	<b>242.0</b>	<b>277.0</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D. All ADF-Eligible Countries</b>	<b>191</b>	<b>100.0</b>	<b>5,607.6</b>	<b>100.0</b>	<b>95.7</b>	<b>140.2</b>	<b>235.9</b>	<b>153</b>	<b>100.0</b>	<b>6,236.2</b>	<b>100.0</b>	<b>85.1</b>	<b>98.7</b>	<b>183.9</b>	<b>58</b>	<b>100.0</b>	<b>2,961.4</b>	<b>100.0</b>	<b>44.6</b>	<b>77.2</b>	<b>121.8</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, App = approval, Eff = effectiveness, FS = Federated States of, Lao PDR = Lao People's Democratic Republic, Sgn = signing of loan agreement, TA = technical assistance.

<sup>a</sup> Expressed in terms of number of days.

<sup>b</sup> Based on the country classification as of 11 March 2010.

<sup>c</sup> Excludes loans that were terminated, cancelled, or not yet signed and effective, or not yet effective.

<sup>d</sup> Excludes Myanmar, which currently does not have ADF access.

<sup>e</sup> Excludes India, which currently does not have ADF access.

<sup>f</sup> These countries were still ADF-eligible at the time of loan approval.

Sources of basic data: Loan Financial Information System; ADB database on Loan, TA, Grant and Equity Approvals.

**Table A4.21: Start-Up<sup>a</sup> Times for ADF Grants, by Country Classification**

Country Classification <sup>b</sup> / Country	ADF IX (2005–2008)							ADF X (2009–2010)						
	No. <sup>c</sup>	%	\$ million	%	App-Sgn	Sgn-Eff	App-Eff	No. <sup>c</sup>	%	\$ million	%	App-Sgn	Sgn-Eff	App-Eff
<b>A. ADF-Only</b>	<b>73</b>	<b>85.9</b>	<b>1,584.4</b>	<b>90.8</b>	<b>65.2</b>	<b>84.8</b>	<b>150.1</b>	<b>35</b>	<b>100.0</b>	<b>1,131.0</b>	<b>100.0</b>	<b>43.5</b>	<b>61.1</b>	<b>104.6</b>
Afghanistan	11	12.9	630.0	36.1	67.8	101.8	169.6	3	8.6	333.1	29.5	28.3	41.3	69.7
Bhutan	4	4.7	45.0	2.6	162.8	110.0	272.8	1	2.9	38.8	3.4	34.0	36.0	70.0
Cambodia	10	11.8	117.1	6.7	44.5	81.5	126.0	3	8.6	72.8	6.4	21.7	75.3	97.0
Kyrgyz Republic	9	10.6	131.5	7.5	55.6	79.2	134.8	2	5.7	35.5	3.1	29.0	85.5	114.5
Lao PDR <sup>d</sup>	8	9.4	84.4	4.8	65.1	121.1	186.3	9	25.7	152.4	13.5	22.8	79.8	102.6
Mongolia	6	7.1	88.3	5.1	22.5	69.8	92.3	4	11.4	64.9	5.7	21.8	49.0	70.8
Nepal	10	11.8	332.2	19.0	88.7	64.5	153.2	6	17.1	175.6	15.5	133.7	64.8	198.5
Samoa	3	3.5	23.5	1.3	24.3	119.3	143.7	0	0.0	-	0.0	0.0	0.0	0.0
Solomon Islands	3	3.5	19.3	1.1	77.7	43.7	121.3	2	5.7	20.0	1.8	10.5	56.0	66.5
Tajikistan	5	5.9	82.6	4.7	56.6	70.4	127.0	3	8.6	182.0	16.1	16.3	20.7	37.0
Timor-Leste	2	2.4	16.0	0.9	96.5	46.5	143.0	1	2.9	46.0	4.1	98.0	38.0	136.0
Tonga	1	1.2	11.3	0.6	45.0	38.0	83.0	1	2.9	10.0	0.9	18.0	67.0	85.0
Tuvalu	1	1.2	3.2	0.2	49.0	100.0	149.0	0	0.0	-	0.0	0.0	0.0	0.0
<b>B. Blend</b>	<b>10</b>	<b>11.8</b>	<b>127.9</b>	<b>7.3</b>	<b>75.7</b>	<b>95.8</b>	<b>171.5</b>	<b>0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Bangladesh	1	1.2	10.0	0.6	7.0	24.0	31.0	0	0.0	-	0.0	0.0	0.0	0.0
Pakistan	1	1.2	5.0	0.3	259.0	84.0	343.0	0	0.0	-	0.0	0.0	0.0	0.0
Papua New Guinea	1	1.2	15.0	0.9	41.0	87.0	128.0	0	0.0	-	0.0	0.0	0.0	0.0
Sri Lanka	3	3.5	52.2	3.0	83.0	102.7	185.7	0	0.0	-	0.0	0.0	0.0	0.0
Viet Nam	4	4.7	45.6	2.6	50.3	113.8	164.0	0	0.0	-	0.0	0.0	0.0	0.0
<b>C. Regional</b>	<b>2</b>	<b>2.4</b>	<b>33.0</b>	<b>1.9</b>	<b>5.0</b>	<b>44.5</b>	<b>49.5</b>	<b>0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>D. All ADF-Eligible Countries</b>	<b>85</b>	<b>100.0</b>	<b>1,745.3</b>	<b>100.0</b>	<b>65.0</b>	<b>85.2</b>	<b>150.2</b>	<b>35</b>	<b>100.0</b>	<b>1,131.0</b>	<b>100.0</b>	<b>43.5</b>	<b>61.1</b>	<b>104.6</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, App = grant approval, Eff = grant effectivity, Lao PDR = Lao People's Democratic Republic, Sgn = signing of grant agreement, TA = technical assistance.

<sup>a</sup> Expressed in terms of number of days.

<sup>b</sup> Based on the country classification as of 11 March 2010.

<sup>c</sup> Excludes grants that were terminated, cancelled, not yet signed and effective, or not yet effective.

<sup>d</sup> Excludes the supplementary financing under Grant 0082-LAO: Northern Greater Mekong Subregion Transport Network Improvement Project for \$27 million, approved on 26 April 2010.

Sources of basic data: Grant Financial Information System; ADB database on Loan, TA, Grant and Equity Approvals

**Table A4.22: Contract Award Ratio for All Loans, by ADF Replenishment Period, 2001–2010**

Country Group/Country <sup>a</sup>		Ratio (%)			
		ADF VIII (2001–2004)	ADF IX (2005–2008)	ADF X (2009–2010)	Grand Total (ADF VIII–X)
<b>ADF-Only</b>		<b>19.0</b>	<b>27.9</b>	<b>30.3</b>	<b>24.3</b>
	<b>Project</b>	<b>14.9</b>	<b>26.5</b>	<b>27.8</b>	<b>21.4</b>
	<b>Program</b>	<b>39.4</b>	<b>36.2</b>	<b>46.3</b>	<b>34.6</b>
Afghanistan		39.2	28.9	31.0	32.6
	Project	18.9	30.2	19.3	25.9
	Program	67.4	23.2	116.2	49.0
Bhutan		43.4	13.5	62.3	32.1
	Project	42.1	13.5	66.4	33.6
	Program	51.4	13.7	28.3	24.0
Cambodia		20.1	33.1	20.2	25.2
	Project	19.5	28.9	18.8	22.8
	Program	23.2	47.2	25.3	31.8
Kiribati		28.9	71.0	NA <sup>b</sup>	20.9
	Project	28.9	71.0	NA <sup>b</sup>	32.7
	Program	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>
Kyrgyz Republic		24.3	32.9	13.2	24.9
	Project	17.6	35.8	16.8	23.2
	Program	49.0	16.4	225.5	29.5
Lao PDR		18.7	37.6	59.9	27.1
	Project	20.1	40.1	66.1	27.9
	Program	8.6	27.8	48.9	23.0
Maldives		8.4	32.1	27.9	21.7
	Project	8.4	32.1	34.5	20.1
	Program	NA <sup>b</sup>	NA <sup>b</sup>	24.7	26.2
Mongolia		23.4	24.8	42.4	26.9
	Project	18.7	24.1	25.5	21.3
	Program	38.4	29.9	85.3	41.9
Nauru		0.0 <sup>c</sup>	NA <sup>b</sup>	NA <sup>b</sup>	0.0 <sup>c</sup>
	Project	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>
	Program	0.0 <sup>c</sup>	NA <sup>b</sup>	NA <sup>b</sup>	0.0 <sup>c</sup>
Nepal		7.4	20.9	24.6	15.9
	Project	6.1	16.5	24.1	12.7
	Program	20.8	47.1	27.3	28.9
Samoa		16.2	10.0	45.0	21.6
	Project	12.3	10.0	31.1	11.5
	Program	100.0	NA <sup>b</sup>	100.0 <sup>b</sup>	70.0
Solomon Islands		3.0	84.0	NA <sup>b</sup>	20.9
	Project	3.0	84.0	NA <sup>b</sup>	20.9
	Program	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>
Tajikistan		16.1	34.3	59.4	27.8
	Project	13.9	33.2	59.5	26.8
	Program	44.8	85.3	NA <sup>b</sup>	45.4

Country Group/Country <sup>a</sup>	Ratio (%)			
	ADF VIII (2001–2004)	ADF IX (2005–2008)	ADF X (2009–2010)	Grand Total (ADF VIII–X)
Tonga	66.3	NA <sup>b</sup>	NA <sup>b</sup>	66.3
Project	94.4	NA <sup>b</sup>	NA <sup>b</sup>	94.4
Program	66.3	NA <sup>b</sup>	NA <sup>b</sup>	66.3
Tuvalu	16.5	42.7	66.7	29.8
Project	2.5	42.7	51.4	24.0
Program	100.0	NA <sup>b</sup>	NA <sup>b</sup>	93.5
Vanuatu	87.0	NA <sup>b</sup>	NA <sup>b</sup>	87.0
Project	87.0	NA <sup>b</sup>	NA <sup>b</sup>	87.0
Program	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>
<b>Blend</b>	<b>17.8</b>	<b>27.6</b>	<b>37.6</b>	<b>25.3</b>
<b>Project</b>	<b>13.8</b>	<b>17.4</b>	<b>24.4</b>	<b>17.5</b>
<b>Program</b>	<b>27.2</b>	<b>55.5</b>	<b>59.6</b>	<b>45.2</b>
Armenia	NA <sup>b</sup>	17.4	64.0	44.4
Project	NA <sup>b</sup>	17.4	19.4	25.1
Program	NA <sup>b</sup>	NA <sup>b</sup>	100.0	100.0
Azerbaijan	0.0 <sup>c</sup>	11.1	35.4	18.6
Project	0.0 <sup>c</sup>	11.1	46.6	18.6
Program	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>	NA <sup>b</sup>
Bangladesh	13.5	22.5	45.3	23.5
Project	13.1	20.1	21.4	19.1
Program	23.0	52.9	69.1	59.9
Cook Islands <sup>d</sup>	33.0	14.0	7.2	13.4
Project	33.0	14.0	70.5	17.2
Program	NA <sup>b</sup>	NA <sup>b</sup>	50.0	0.0 <sup>c</sup>
Georgia	NA <sup>b</sup>	65.0	45.1	51.1
Project	NA <sup>b</sup>	65.0	23.7	36.9
Program	NA <sup>b</sup>	NA <sup>b</sup>	100.0	100.0
Indonesia <sup>d</sup>	23.5	50.8	26.8	34.5
Project	18.5	18.9	26.1	19.1
Program	34.0	93.9	41.4	60.5
Marshall Islands	31.1	12.0	NA <sup>b</sup>	28.3
Project	20.0	12.0	NA <sup>b</sup>	18.3
Program	54.8	NA <sup>b</sup>	100.0 <sup>b</sup>	54.8
Micronesia, Federated States of	5.8	12.2	4.6	8.8
Project	4.0	11.9	9.6	8.1
Program	12.6	16.8	NA <sup>b</sup>	13.6
Pakistan	16.0	28.6	37.8	24.7
Project	7.5	16.2	22.8	13.6
Program	24.3	42.5	62.1	36.5
Papua New Guinea	13.9	16.5	7.6	13.7
Project	11.9	16.5	8.2	13.0
Program	19.2	NA <sup>b</sup>	NA <sup>b</sup>	19.2
Sri Lanka	22.0	28.2	22.3	25.0
Project	20.2	29.4	23.0	25.0
Program	30.7	18.2	50.0	24.9

Country Group/Country <sup>a</sup>	Ratio (%)			
	ADF VIII (2001–2004)	ADF IX (2005–2008)	ADF X (2009–2010)	Grand Total (ADF VIII–X)
Uzbekistan	14.5	17.2	30.2	17.6
Project	14.5	15.4	30.2	17.0
Program	14.3	50.4	NA <sup>b</sup>	24.1
Viet Nam	13.3	13.1	40.8	20.2
Project	11.6	10.8	27.0	15.5
Program	24.1	41.6	-249.1	56.7
<b>Total (ADF-Only + Blend)</b>	<b>18.0</b>	<b>27.7</b>	<b>36.6</b>	<b>25.2</b>
<b>Project</b>	<b>14.0</b>	<b>18.6</b>	<b>24.8</b>	<b>18.0</b>
<b>Program</b>	<b>28.3</b>	<b>54.3</b>	<b>58.8</b>	<b>44.1</b>

ADF = Asian Development Fund, Lao PDR = Lao People's Democratic Republic.

<sup>a</sup> The following countries are excluded from the list, as they did not have any loans from 2001 to 2009: ADF-Only countries: Myanmar and Timor-Leste; and Blend country: Palau.

<sup>b</sup> There were no loans during the particular period, thus "NA."

<sup>c</sup> The actual contract award was 0; thus the achievement rate is 0%.

<sup>d</sup> Cook Islands and Indonesia are classified under Blend as these countries were ADF-eligible during a large part of the study period.

Sources of basic data: Central Operations Services Office and Project Performance Report.

**Table A4.23: Actual Disbursements versus Projections, 2001–2010**  
(amount in \$ million; achievement in %)

Countries	ADF VIII (2001–2004)			ADF IX (2005–2008)			ADF X (2009–2010)			Grand Total (ADF VIII–X)		
	Project- ed	Actual	Achieve- ment	Project- ed	Actual	Achieve- ment	Project- ed	Actual	Achieve- ment	Project- ed	Actual	Achieve- ment
<b>ADF-Only</b>	<b>1,275.8</b>	<b>1,245.7</b>	<b>97.6</b>	<b>1,800.8</b>	<b>1,570.7</b>	<b>87.2</b>	<b>749.0</b>	<b>782.9</b>	<b>104.5</b>	<b>3,825.6</b>	<b>3,599.3</b>	<b>94.09</b>
<b>Project</b>	<b>889.2</b>	<b>825.6</b>	<b>92.9</b>	<b>1,409.8</b>	<b>1,255.8</b>	<b>89.1</b>	<b>620.8</b>	<b>591.8</b>	<b>95.3</b>	<b>2,919.8</b>	<b>2,673.2</b>	<b>91.56</b>
<b>Program</b>	<b>386.6</b>	<b>420.0</b>	<b>108.7</b>	<b>390.9</b>	<b>314.9</b>	<b>80.6</b>	<b>128.3</b>	<b>191.1</b>	<b>149.0</b>	<b>905.8</b>	<b>926.1</b>	<b>102.24</b>
<b>Afghanistan</b>	<b>95.6</b>	<b>199.8</b>	<b>208.9</b>	<b>359.0</b>	<b>238.4</b>	<b>66.4</b>	<b>145.1</b>	<b>140.1</b>	<b>96.6</b>	<b>599.7</b>	<b>578.4</b>	<b>96.44</b>
Project	15.8	12.3	77.4	246.0	184.1	74.8	119.7	113.3	94.7	381.5	309.7	81.17
Program	79.8	187.5	235.0	113.0	54.3	48.1	25.4	26.8	105.6	218.2	268.7	123.14
<b>Bhutan</b>	<b>34.6</b>	<b>32.2</b>	<b>93.0</b>	<b>34.6</b>	<b>30.2</b>	<b>87.3</b>	<b>37.9</b>	<b>43.5</b>	<b>114.6</b>	<b>107.1</b>	<b>105.9</b>	<b>98.82</b>
Project	26.9	25.7	95.5	30.6	26.1	85.2	26.4	39.3	148.6	84.0	91.1	108.46
Program	7.7	6.5	84.4	4.0	4.1	103.6	11.5	4.2	36.3	23.2	14.8	63.91
<b>Cambodia</b>	<b>333.1</b>	<b>277.2</b>	<b>83.2</b>	<b>320.1</b>	<b>302.2</b>	<b>94.4</b>	<b>143.6</b>	<b>114.7</b>	<b>79.9</b>	<b>796.7</b>	<b>694.0</b>	<b>87.11</b>
Project	258.5	230.8	89.3	231.7	197.8	85.4	113.6	93.1	82.0	603.7	521.7	86.41
Program	74.6	46.4	62.2	88.4	104.4	118.1	30.0	21.6	71.9	193.0	172.4	89.31
<b>Kiribati</b>	<b>8.0</b>	<b>7.1</b>	<b>88.7</b>	<b>2.0</b>	<b>1.7</b>	<b>85.8</b>	-	-	-	<b>10.0</b>	<b>8.8</b>	<b>88.10</b>
Project	8.0	7.1	88.7	2.0	1.7	85.8	-	-	-	10.0	8.8	88.10
Program	-	-	-	-	-	-	-	-	-	-	-	-
<b>Kyrgyz Republic</b>	<b>159.2</b>	<b>165.6</b>	<b>104.0</b>	<b>139.4</b>	<b>130.1</b>	<b>93.3</b>	<b>37.8</b>	<b>31.8</b>	<b>84.1</b>	<b>336.5</b>	<b>327.6</b>	<b>97.35</b>
Project	88.9	96.3	108.3	114.8	122.1	106.3	29.4	23.1	78.6	233.1	241.5	103.58
Program	70.3	69.3	98.6	24.6	8.0	32.6	8.4	8.7	103.4	103.3	86.1	83.29
<b>Lao PDR</b>	<b>215.8</b>	<b>196.5</b>	<b>91.1</b>	<b>283.6</b>	<b>260.0</b>	<b>91.7</b>	<b>68.5</b>	<b>58.6</b>	<b>85.5</b>	<b>567.9</b>	<b>515.2</b>	<b>90.71</b>
Project	180.8	186.4	103.1	235.4	228.4	97.0	57.8	47.2	81.7	474.0	462.0	97.47
Program	35.0	10.1	28.9	48.2	31.7	65.7	10.7	11.4	106.3	93.9	53.1	56.58
<b>Maldives</b>	<b>15.7</b>	<b>16.1</b>	<b>102.6</b>	<b>33.2</b>	<b>17.7</b>	<b>53.2</b>	<b>35.5</b>	<b>31.3</b>	<b>88.2</b>	<b>84.4</b>	<b>65.0</b>	<b>77.07</b>
Project	15.7	16.1	102.6	33.2	17.7	53.2	17.5	14.7	84.2	66.4	48.5	73.01
Program	-	-	-	-	-	-	18.0	16.6	92.1	18.0	16.6	92.07
<b>Mongolia</b>	<b>157.0</b>	<b>136.1</b>	<b>86.7</b>	<b>129.8</b>	<b>109.4</b>	<b>84.3</b>	<b>49.9</b>	<b>71.8</b>	<b>143.9</b>	<b>336.7</b>	<b>317.3</b>	<b>94.24</b>
Project	90.0	88.1	97.9	107.3	95.5	88.9	41.5	31.0	74.7	238.8	214.6	89.85
Program	67.0	48.0	71.6	22.5	13.9	62.1	8.4	40.7	487.3	97.8	102.7	104.95
<b>Nepal</b>	<b>156.6</b>	<b>141.0</b>	<b>90.0</b>	<b>312.8</b>	<b>309.4</b>	<b>98.9</b>	<b>127.9</b>	<b>153.6</b>	<b>120.1</b>	<b>597.3</b>	<b>604.0</b>	<b>101.11</b>
Project	131.1	109.4	83.4	231.7	221.2	95.5	112.0	107.9	96.3	474.8	438.4	92.34
Program	25.5	31.6	123.9	81.2	88.2	108.7	15.9	45.8	287.8	122.6	165.6	135.10
<b>Samoa</b>	<b>11.7</b>	<b>9.1</b>	<b>77.9</b>	<b>14.5</b>	<b>8.3</b>	<b>57.1</b>	<b>13.3</b>	<b>31.9</b>	<b>239.5</b>	<b>39.5</b>	<b>49.3</b>	<b>124.77</b>
Project	8.3	5.8	70.0	14.5	8.3	57.1	13.3	16.5	123.8	36.1	30.6	84.68
Program	3.4	3.3	97.1	-	-	-	-	15.4	-	3.4	18.7	550.56
<b>Solomon Islands<sup>a</sup></b>	<b>3.4</b>	<b>1.1</b>	<b>31.9</b>	<b>9.9</b>	<b>10.7</b>	<b>107.3</b>	-	-	-	<b>13.3</b>	<b>11.7</b>	<b>88.32</b>
Project	3.4	1.1	31.9	9.9	10.7	107.3	-	-	-	13.3	11.7	88.32
Program	-	-	-	-	-	-	-	-	-	-	-	-
<b>Tajikistan</b>	<b>72.3</b>	<b>51.3</b>	<b>71.0</b>	<b>155.9</b>	<b>149.6</b>	<b>96.0</b>	<b>88.6</b>	<b>104.9</b>	<b>118.4</b>	<b>316.8</b>	<b>305.8</b>	<b>96.53</b>
Project	60.2	46.3	76.9	146.8	139.4	95.0	88.6	104.9	118.4	295.6	290.6	98.32
Program	12.1	5.0	41.3	9.1	10.2	111.8	-	-	-	21.2	15.2	71.62





Countries	ADF VIII (2001–2004)			ADF IX (2005–2008)			ADF X (2009–2010)			Grand Total (ADF VIII–X)		
	Project- ed	Actual	Achieve- ment	Project- ed	Actual	Achieve- ment	Project- ed	Actual	Achieve- ment	Project- ed	Actual	Achieve- ment
<b>Sri Lanka</b>	<b>579.2</b>	<b>519.4</b>	<b>89.7</b>	<b>640.3</b>	<b>588.4</b>	<b>91.9</b>	<b>257.5</b>	<b>253.2</b>	<b>98.4</b>	<b>1,477.0</b>	<b>1,361.0</b>	<b>92.15</b>
Project	449.2	408.2	90.9	640.3	588.4	91.9	257.5	253.2	98.4	1,347.0	1,249.8	92.78
Program	130.0	111.2	85.5	-	-	-	-	-	-	130.0	111.2	85.54
<b>Uzbekistan</b>	<b>25.8</b>	<b>17.2</b>	<b>66.7</b>	<b>4.4</b>	<b>3.3</b>	<b>76.1</b>	<b>58.3</b>	<b>56.1</b>	<b>96.3</b>	<b>88.4</b>	<b>76.7</b>	<b>86.70</b>
Project	25.8	17.2	66.7	4.4	3.3	76.1	58.3	56.1	96.3	88.4	76.7	86.70
Program	-	-	-	-	-	-	-	-	-	-	-	-
<b>Viet Nam</b>	<b>873.6</b>	<b>803.5</b>	<b>92.0</b>	<b>913.0</b>	<b>820.1</b>	<b>89.8</b>	<b>637.0</b>	<b>674.2</b>	<b>105.8</b>	<b>2,423.7</b>	<b>2,297.8</b>	<b>94.81</b>
Project	763.4	680.2	89.1	621.6	560.6	90.2	487.0	477.3	98.0	1,872.1	1,718.2	91.78
Program	110.2	123.2	111.8	291.4	259.5	89.0	150.0	196.9	131.3	551.6	579.6	105.07
<b>Total (ADF-Only and Blend)</b>	<b>4,490.5</b>	<b>4,264.3</b>	<b>95.0</b>	<b>5,984.7</b>	<b>6,240.2</b>	<b>104.3</b>	<b>3,529.6</b>	<b>3,771.6</b>	<b>106.9</b>	<b>14,004.8</b>	<b>14,276.0</b>	<b>101.94</b>
Project	3,512.6	3,278.0	93.3	4,563.1	4,359.2	95.5	2,474.5	2,418.6	97.7	10,550.3	10,055.8	95.31
Program	977.9	986.3	100.9	1,421.6	1,880.9	132.3	1,055.0	1,353.0	128.2	3,454.5	4,220.2	122.17

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

<sup>a</sup> This country had no loans for 2001–2009.

<sup>b</sup> Three loans were approved in Tonga in 1973, 1996, and 2002. However, disbursements are not reflected in the Loan Financial Information System.

<sup>c</sup> These countries (Cook Islands and Indonesia) were ADF-eligible during a large part of the review period.

Sources of basic data: ADB databases.

**Table A4.24: Number of Extensions to Loan Closing Date for All Closed Loans<sup>a</sup>**

Country Classification <sup>b/</sup> No. of Extensions	ADF VIII		ADF IX <sup>c</sup>		ADF X		ADF VIII-X	
	No.	%	No.	%	No.	%	No.	%
<b>ADF Countries<sup>d</sup></b>								
<b>Total No. of Loans Closed</b>	<b>59</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>
Loans without extension	8	13.6	7	58.3	2	100.0	17	23.3
1 extension	16	27.1	1	8.3	0	0.0	17	23.3
2 extensions	18	30.5	3	25.0	0	0.0	21	28.8
3 extensions	10	16.9	1	8.3	0	0.0	11	15.1
4 extensions	5	8.5	0	0.0	0	0.0	5	6.8
5 extensions	1	1.7	0	0.0	0	0.0	1	1.4
6 extensions	1	1.7	0	0.0	0	0.0	1	1.4
<b>Blend Countries<sup>e</sup></b>								
<b>Total No. of Loans Closed</b>	<b>58</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>
Loans without extension	9	15.5	12	48.0	9	100.0	30	32.6
1 extension	16	27.6	7	28.0	0	0.0	23	25.0
2 extensions	19	32.8	3	12.0	0	0.0	22	23.9
3 extensions	8	13.8	3	12.0	0	0.0	11	12.0
4 extensions	3	5.2	0	0.0	0	0.0	3	3.3
5 extensions	2	3.4	0	0.0	0	0.0	2	2.2
6 extensions	1	1.7	0	0.0	0	0.0	1	1.1
<b>All Countries</b>								
<b>Total No. of Loans Closed</b>	<b>117</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>165</b>	<b>100.0</b>
Loans without extension	17	14.5	19	51.4	11	100.0	47	28.5
1 extension	32	27.4	8	21.6	0	0.0	40	24.2
2 extensions	37	31.6	6	16.2	0	0.0	43	26.1
3 extensions	18	15.4	4	10.8	0	0.0	22	13.3
4 extensions	8	6.8	0	0.0	0	0.0	8	4.9
5 extensions	3	2.6	0	0.0	0	0.0	3	1.8
6 extensions	2	1.7	0	0.0	0	0.0	2	1.2

ADF = Asian Development Fund.

<sup>a</sup> Includes loans approved during ADF VIII to X that were closed as of end December 2010.<sup>b</sup> Based on the country classification as of 11 March 2010.<sup>c</sup> Excludes one regional loan to the Pacific, which was closed without an extension.<sup>d</sup> Excludes Myanmar, which currently has no access to ADF.<sup>e</sup> Excludes India, which currently has no access to ADF. Includes Cook Islands and Indonesia, which were still ADF-eligible at the time of loan approval.

Source of basic data: Loan Financial Information System database.

Table A4.25: Number of Extensions to Loan Closing Date for Closed Program Loans<sup>a</sup>

Country Classification <sup>b/</sup> No. of Extensions	ADF VIII		ADF IX		ADF X		ADF VIII-X	
	No.	%	No.	%	No.	%	No.	%
<b>ADF Countries<sup>c</sup></b>								
<b>Total No. of Loans Closed</b>	<b>20</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>
Loans without extension	6	30.0	6	66.7	2	100.0	14	45.2
1 extension	2	10.0	1	11.1	0	0.0	3	9.7
2 extensions	4	20.0	2	22.2	0	0.0	6	19.4
3 extensions	5	25.0	0	0.0	0	0.0	5	16.1
4 extensions	1	5.0	0	0.0	0	0.0	1	3.2
5 extensions	1	5.0	0	0.0	0	0.0	1	3.2
6 extensions	1	5.0	0	0.0	0	0.0	1	3.2
<b>Blend Countries<sup>d</sup></b>								
<b>Total No. of Loans Closed</b>	<b>23</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>
Loans without extension	6	26.1	11	78.6	9	100.0	26	56.5
1 extension	4	17.4	1	7.1	0	0.0	5	10.9
2 extensions	6	26.1	1	7.1	0	0.0	7	15.2
3 extensions	3	13.0	1	7.1	0	0.0	4	8.7
4 extensions	3	13.0	0	0.0	0	0.0	3	6.5
5 extensions	1	4.3	0	0.0	0	0.0	1	2.2
6 extensions	0	0.0	0	0.0	0	0.0	0	0.0
<b>All Countries</b>								
<b>Total No. of Loans Closed</b>	<b>43</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>
Loans without extension	12	27.9	17	73.9	11	100.0	40	51.9
1 extension	6	14.0	2	8.7	0	0.0	8	10.4
2 extensions	10	23.3	3	13.0	0	0.0	13	16.9
3 extensions	8	18.6	1	4.3	0	0.0	9	11.7
4 extensions	4	9.3	0	0.0	0	0.0	4	5.2
5 extensions	2	4.7	0	0.0	0	0.0	2	2.6
6 extensions	1	2.3	0	0.0	0	0.0	1	1.3

ADF = Asian Development Fund.

<sup>a</sup> Includes loans approved during ADF VIII to X that were closed as of end-December 2010.

<sup>b</sup> Based on the country classification as of 11 March 2010.

<sup>c</sup> Excludes Myanmar, which currently has no access to ADF.

<sup>d</sup> Excludes India, which currently has no access to ADF. Includes Cook Islands and Indonesia, which were still ADF-eligible at the time of loan approval.

Source of basic data: Loan Financial Information System database.

**Table A4.26: Number of Extensions to Loan Closing Date for Closed Project Loans<sup>a</sup>**

Country Classification <sup>b/</sup> No. of Extensions	ADF VIII		ADF IX <sup>c</sup>		ADF X		ADF VIII-X	
	No.	%	No.	%	No.	%	No.	%
<b>ADF Countries<sup>d</sup></b>								
<b>Total No. of Loans Closed</b>	<b>39</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>42</b>	<b>100.0</b>
Loans without extension	2	5.1	1	33.3	0	0.0	3	7.1
1 extension	14	35.9	0	0.0	0	0.0	14	33.3
2 extensions	14	35.9	1	33.3	0	0.0	15	35.7
3 extensions	5	12.8	1	33.3	0	0.0	6	14.3
4 extensions	4	10.3	0	0.0	0	0.0	4	9.5
5 extensions	0	0.0	0	0.0	0	0.0	0	0.0
6 extensions	0	0.0	0	0.0	0	0.0	0	0.0
<b>Blend Countries<sup>e</sup></b>								
<b>Total No. of Loans Closed</b>	<b>35</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>46</b>	<b>100.0</b>
Loans without extension	3	8.6	1	9.1	0	0.0	4	8.7
1 extension	12	34.3	6	54.5	0	0.0	18	39.1
2 extensions	13	37.1	2	18.2	0	0.0	15	32.6
3 extensions	5	14.3	2	18.2	0	0.0	7	15.2
4 extensions	0	0.0	0	0.0	0	0.0	0	0.0
5 extensions	1	2.9	0	0.0	0	0.0	1	2.2
6 extensions	1	2.9	0	0.0	0	0.0	1	2.2
<b>All Countries</b>								
<b>Total No. of Loans Closed</b>	<b>74</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>88</b>	<b>100.0</b>
Loans without extension	5	6.8	2	14.3	0	0.0	7	8.0
1 extension	26	35.1	6	42.9	0	0.0	32	36.4
2 extensions	27	36.5	3	21.4	0	0.0	30	34.1
3 extensions	10	13.5	3	21.4	0	0.0	13	14.8
4 extensions	4	5.4	0	0.0	0	0.0	4	4.5
5 extensions	1	1.4	0	0.0	0	0.0	1	1.1
6 extensions	1	1.4	0	0.0	0	0.0	1	1.1

ADF = Asian Development Fund.

<sup>a</sup> Includes loans approved during ADF VIII to X that were closed as of end-December 2010.

<sup>b</sup> Based on the country classification as of 11 March 2010.

<sup>c</sup> Excludes one regional loan to the Pacific, which was closed without an extension.

<sup>d</sup> Excludes Myanmar, which currently has no access to ADF.

<sup>e</sup> Excludes India, which currently has no access to ADF. Includes Cook Islands and Indonesia, which were still ADF-eligible at the time of loan approval.

Source of basic data: Loan Financial Information System database.

**Table A4.27: Average Delay in Loan Closing, by Country/Country Classification**

Country Classification <sup>b/</sup> Country	ADF VIII <sup>a</sup>					ADF IX <sup>a</sup>					ADF X <sup>a</sup>				
	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)
<b>ADF Countries<sup>d</sup></b>	<b>89</b>	<b>58</b>	<b>51</b>	<b>87.9</b>	<b>1.5</b>	<b>45</b>	<b>12</b>	<b>5</b>	<b>41.7</b>	<b>0.9</b>	<b>30</b>	<b>2</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
Afghanistan	6	1	1	100.0	1.0	5	0	0	0.0	0.0	0	0	0	0.0	0.0
Bhutan	2	2	1	50.0	1.4	5	0	0	0.0	0.0	0	0	0	0.0	0.0
Cambodia	18	12	10	83.3	0.9	10	4	2	50.0	0.3	10	1	0	0.0	0.0
Kyrgyz Republic	7	6	4	66.7	1.4	2	2	1	50.0	0.4	5	0	0	0.0	0.0
Lao PDR	13	9	9	100.0	1.8	4	1	0	0.0	0.0	1	0	0	0.0	0.0
Mongolia	10	8	7	87.5	1.8	4	1	0	0.0	0.0	3	0	0	0.0	0.0
Maldives	4	2	2	100.0	4.7	4	1	1	100.0	2.8	2	0	0	0.0	0.0
Nepal	15	8	8	100.0	1.3	2	2	0	0.0	0.0	8	0	0	0.0	0.0
Samoa	2	1	1	100.0	1.9	3	0	0	0.0	0.0	1	1	0	0.0	0.0
Tajikistan	12	9	8	88.9	1.3	6	1	1	100.0	0.9	0	0	0	0.0	0.0
<b>Blend Countries</b>	<b>99</b>	<b>56</b>	<b>49</b>	<b>87.5</b>	<b>1.6</b>	<b>97</b>	<b>24</b>	<b>12</b>	<b>50.0</b>	<b>0.7</b>	<b>52</b>	<b>5</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
Azerbaijan	2	0	0	0.0	0.0	2	1	1	100.0	0.0	0	0	0	0.0	0.0
Bangladesh	16	5	4	80.0	2.3	23	4	3	75.0	0.5	16	0	0	0.0	0.0
Cook Islands <sup>e</sup>	1	1	1	100.0	1.6	2	1	1	100.0	2.5	0	0	0	0.0	0.0
Micronesia, Fed. States of	3	2	2	100.0	2.2	0	0	0	0.0	0.0	0	0	0	0.0	0.0
Indonesia <sup>e</sup>	8	1	1	100.0	0.5	10	1	1	100.0	0.4	0	0	0	0.0	0.0
Pakistan	29	26	23	88.5	1.3	24	10	4	40.0	0.5	5	4	0	0.0	0.0
Papua New Guinea	3	2	2	100.0	2.0	4	0	0	0.0	0.0	5	0	0	0.0	0.0
Sri Lanka	19	10	9	90.0	2.1	8	0	0	0.0	0.0	6	0	0	0.0	0.0
Viet Nam	18	9	7	77.8	1.6	24	7	2	28.6	1.2	20	1	0	0.0	0.0
<b>All Countries</b>	<b>188</b>	<b>114</b>	<b>100</b>	<b>87.7</b>	<b>1.6</b>	<b>142</b>	<b>36</b>	<b>17</b>	<b>47.2</b>	<b>0.8</b>	<b>82</b>	<b>7</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, Lao PDR = Lao People's Democratic Republic, TA = technical assistance.

<sup>a</sup> Refers to the loan approval year.

<sup>b</sup> Based on the country classification of 11 March 2010.

<sup>c</sup> Excludes loans that were terminated/cancelled.

<sup>d</sup> Excludes Myanmar, which currently does not have ADF access.

<sup>e</sup> These countries were still ADF-eligible during most of the review period.

<sup>f</sup> There were 117 closed loans that were approved during ADF VIII. However, this table excludes Tonga and Marshall Islands (with 1 and 2 closed loans respectively, approved in ADF VIII), which had no loans with delayed closing during the entire review period.

<sup>g</sup> There were 37 closed loans (excluding 1 regional) that were approved during ADF IX. However, this table excludes Georgia (with one closed loan approved in ADF IX), which had no loans with delayed closing during the entire review period.

<sup>h</sup> There were 11 closed loans that were approved during ADF X. However, this table excludes Armenia and Georgia (with 2 closed loans each approved in ADF X), which had no loans with delayed closing during the entire review period.

Sources of basic data: Loan Financial Information System; ADB database on Loan, TA, Grant and Equity Approvals.

**Table A4.28: Average Delay in Program Loan Closing, by Country/Country Classification**

Country Classification <sup>b/</sup> Country	ADF VIII <sup>a</sup>					ADF IX <sup>a</sup>					ADF X <sup>a</sup>				
	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)
<b>ADF Countries<sup>d</sup></b>	<b>19</b>	<b>17</b>	<b>14</b>	<b>82.4</b>	<b>1.5</b>	<b>12</b>	<b>9</b>	<b>3</b>	<b>33.3</b>	<b>0.3</b>	<b>10</b>	<b>2</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
Afghanistan	2	0				1	0				0	0			
Bhutan	0	0				1	0				0	0			
Cambodia	6	6	5	83.3	0.9	4	4	2	50.0	0.3	5	1	0	0.0	0.0
Kyrgyz Republic	2	2	0	0.0	0.0	1	1	1	100.0	0.4	0	0			
Lao PDR	2	2	2	100.0	1.7	2	1				0	0			
Maldives	0	0				0	0				1	0			
Mongolia	2	2	3	150.0	2.5	1	1				1	0			
Nepal	3	3	3	100.0	1.5	2	2				2	0			
Samoa	0	0				0	0				1	1	0	0.0	0.0
Tajikistan	2	2	1	50.0	1.9	0	0				0	0			
<b>Blend Countries</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>106.3</b>	<b>1.7</b>	<b>17</b>	<b>14</b>	<b>2</b>	<b>14.3</b>	<b>0.7</b>	<b>12</b>	<b>5</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
Azerbaijan	0	0				0	0				0	0			
Bangladesh	1	1	1	100.0	2.5	4	2	1	50.0	0.7	3	0			
Cook Islands <sup>e</sup>	0	0				0	0				0	0			
Indonesia <sup>e</sup>	0	0				0	0				0	0			
Micronesia, Fed. States of	1	1	2	200.0	2.2	0	0				0	0			
Pakistan	7	7	7	100.0	1.1	7	6				4	4	0	0.0	0.0
Papua New Guinea	0	0				0	0				0	0			
Sri Lanka	1	1	2	200.0	4.1	0	0				0	0			
Viet Nam	6	6	5	83.3	1.0	6	6	1	16.7	0.7	5	1	0	0.0	0.0
<b>All Countries</b>	<b>35</b>	<b>33<sup>f</sup></b>	<b>31</b>	<b>93.9</b>	<b>1.6</b>	<b>29</b>	<b>23</b>	<b>5</b>	<b>21.7</b>	<b>0.5</b>	<b>22</b>	<b>7<sup>g</sup></b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, Lao PDR = Lao People's Democratic Republic, TA = technical assistance.

<sup>a</sup> Refers to the loan approval year.

<sup>b</sup> Based on the country classification of 11 March 2010.

<sup>c</sup> Excludes loans that were terminated/cancelled.

<sup>d</sup> Excludes Myanmar, which currently does not have ADF access.

<sup>e</sup> These countries were still ADF-eligible during most of the review period.

<sup>f</sup> There were 35 closed program loans that were approved during ADF VIII. However, this table excludes Marshall Islands and Tonga (each with 1 closed program loan). These countries' program loans approved during ADF VIII to X closed without delay.

<sup>g</sup> There were 11 closed program loans that were approved during ADF X. However, this table excludes Armenia and Georgia (with 2 closed program loans each). These countries' program loans approved during ADF VIII to X closed without delay.

Sources of basic data: Loan Financial Information System; ADB database on Loan, TA, Grant and Equity Approvals.



**Table A4.29: Average Delay in Project Loan Closing, by Country/Country Classification**

Country Classification <sup>b/</sup> Country	ADF VIII <sup>a</sup>					ADF IX <sup>a</sup>					ADF X <sup>a</sup>				
	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)	Approved Loans <sup>c</sup> (no.)	Closed Loans <sup>c</sup> (no.)	Late (no.)	% Late	Ave. Delay (yr.)
<b>ADF Countries<sup>d</sup></b>	<b>70</b>	<b>41</b>	<b>37</b>	<b>90.2</b>	<b>1.5</b>	<b>33</b>	<b>3</b>	<b>2</b>	<b>66.7</b>	<b>1.8</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
Afghanistan	4	1	1	100.0	1.0	4	0				0	0			
Bhutan	2	2	1	50.0	1.4	4	0				0	0			
Cambodia	12	6	5	83.3	1.0	6	0				5	0			
Kyrgyz Republic	5	4	4	100.0	1.4	1	1				5	0			
Lao PDR	11	7	7	100.0	1.8	2	0				1	0			
Maldives	4	2	2	100.0	4.7	4	1	1	100.0	2.8	1	0			
Mongolia	8	6	4	66.7	1.3	3	0				2	0			
Nepal	12	5	5	100.0	1.3	0	0				6	0			
Samoa	2	1	1	100.0	1.9	3	0				0	0			
Tajikistan	10	7	7	100.0	1.2	6	1	1	100.0	0.9	0	0			
<b>Blend Countries</b>	<b>83</b>	<b>40</b>	<b>32</b>	<b>80.0</b>	<b>1.6</b>	<b>80</b>	<b>10</b>	<b>10</b>	<b>100.0</b>	<b>0.7</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>
Azerbaijan	2	0	0		0.0	2	1	1	100.0	0.0	0	0			
Bangladesh	15	4	3	75.0	2.3	19	2	2	100.0	0.4	13	0			
Cook Islands <sup>e</sup>	1	1	1	100.0	1.6	2	1	1	100.0	2.5	0	0			
Indonesia <sup>e</sup>	8	1	1	100.0	0.5	10	1	1	100.0	0.4	0	0			
Micronesia, Fed. States of	2	1	0	0.0		0	0				0	0			
Pakistan	22	19	16	84.2	1.4	17	4	4	100.0	0.5	1	0			
Papua New Guinea	3	2	2	100.0	2.0	4	0				5	0			
Sri Lanka	18	9	7	77.8	1.5	8	0				6	0			
Viet Nam	12	3	2	66.7	3.0	18	1	1	100.0	1.6	15	0			
<b>All Countries</b>	<b>153</b>	<b>81<sup>f</sup></b>	<b>69</b>	<b>85.2</b>	<b>1.6</b>	<b>113</b>	<b>13<sup>g</sup></b>	<b>12</b>	<b>92.3</b>	<b>0.9</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, Lao PDR = Lao People's Democratic Republic, TA = technical assistance.

<sup>a</sup> Refers to the loan approval year.

<sup>b</sup> Based on the country classification of 11 March 2010.

<sup>c</sup> Excludes loans that were terminated/cancelled.

<sup>d</sup> Excludes Myanmar, which currently does not have ADF access.

<sup>e</sup> These countries were still ADF-eligible during most of the review period.

<sup>f</sup> There were 82 closed project loans that were approved during ADF VIII. However, this table excludes Marshall Islands (with 1 closed project loan). This country's project loans approved during ADF VIII to X closed without delay.

<sup>g</sup> There were 15 closed project loans that were approved during ADF IX. However, this table excludes one regional project loan and another in Georgia. These project loans approved during ADF VIII to X closed without delay.

Sources of basic data: Loan Financial Information System; ADB database on Loan, TA, Grant and Equity Approvals.

**Table A4.30: ADF Loan and Grant Cancellations, by Country and Financial Status**  
(for approvals in 2001–2010)

Country Classification/ Country	No. of Loans and Grants with Cancellations			Amount (\$ million)					
	Active	Closed	Total	Approved			Cancelled		
				Active	Closed	Total	Active	Closed	Total
<b>A. ADF-Only</b>	<b>11</b>	<b>52</b>	<b>63</b>	<b>350.9</b>	<b>809.1</b>	<b>1,160.0</b>	<b>47.4</b>	<b>129.6</b>	<b>177.0</b>
Afghanistan	2	2	4	140.5	12.0	152.5	20.2	6.0	26.2
Bhutan	0	2	2		16.4	16.4	-	1.1	1.1
Cambodia	3	7	10	77.4	103.9	181.3	11.6	6.8	18.4
Kyrgyz Republic	0	5	5		103.3	103.3	-	22.0	22.0
Lao PDR	2	7	9	33.0	135.9	168.9	5.3	2.5	7.8
Maldives	1	3	4	6.0	19.3	25.3	0.4	1.2	1.6
Mongolia	0	8	8		93.8	93.8	-	28.2	28.2
Nepal	3	7	10	94.0	200.6	294.6	9.8	50.4	60.2
Samoa	0	1	1		6.0	6.0	-	6.5	6.5
Tajikistan	0	9	9		107.9	107.9	-	4.8	4.8
Timor-Leste	0	1	1		10.0	10.0	-	0.1	0.1
<b>B. Blend</b>	<b>19</b>	<b>53</b>	<b>72</b>	<b>881.3</b>	<b>1,792.7</b>	<b>2,674.0</b>	<b>188.7</b>	<b>685.3</b>	<b>874.0</b>
Azerbaijan	0	1	1		3.0	3.0	-	2.0	2.0
Bangladesh	11	6	17	672.1	542.6	1,214.7	145.3	101.6	247.0
Cook Islands	0	1	1		2.8	2.8	-	0.4	0.4
Indonesia	3	2	5	128.2	150.0	278.2	20.1	5.3	25.3
Marshall Islands	0	1	1		7.0	7.0	-	7.4	7.4
Micronesia, Fed. States of	0	2	2		13.0	13.0	-	5.0	5.0
Pakistan	3	25	28	26.0	658.8	684.8	17.6	498.9	516.5
Papua New Guinea	0	2	2		11.6	11.6	-	7.7	7.7
Sri Lanka	2	9	11	55.0	224.8	279.8	5.7	45.3	51.0
Viet Nam	0	4	4		179.1	179.1	-	11.6	11.6
<b>C. Regional</b>	<b>0</b>	<b>1</b>	<b>1</b>		<b>1.5</b>	<b>1.5</b>	<b>-</b>	<b>0.0</b>	<b>0.0</b>
<b>All ADF-Eligible Countries</b>	<b>30</b>	<b>106</b>	<b>136</b>	<b>1,232.2</b>	<b>2,603.4</b>	<b>3,835.6</b>	<b>236.1</b>	<b>814.9</b>	<b>1,051.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, Lao PDR = Lao People's Democratic Republic.

Sources of basic data: ADB database on Loan, Technical Assistance, Grant and Equity Approvals, Monthly Statement of Loans, Grant Summary, and Cancellation of Loan and Grant Proceeds (Quarterly Portfolio Update, various issues).

**Table A4.31: Targeting and Governance Classification of ADF-Supported Case Study Projects in Five Selected DMCs**

Classification	Number					Total	%
	BAN	LAO	NEP	PAK	VIE		
<b>Targeting Classification<sup>a</sup></b>							
Targeted Intervention	6	9	2	5	8	30	61.2
General Intervention	4	1	7	5	2	19	38.8
<b>Governance as a Theme<sup>a</sup></b>							
Yes	4	2	3	2	3	14	28.6
No	6	8	6	8	7	35	71.4

ADF = Asian Development Fund, BAN = Bangladesh, COSO = Central Operations Services Office, DMC = developing member country, LAO = Lao People's Democratic Republic, NEP = Nepal, PAK = Pakistan, RRP = report and recommendation of the President, VIE = Viet Nam.

<sup>a</sup> Excludes two projects which were not classified.

Sources of basic data: RRP, COSO database.

**Table A4.32: Number of Rated<sup>a</sup> Projects and Programs, by Sector and by ADF Replenishment Period**

Sector	ADF I–V				ADF VI				ADF VII				ADF VIII–X			
	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total
Agriculture and Natural Resources	58	73	16	147	24	17	6	47	18	6	3	27	10	3	2	15
Education	13	12	1	26	16	4		20	14	4	0	18	4	0	2	6
Energy	37	9	1	47	13	2		15	9	0	0	9	1	1	1	3
Finance	9	26	7	42	7	3		10	5	6	1	12	4	4	1	9
Health and Social Protection	2	7	1	10	6	6		12	8	1	0	9	5	0	1	6
Industry and Trade	13	5	3	21	2	3		5	0	1	0	1	5	1	1	7
Multisector	11	2	3	16	9	2		11	13	4	0	17	15	3	0	18
Public Sector Management	0	0	0	0	1	1		2	6	4	1	11	7	5	1	13
Transport and ICT	26	6	4	36	23	3		26	17	3	0	20	7	2	1	10
Water and Other Municipal Infrastructure and Services	7	14	2	23	15	5		20	7	4	1	12	5	1	2	8
<b>Total</b>	<b>176</b>	<b>154</b>	<b>38</b>	<b>368</b>	<b>116</b>	<b>46</b>	<b>6</b>	<b>168</b>	<b>97</b>	<b>33</b>	<b>6</b>	<b>136</b>	<b>63</b>	<b>20</b>	<b>12</b>	<b>95</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, GS = generally successful, HS = highly successful, ICT = information and communication technology, IED = Independent Evaluation Department, PCR = project/program completion report, PVR = project/program completion report validation, PEIS = Post Evaluation Information System, PPER = project/program performance evaluation report, PS = partly successful, S = successful, TA = technical assistance, US = unsuccessful.

<sup>a</sup> Based on the latest performance assessment available (i.e., PCR, PVR, or PPER).

Sources: ADB database on Loan, TA, Grant and Equity Approvals; PEIS; IED website; IED database; PCRs; PVRs; PPERs.

**Table A4.33: Performance Rating<sup>a</sup> (%) of Projects and Programs, by Sector and by ADF Replenishment Period**

Sector	ADF I-V				ADF VI				ADF VII				ADF VIII-X			
	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total
Agriculture and Natural Resources	39.5	49.7	10.9	100.0	51.1	36.2	12.8	100.0	66.7	22.2	11.1	100.0	66.7	20.0	13.3	100.0
Education	50.0	46.2	3.8	100.0	80.0	20.0	-	100.0	77.8	22.2	-	100.0	66.7	-	33.3	100.0
Energy	78.7	19.1	2.1	100.0	86.7	13.3	-	100.0	100.0	-	-	100.0	33.3	33.3	33.3	100.0
Finance	21.4	61.9	16.7	100.0	70.0	30.0	-	100.0	41.7	50.0	8.3	100.0	44.4	44.4	11.1	100.0
Health and Social Protection	20.0	70.0	10.0	100.0	50.0	50.0	-	100.0	88.9	11.1	-	100.0	83.3	-	16.7	100.0
Industry and Trade	61.9	23.8	14.3	100.0	40.0	60.0	-	100.0	-	100.0	-	100.0	71.4	14.3	14.3	100.0
Multisector	68.8	12.5	18.8	100.0	81.8	18.2	-	100.0	76.5	23.5	-	100.0	83.3	16.7	-	100.0
Public Sector Management	-	-	-	-	50.0	50.0	-	100.0	54.5	36.4	9.1	100.0	53.8	38.5	7.7	100.0
Transport and ICT	72.2	16.7	11.1	100.0	88.5	11.5	-	100.0	85.0	15.0	-	100.0	70.0	20.0	10.0	100.0
Water and Other Municipal Infrastructure and Services	30.4	60.9	8.7	100.0	75.0	25.0	-	100.0	58.3	33.3	8.3	100.0	62.5	12.5	25.0	100.0
<b>Total</b>	<b>47.8</b>	<b>41.8</b>	<b>10.3</b>	<b>100.0</b>	<b>69.0</b>	<b>27.4</b>	<b>3.6</b>	<b>100.0</b>	<b>71.3</b>	<b>24.3</b>	<b>4.4</b>	<b>100.0</b>	<b>66.3</b>	<b>21.1</b>	<b>12.6</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, GS = generally successful, HS = highly successful, ICT = information and communication technology, IED = Independent Evaluation Department, PCR = project/program completion report, PVR = project/program completion report validation, PEIS = Post Evaluation Information System, PPER = project/program performance evaluation report, PS = partly successful, S = successful, TA = technical assistance, US = unsuccessful.

<sup>a</sup> Based on the latest performance assessment available (i.e., PCR, PVR, or PPER).

Sources: ADB database on Loan, TA, Grant and Equity Approvals; PEIS; IED website; IED database; PCRs; PVRs; PPERs.

## ADF OUTPUTS AND OUTCOMES AT COUNTRY- AND SECTOR-LEVELS

### A. Key Country-Level Outcomes

1. **Bangladesh.** The Asian Development Bank (ADB) contributed substantially to improved governance in the energy sector by helping the government develop and carry out reforms to cut power losses from theft and corruption, reduce political interference, and strengthen accountability. The Asian Development Fund (ADF) made substantial contributions to flood management. The geo-textile revetments introduced in an ADF-financed project have proven more effective than other technologies in controlling bank erosion, and at a fraction of the cost. The flood warning system supported by ADB should have a high impact by cutting the death rate from floods. ADF support for urban water supply and sanitation (WSS) contributed substantially to improved public health. ADB continued its program in WSS in secondary cities, took on a new and crucial role in Dhaka, and played a key role in starting a comprehensive WSS program among other development partners. In transport, ADB has been steadily working with the government and other development partners on policy reforms, and contributed substantially to the National Land Transport Policy and the Road Master Plan. As one of the lead development partners in the education sector, ADB has had a substantial impact in helping the government achieve the Millennium Development Goals (MDGs) for universal primary education and gender equality. The program, however, is less likely to significantly raise the quality of education and strengthen institutions.

2. ADB made limited contributions to agriculture and natural resources (ANR) development and public sector management (PSM). The caretaker government invited ADB to support crucial reforms in anticorruption and in separating the judiciary from the executive. Those reforms have major potential, but have started to falter early in the term of the elected government. Promoting private sector participation has been an important feature of ADB's work in ANR, but poor implementation has constrained progress.

3. **Bhutan.** ADF made major contributions to rural electrification; the commercialization of the power sector; the preparation and application of a public-private partnership model for hydropower projects; the development of basic infrastructure in two major urban centers; the establishment of a legal, regulatory and institutional framework for the financial sector—although this has yet to translate into increases in financial intermediation levels and reduced transactions costs due to continued state involvement in the sector, lack of effective competition until recently, and lack of sustainable outreach mechanisms—and the development of capacity for debt management, road planning, road safety, and construction management. Ongoing assistance will likely result in further outcomes including the new Southern East-West Highway, which is expected to facilitate trade and development of southern Bhutan and the expansion of urban infrastructure covering an additional 60,000 persons. Rural connectivity projects have helped increase income levels in rural areas, mainly due to improved prices for agricultural products and/or increased opportunities for non-farm income. The effects were larger in areas that were comparatively better off prior to the infrastructure project in question because of other economic factors such as tourism-related income, the availability of extension services, and closer proximity to economic centers.

4. **Cambodia.** ADB has been a constant presence and ADF was a large source of funds over the evaluation period. Investment in physical assets plus sector reforms boosted connectivity, lowered production costs, and encouraged foreign direct investment (FDI). Sustained financial sector reform and support for microfinance development encouraged the mobilization of domestic funds and improved access to finance. Nevertheless, relatively weak

implementation capacity and enforcement of the adopted reform measures resulted in lower-than-anticipated effectiveness. Support to agriculture and rural infrastructure, despite implementation difficulties, resulted in higher yields and extended markets. Assistance in the education sector helped increase enrollment rates and provided a useful test of the sector-wide approach (SWAp) modality. The Greater Mekong Subregion (GMS) operations enhanced connectivity and information exchange among countries of the subregion, although the benefits are not yet as large as expected.

5. **Lao PDR.** While the outcomes and immediate impacts achieved from physical interventions remain relatively strong in all sectors, the outcomes of institutional development support, largely delivered through one-off technical assistance, were rather weak (e.g., in PSM, agriculture, and banking given continuing weaknesses of banking sector supervision and the dominant position of inefficient state banks). Even where ADB provided effective support for institutional development, areas for further improvement remain. In the transport sector, ADF operations contributed to an expansion and improvement of the country's road network, which reduced transport costs and travel time. The only rural roads project that has been completed improved connectivity between farm communities, national and provincial roads, and market centers, although traffic on this road was below the forecast levels, owing to the dearth of economic activity and investment in the project area. Many economic sectors' use of infrastructure remains low, since production has yet to develop at the same pace as the physical infrastructure (e.g., the East–West Corridor Project). Some outcomes of the Nam Theun 2 project (energy generation, energy supply to consumers, energy exports, and sales revenues) are less uncertain than others (mitigation of environmental and social impacts and the deployment of government receipts from the project to meet social objectives). In the urban sector, ADF support achieved good sector-specific outcomes from urban infrastructure and environmental improvements projects, but poor outcomes from the institutional development component which sought to establish a decentralized Vientiane Municipality and a technically competent and autonomous urban management organization.

6. ADF projects contributed to steady progress made in developing commercial agriculture and fostering rural development. Strong investment in irrigation has paid off in terms of rapid growth in rice production and household food security, with rice production reaching a record 2.9 million tons in 2008, more than double the 1.4 million tons produced in 1995. ADB's interventions in the education sector helped improve enrollment rates of girls. Between 2000 and 2007, approximately 17,000 additional girls stayed in project schools to make the transfer from grade 3 to grade 4, and an additional 5,000 girls completed grade 5. ADF support for improvements of the primary health care network and services directly benefited the socioeconomic development of communities, bringing improved access to health-care services, reduced infant and child mortality rates, and expanded immunization of children. Villagers recognized improvement in access to medical facilities and affordable medical services and drugs.

7. **Mongolia.** The development results of ADF support for the country were considerable, particularly with regard to support for market-oriented policy reform, social sector development, economic corridor development, and capacity development for public sector governance, procurement systems, project management, and a number of other aspects of public sector planning and financial management. Important accomplishments include ADB's contributions to restoring fiscal stability; improving transport connectivity, the efficiency of district heating in Ulaanbaatar, and access to essential municipal services in the secondary cities; restoring primary education enrollment rates; and introducing a network of primary health care providers.



8. **Nepal.** ADB spread its support widely to poor and excluded people to develop rural infrastructure, provide universal education and rural finance, and stimulate agriculture production and marketing. Initial project feedback indicates that the benefits were felt directly from improvements in irrigation and other services to agricultural communities, higher quality and availability of education for the poor and excluded, improved rural roads to bring excluded regions and communities into the economic mainstream, and the provision of basic WSS in smaller towns and cities. While early results are encouraging, the sustainability of such rural infrastructure as roads and irrigation is unclear as there is no certainty of a maintenance regime. A sustainable maintenance regime would require government assistance as well as community participation and ownership in asset management.

9. The experience of ADF interventions for promoting good governance by combating corruption, improving public service delivery, and strengthening capacity has been mixed. ADB has provided considerable support to improve the legal and judicial system in Nepal through the drafting of many important laws. However, the weakness is in the effective implementation of these laws. There are still many institutions in Nepal with large capacity gaps, including the judiciary, and enforcement needs to be strengthened if the legal and judicial systems in Nepal are to lead to the intended development results. Experience with supporting universal education through the sector-wide approach has been positive. ADF supported primary, secondary, and technical education through teacher training, vocational training, physical infrastructure development, rehabilitation of secondary schools, and construction of hostels. The net enrollment rate in primary education increased, with 91% of households having access to a primary school and the gender-related development index increasing from 0.3 in 1995 to 0.5 in 2005. ADF support facilitated an increase in the provision of scholarships and school grants from 150,000 in 2002 to more than 700,000 in 2007. The percentage of trained teachers increased almost threefold over the same period. Despite the appreciable efforts to enhance basic education, project targets for enrollment in primary school were not attained, and the government still faces many difficulties in providing access to quality education at all levels.

10. **Pakistan.** In the social sectors, targets for the production of physical outputs, particularly infrastructure, were substantially met (sometimes exceeded) in quantitative terms. The quality of project physical outputs was variable and sometimes a problem. The delivery of nonphysical outputs (particularly institutional development and capacity building) was frequently well below targets (even absent) in both quantitative and qualitative terms. Even where the outputs were sufficiently achieved in terms of quantity and quality, other factors limited or even prevented the achievement of intended development outcomes. Factors differed somewhat from sector to sector. In health, problems with recruiting incremental staff resulted in a low utilization of many facilities. In education, lack of financial resources to pay for incremental teachers resulted in new ADF-funded facilities operating well below capacity. The late or partial delivery of “soft” outputs such as revised curricula, textbooks, new teaching materials, and trained teachers affected the quality of teaching. In the urban sector, the financial and management weakness of the urban authorities, their lack of engagement and unwillingness to take over project components have also been a recurring feature of urban development projects—in some cases related to the poor quality of the facilities, their non-operational state, nonviability, or uncertainty regarding land ownership. Rural water supply schemes were generally designed and installed by the concerned department and then “handed over” to the community after a brief period of training. This is a very inadequate degree of participation. In some cases, schemes were poorly constructed and not capable of efficient operation. For their part, communities often had problems in levying and collecting user fees to ensure operation and maintenance.

11. In general, completed road projects and road components successfully achieved their main intended outcomes, namely the improvement of rural access and reduction in transport costs. In comparison, efforts to improve road maintenance and safety and institutional efficiency, achieved little. Commitment to reform and performance improvement of those working in the power sector were neither complete nor consistent. Sector unbundling, corporatization, and privatization have proceeded very slowly. Technical transmission and distribution losses have continued and, in the case of Karachi Electric Supply Company (KESC), grown over the past decade. Lack of reform commitment also affected the implementation and effectiveness of ADB-supported financial sector and public sector management reforms.

12. **Sri Lanka.** In the transport sector, while outcomes in some cases fell short of expectations, all completed road projects resulted in reduced user costs, improved accessibility and connectivity, and broad social and economic benefits to the poor. In agriculture, political interventions hampered plantation reforms and affected privatization efforts. ADF support for natural resource management was less effective due to institutional issues related to multiple agencies with overlapping functions, staff capacity constraints, and competing concerns. Integrated rural development projects also posed coordination challenges. The performance of projects in the North and East was undermined by the resurgence of armed conflict, while outcomes of projects in some coastal areas were negated by the effects of the tsunami. ADF support for education achieved various outcomes that responded to improving the quality of secondary and vocational education and their responsiveness to the labor market. However, actions related to the private education, particularly the establishment of private universities were delayed due to lack of political acceptance. ADF support for WSS achieved anticipated outputs and outcomes, and greatly helped expand the number of people with access to safe water, although delays in enforcing rational tariff structures, inadequate enforcement of cost recovery measures for operations and maintenance, slow progress on other sector reforms, capacity issues and resistance among federal staff to decentralization and devolution of functions of apex institutions affected the efficiency and sustainability of ADF support.

13. **Uzbekistan.** ADF financed projects in the agriculture, education, and water sectors. ADF support helped ease agricultural production constraints by rehabilitating irrigation systems and improving irrigation and drainage, although they have had little impact beyond their project areas. ADF-financed projects are also helping to improve water supplies in rural and urban areas. ADB has tried to promote the financial independence of WSS enterprises, but so far revenues from tariffs could only meet operating costs. In education, the textbook rental scheme, which was not included in the original project design, emerged as a high point of the Basic Education Textbook Development Project, with the government and development partners heralding it as ADB's most successful intervention in the sector. The ADB-promoted engagement of employers, parents, and civil society organizations in school matters also holds promise for better governance at the grassroots level in education, and has the potential to spread beneficial effects beyond schools.

14. **Viet Nam.** ADF's sustained support in the transport and rural development sectors contributed to visible outputs that improved connectivity. ADF support helped improve about 1,000 kilometers (km) of national roads, 4,000 km of provincial and district roads, and 2,100 km of rural roads; and hundreds of small bridges. The rehabilitation and development of roads has facilitated the movement of goods throughout the country, particularly from farmers and producers to markets. Roads are also contributing to increased labor mobility, which has increased opportunities for off-farm employment and other sources of income. Support for technical and vocational training, while on a small scale, helped address a binding constraint of skilled workers in Viet Nam. Graduates of the supported schools achieved employment rates in

excess of 80% and about 108,000 skilled workers and production technicians received preemployment and skills upgrade training. ADB contributed to institutional development, particularly in the area of government inspectorate reforms. However, lack of follow-up has left a key reform issue (state-owned enterprises [SOEs]) poorly supported. ADF-assisted financial sector reforms have contributed to widening the access of private sector companies to capital market and leasing financing and have facilitated the equitization of state enterprises, all of which will contribute to improved allocational efficiencies, although the government's preference for majority shareholdings in larger or strategic equitized SOEs limits potential economic benefits.

15. Irrigation and drainage facilities were improved on 660,000 hectares (ha), comprising about 15.0% of the total rice land in the country. These were located mainly in the Central and Red River Delta regions, where rehabilitation was most needed. Similarly, over 800,000 borrowers received rural credit under rural finance projects or components, although it is debatable to what extent ADF support has helped create sustainable market-based mechanisms to lend to this market segment. ADF supported the construction of health and education facilities in a large number of districts, which plausibly contributed to the country's achievement of related MDGs. ADB contributed to policy dialogue on improving the focus of the health insurance system toward the poor, which led to increased government support for health insurance premiums of the poor. This subsequently helped increase the utilization of health services by the poor and reduced their out-of-pocket spending.

**B. Key Sector-Level Outputs and Outcomes<sup>1</sup>****Table A5.1: Sector-Level Outputs and Outcomes in Selected Countries****1. Agriculture**

Item	BAN	BHU	CAM	LAO	MON	NEP	PAK	SRI	UZB	VIE
<b>OUTPUTS</b>										
<b>Physical infrastructure</b>										
Construction/ Upgrading of irrigation, drainage, and flood management systems	2 <sup>a</sup>		1 <sup>a</sup>	2 <sup>a</sup>	2 <sup>b</sup>	2 <sup>a</sup>	2 <sup>a</sup>	1 <sup>b</sup>	2 <sup>a</sup>	3 <sup>b</sup>
Construction of rural/feeder roads	2 <sup>a</sup>	See transport	3 <sup>a</sup>	2 <sup>b</sup>	n/a	2 <sup>b</sup>	2 <sup>b</sup>	2 <sup>b</sup>	...	3 <sup>b</sup>
<b>Production Support</b>										
Production improvement	1 <sup>b</sup>		2 <sup>a</sup>	1 <sup>a</sup>	3 <sup>a</sup>	1/2 <sup>a</sup>	2 <sup>b</sup>	1 <sup>a</sup>	2 <sup>b</sup>	3 <sup>b</sup>
Livestock development	2 <sup>b</sup>				3 <sup>a</sup>	3 <sup>a</sup>	1 <sup>b</sup>			
Micro finance/ credit	1 <sup>a</sup>		2 <sup>b</sup>	1 <sup>a</sup>	3 <sup>a</sup>	3 <sup>a</sup>		0 <sup>b</sup>		3 <sup>a</sup>
Environment	Yes (not reported)		2 <sup>b</sup>	1 <sup>a</sup>	Yes (not reported)	Yes (not reported)	1 <sup>b</sup>	1 <sup>b</sup>	Yes <sup>b</sup>	2 <sup>b</sup>
Integrated rural development			1 <sup>a</sup>		1 <sup>b</sup>	2 <sup>b</sup>	1 <sup>a</sup>	1 <sup>b</sup>		
Marketing				1 <sup>b</sup>		2 <sup>b</sup>				2 <sup>b</sup>
<b>Capacity development</b>	2 <sup>a</sup>			1 <sup>b</sup>	2 <sup>a</sup>	1 <sup>b</sup>		1 <sup>b</sup>		2 <sup>a</sup>
<b>Policy reforms</b>										
Operations and maintenance funding	PI <sup>a</sup>		PI <sup>0</sup>	PI <sup>b</sup>	I <sup>b</sup>	PI <sup>b</sup>		PI <sup>0</sup>	PI <sup>0</sup>	PI <sup>b</sup>
Sector policy and/or institutional reforms	PI <sup>b</sup>		I <sup>a</sup>	PI <sup>a</sup>	PI <sup>a</sup>	PI <sup>b</sup>	PI <sup>b</sup>	PI <sup>a</sup>	NI <sup>a</sup>	I <sup>a</sup>
Private sector participation	PI <sup>b</sup>				PI <sup>a</sup>					
<b>OUTCOMES</b>										
Land Improvements	S <sup>a</sup>		M <sup>a</sup>	S <sup>a</sup>	S <sup>b</sup>	M <sup>a</sup>	S <sup>a</sup>		S <sup>b</sup>	S <sup>a</sup>
Increase in agriculture productivity	M <sup>a</sup>		M <sup>a</sup>	M <sup>b</sup>	S <sup>a</sup>	S <sup>a</sup>	M <sup>b</sup>	M <sup>a</sup>	M <sup>b</sup>	S <sup>b</sup>
Improvements in livestock	S <sup>a</sup>			S <sup>b</sup>	S <sup>a</sup>	S <sup>a</sup>	M <sup>b</sup>			
Increase in the range of agricultural products	S <sup>b</sup>									S <sup>b</sup>
Improvements in policy environment			S <sup>a</sup>	M <sup>a</sup>	S <sup>a</sup>			M <sup>a</sup>	M <sup>a</sup>	S <sup>a</sup>

<sup>1</sup> Covers outputs and outcomes achieved under ADF projects in agriculture, education, transport, and urban development and water during the review period.

Item	BAN	BHU	CAM	LAO	MON	NEP	PAK	SRI	UZB	VIE
Increases in institutional capacity	M <sup>a</sup>				M <sup>a</sup>			M <sup>a</sup>	M <sup>a</sup>	M <sup>a</sup>
Improvements in environmental quality	M <sup>a</sup>		Yes (not reported)			Yes (not reported)			Yes (not reported)	
Improved access to markets	S <sup>b</sup>		Yes <sup>a</sup>	S <sup>b</sup>	M <sup>b</sup>		M <sup>b</sup>	M <sup>b</sup>		S <sup>b</sup>
Improvements in beneficiary empowerment and capacity	S <sup>a</sup>		S <sup>b</sup>		M <sup>a</sup>	S <sup>a</sup>			M <sup>a</sup>	S <sup>a</sup>
Increases in off-farm employment	S <sup>a</sup>					Yes (not reported)				S <sup>b</sup>
Positive impact on income and poverty reduction	S <sup>a</sup>		S		S <sup>b</sup>	S <sup>a</sup>		M <sup>b</sup>	S	S <sup>a</sup>

## 2. Education

Item	BAN	BHU	CAM	LAO	MON	NEP	PAK	SRI	UZB	VIE
<b>OUTPUTS</b>										
Schools/Classrooms built or upgraded or rehabilitated	2	1	1	2	2	1	1	...	3	2
Teachers trained	2	2	1	2	3	0	0	0	2	3
Textbook produced	3	n/a	3	2	2	n/a	...	n/a	3	3
Capacity development	1	1	1	1	2	1	0		2	2
Conditional cash transfer grants related to education	2	n/a	n/a	n/a		n/a	1	2	2	n/a
Institutional reforms	PI	I	PI	PI	I	PI	NI	PI	PI	I
Private sector participation	...	...	...	...	PI	...	...	...	PI	PI
<b>OUTCOMES</b>										
Students performance improved	N	M	M	M	S	M	N	M	S	S
Increase in primary enrollment rates	S	n/a	S	S	...	S	N	S	N	N
Increase in secondary enrollment rates	S	...	N	N	S	N	N	S	S	S
Increase in completion levels for primary education	...	n/a	S	...	S	...	...	S	S	S
Female primary enrollment rates	S	n/a	S	S	S	S	N <sup>b</sup>	S	S	S
Improvements in teacher quality	N	...	N	N	S	S	N	...	S	S
Increase in number and attendance of teachers	N	N	...	...	...	N	N	S	N	S
Employment rates for graduates (for TVET)	n/a	S	n/a	n/a	S	n/a	...	S	n/a	N

### 3. Transport

Item	BAN	BHU	CAM	LAO	MON	NEP	PAK	SRI	UZB	VIE
<b>OUTPUTS</b>										
<b>Physical infrastructure</b>										
Construction of national highways, provincial, district roads	2	n/a	2	2	n/a	2	n/a	n/a	n/a	2
Rehabilitation of national highways, provincial, district roads	2	2	2	2	2	n/a	2	2	n/a	n/a
Construction of rural roads/feeder roads	n/a	2	n/a	2	n/a	n/a	2	n/a	n/a	n/a
Capacity development	1	1	1	1	1	n/a	1	1	n/a	1
<b>Sector reforms</b>										
Operations and maintenance funding	PI	PI	I	I	PI	PI	PI	PI		PI
Institutional Reforms	PI	PI	PI	PI	I	n/a	PI	PI		PI
Private sector participation	PI	PI	PI	n/a	n/a	n/a	PI	PI	n/a	n/a
<b>OUTCOMES</b>										
<b>Upgraded national highways, provincial, district roads</b>						n/a			n/a	
Improved access to services	M	M	S	S	M		S	S		S
Increased economic growth in connected areas	M	M	S	S	S		S	S		S
Increased trade	...	M		...	...		S	n/a	n/a	...
<b>New national highways, provincial, district roads</b>		n/a	n/a		n/a		n/a	n/a	n/a	
Improved access to services	M			S		...				S
Increased economic growth in connected areas	M			S		...				S
Increased trade	...			...		...				...
<b>New rural roads/feeder roads</b>	n/a		n/a		n/a	n/a		n/a	n/a	n/a
Improved access to services		M		S			M			
Improved access to markets		S		S			M			
Increased economic growth in connected areas		S		M			M			
Positive impact on poverty reduction		S		M			M			

#### 4. Water and Urban Services

Item	BAN	BHU	CAM	LAO	MON	NEP	PAK	SRI	UZB	VIE
<b>OUTPUTS</b>										
<b>Physical Infrastructure</b>										
Construction/upgrading of non-water urban infrastructure	2	3		3	2		1			
Expansion of water supply capacity	2		2			2	1	3	3	3
Expansion/upgrading of water distribution system	2				2	2		2		
Expansion of wastewater treatment capacity	2	cancel- ed	2		3		1	3		1
Connection of new households to water supply	...		1		3	2		1		1
Increase in waste management capacity	2			3	2	2	0	2		
<b>Capacity development</b>		1		1			1	1		
<b>Sector reforms</b>										
Policy reforms	PI	PI			PI		PI	PI	I	
Operations and maintenance funding	PI	PI	PI	NI	PI	PI	PI		PI	
Institutional reforms		PI	NI	PI	PI	PI	NI	PI		PI
Private sector participation		I				PI	NI	PI		
<b>OUTCOMES</b>										
Increase in share of urban population with access to sustainable water sources/increase in consumption levels	M		M		N	S	M	S	S	S
Increase in share of rural population with access to sustainable water sources/increase in consumption levels						S	S	S		
Reduction in NRW			S		S	...	N	...	S	M
Increase in the share of urban population with access to improved sanitation	S		M	S	M		M	S		M
Increase in the share of rural population with access to improved sanitation						S	S	S		
Increase in the share of treated wastewater	M		M		S		N	S		
Improvement in living conditions for urban population	S	S		S	S					

... = no data are available, 0 = targets not met (<30%), 1 = targets partly met, 2 = targets substantially met (>70%), 3 = targets met or exceeded, BAN = Bangladesh, BHU = Bhutan, CAM = Cambodia, I = implemented, IED = Independent Evaluation Department, LAO = Lao People's Democratic Republic, M = modest, MON = Mongolia, N = negligible, n/a = not applicable, because related intervention was not included in programs, NEP = Nepal, NI = not

implemented, NRW = nonrevenue water, PAK = Pakistan, PI = partly implemented, S = substantial, SRI = Sri Lanka, TVET = technical vocational education and training, UZB = Uzbekistan, VIE = Viet Nam.

<sup>a</sup> Sufficient evidence presented.

<sup>b</sup> Weaker evidence/evaluator judgment required.

Source: IED evaluation reports.



## PROGRESS IN THE ACHIEVEMENT OF MILLENNIUM DEVELOPMENT GOALS IN ADF COUNTRIES

**Table A6.1: Poverty Reduction in Developing Asia 2005–2008**

Item	Poverty (Under \$1.25)						Poverty (Under \$2.0)					
	No. of Poor (million)			Head Count Index (%)			No. of Poor (million)			Head Count Index (%)		
	2005	2008	Change	2005	2008	Change	2005	2008	Change	2005	2008	Change
Developing Asia	903	753	(17)	27	22	(19)	1,803	1,634	(9)	54	47	(12)
ADF	172	148	(14)	34	27	(18)	332	314	(5)	65	58	(10)

( ) = negative, ADB = Asian Development Bank, ADF = Asian Development Fund, No. = number, Pct. Pt. = percentage point.

Source: G. Wan and I. Sebastian. 2011. Poverty in Asia and the Pacific: An Update. *ADB Economics Working Paper Series*. No. 267. Manila: Asian Development Bank.

**Table A6.2: ADF Countries Regressing in terms of Selected MDGs<sup>a</sup>**

Country	MDGs Related to <sup>b</sup>		ADF Loans and Grants, 2001–2010 (\$ million)		OCR, 2001–2010 (\$ million)	
	Education	Water Supply and Sanitation	Pre-primary and Basic Education	Water Supply and Sanitation	Pre-primary and Basic Education	Water Supply and Sanitation
Azerbaijan		x	-	20.0	-	85.0
Bangladesh	x		168.9	241.0	-	-
Georgia		x	-	-	-	-
Indonesia <sup>c</sup>	x		100.0	30.6	-	69.1
Kyrgyz Republic	x	x	-	30.0		
Marshall Islands	x	x	-	-	-	-
Micronesia, FS		x	-	-	-	-
Nauru	x		-	-		
Pakistan	x		75.0	50.0	-	-
Papua New Guinea		x	-	-	-	-
Samoa		x	8.1	2.2		
Tonga	x	x	-	-		
Uzbekistan	x	x	60.0	255.0	25.0	74.0
Vanuatu	x		-	-		
<b>Total</b>			<b>412.0</b>	<b>628.8</b>	<b>25.0</b>	<b>228.1</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, MDG = Millennium Development Goal, FS = Federated States of, OCR = ordinary capital resources, TA = technical assistance.

<sup>a</sup> The MDG indicators related to education are (i) primary enrolment, (ii) reaching last grade, and (iii) primary completion. The MDG indicators related to water supply and sanitation are the provision of (i) safe drinking water, and (ii) basic sanitation. These countries showed a regressing pattern or no progress with respect to at least one of the indicators.

<sup>b</sup> "x" means country is regressing in the sector.

<sup>c</sup> This country was ADF-eligible for a large part of the review period.

Sources of basic data: ADB. 2010. *Paths to 2015: MDG Priorities in Asia and the Pacific*. Manila; Lotus Notes database on Loan, TA, Grant and Equity Approvals.

Table A6.3: Poverty Reduction in Asia Pacific

Item	Poverty (Under \$1.25)						Poverty (Under \$2.0)					
	No. of Poor (million)			Head Count Index (%)			No. of Poor (million)			Head Count Index (%)		
	1990	2008	% Change	1990	2008	Change (Pct. Pt.)	1990	2008	% Change	1990	2008	Change (Pct. Pt.)
OCR	1,242	606	(51)	53	21	(32)	1,871	1,320	(29)	81	45	(36)
ADF	174	148	(15)	46	27	(19)	278	314	13	72	58	(14)
ADF-only	27	24	(9)	66	37	(29)	33	41	25	72	63	(9)

( ) = negative, ADB = Asian Development Bank, ADF = Asian Development Fund, No. = number, OCR = ordinary capital resources, Pct. Pt. = percentage point.

Source: G. Wan and I. Sebastian. 2011. Poverty in Asia and the Pacific: An Update. *ADB Economics Working Paper Series*. No. 267. Manila: Asian Development Bank.

Table A6.4: Selected Millennium Development Goal Indicators for ADF Countries

Country Classification/ Country	Goal 1: Eradicate Extreme Poverty and Hunger				Goal 2: Achieve Universal Primary Education		Goal 3: Promote Gender Equality and Empower Women		Goal 4: Reduce Child Mortality	
	\$1.25 per day Poverty (%)		Underweight Children (% under age 5)		Primary Enrollment Ratio (%)		Gender Parity Index in Primary		Under-5 Mortality Rate (per 1,000 live births)	
	Earliest	Latest	Earliest	Latest	Earliest	Latest	Earliest	Latest	1990	1998
<b>A. ADF-Only</b>										
Afghanistan	...	...	48.0 (97)	39.3 (04)	...	...	0.55 (91)	0.66 (08)	260	257
Bhutan	...	26.2 (03)	...	18.7(99)	55.9 (99)	88.4 (09)	0.85 (99)	1.01 (09)	148	81
Cambodia	48.6 (94)	25.8 (07)	39.8 (93)	35.6 (05)	83.4 (99)	88.6 (08)	0.87 (99)	0.94 (08)	117	90
Kiribati	...	...	...	13.0 (99)	99.2 (99)	99.7 (02)	1.01 (99)	1.02 (07)	89	48
Kyrgyz Republic	18.6 (93)	3.4 (07)	11.0 (97)	3.4 (06)	94.3 (99)	91.0 (08)	0.99 (99)	0.99 (08)	75	38
Lao PDR	55.7 (92)	44.0 (02)	44.0 (93)	37.1 (06)	77.5 (99)	82.4 (08)	0.79 (91)	0.91 (08)	157	61
Maldives	...	...	38.9 (94)	30.4 (01)	97.9 (99)	96.2 (08)	1.00 (99)	0.94 (08)	111	28
Mongolia	18.8 (95)	2.2 (08)	12.3 (92)	6.3 (05)	95.7 (99)	99.2 (08)	1.02 (91)	0.99 (08)	98	41
Nauru	...	...	...	...	...	72.3 (07)	1.16 (00)	1.06 (08)	21 (95)	45
Nepal	68.4 (96)	55.1 (04)	48.7 (95)	45.0 (06)	67.5 (99)	73.6 (00)	0.63 (91)	0.86 (02)	142	51
Samoa	...	...	...	...	94.2 (99)	94.1 (09)	0.98 (99)	0.98 (09)	50	26
Solomon Islands	...	...	...	...	63.2 (03)	67.0 (07)	0.87 (91)	0.97 (07)	38	36

Country Classification/ Country	Goal 1: Eradicate Extreme Poverty and Hunger				Goal 2: Achieve Universal Primary Education		Goal 3: Promote Gender Equality and Empower Women		Goal 4: Reduce Child Mortality	
	\$1.25 per day Poverty (%)		Underweight Children (% under age 5)		Primary Enrollment Ratio (%)		Gender Parity Index in Primary		Under-5 Mortality Rate (per 1,000 live births)	
	Earliest	Latest	Earliest	Latest	Earliest	Latest	Earliest	Latest	1990	1998
Tajikistan	44.5 (99)	21.5 (04)	17.4 (05)	17.6 (07)	96.7 (00)	97.5 (08)	0.98 (91)	0.96 (08)	117	64
Timor-Leste	52.9 (01)	37.2 (07)	42.6 (02)	48.6 (07)	68.9 (05)	77.3 (08)	0.93 (04)	0.94 (08)	184	93
Tonga	...	...	...	...	88.2 (99)	99.2 (06)	0.98 (91)	0.97 (06)	23	19
Tuvalu	...	...	...	...	...	...	1.02 (99)	0.99 (06)	53	36
Vanuatu	...	...	...	15.9 (07)	91.8 (99)	98.0 (05)	0.96 (91)	0.96 (07)	27	33
<b>B. Blend</b>										
Armenia	17.5 (96)	3.7 (07)	3.9 (98)	4.0 (05)	93.2 (01)	92.9 (07)	1.01 (01)	1.02 (08)	56	23
Azerbaijan	15.6 (95)	2.0 (05)	10.1 (96)	9.5 (06)	88.8 (91)	96.1 (08)	0.99 (91)	0.99 (08)	98	36
Bangladesh	66.8 (92)	49.6 (05)	67.4 (92)	46.3 (07)	90.5 (05)	85.5 (08)	1.04 (05)	1.06 (08)	149	54
Cook Islands <sup>a</sup>	...	...	...	10.0 (97)	...	86.3 (99)	... (...)	0.95 (99)	18	15
Georgia	4.5 (96)	13.4 (05)	3.1 (99)	2.1 (05)	92.4 (04)	99.0 (08)	1.00 (91)	0.98 (08)	47	30
Indonesia <sup>a</sup>	21.4 (05)	29.4 (07)	34.0 (95)	28.2 (03)	97.6 (91)	98.7 (08)	0.98 (91)	0.97 (08)	86	41
Marshall Islands	...	...	...	...	88.1 (01)	66.5 (07)	0.98 (99)	0.97 (07)	49	36
Micronesia, FS	...	...	...	15.0 (97)	...	...	0.99 (04)	1.01 (07)	58	39
Pakistan	64.7 (91)	22.6 (05)	40.4 (91)	37.8 (02)	57.0 (01)	66.1 (08)	0.68 (00)	0.83 (08)	130	89
Palau	...	...	...	...	96.8 (99)	96.4 (00)	0.93 (99)	1.02 (07)	21	15
Papua New Guinea	...	35.8 (96)	...	26.4 (05)	...	...	0.85 (91)	0.84 (06)	91	69
Sri Lanka	15.0 (91)	14.0 (02)	37.7 (93)	29.4 (00)	99.8 (01)	99.5 (08)	0.96 (91)	1.00 (08)	29	15
Uzbekistan	32.1 (98)	46.3 (03)	18.8 (96)	5.1 (06)	92.5 (07)	90.6 (08)	0.98 (91)	0.98 (08)	74	38
Viet Nam	63.7 (93)	21.5 (06)	44.9 (94)	20.2 (06)	95.8 (99)	94.5 (01)	0.93 (99)	0.95 (01)	56	14

Country Classification/ Country	Goal 5: Improve Maternal Health		Goal 6: Combat HIV and AIDS, Malaria, and Other Diseases		Goal 7: Ensure Environmental Sustainability						Income Gini Coefficient		Movement
	Skilled Birth Assistance (%)		HIV Prevalence (% ages 15-49)		Forest Cover (% land area)		Safe Drinking Water (% population)		Basic Sanitation (% population)		1995	Latest	
	Earliest	Latest	2001	2007	1990	2005	1990	2008	1990	2008			
<b>A. ADF-Only</b>													
Afghanistan	12.4 (00)	14.3 (03)	...	...	2	1.3	3 (95)	48	29 (95)	37	...	...	
Bhutan	14.9 (94)	71.4 (07)	0.1	0.1	64.6	68	91 (00)	92	62 (00)	65	...	0.468 (03)	
Cambodia	34.0 (98)	43.8 (05)	1.8	0.8	73.3	59.2	35	61	9	29	0.383 (94)	0.443 (07)	-
Kiribati	72.0 (94)	63.0 (05)	...	...	3	3	48	64 (05)	26	35 (05)	...	...	
Kyrgyz Republic	98.1 (97)	97.6 (06)	0.1	0.1	4.4	4.5	78 (95)	90	93 (95)	93	0.537 (93)	0.335 (07)	+
Lao PDR	19.4 (01)	20.3 (06)	1	0.2	75	69.9	44 (95)	57	18 (95)	53	0.349 (97)	0.326 (02)	+
Maldives	90.0 (94)	84.0 (04)	0.1	0.1	3	3	90	91	69	98	...	0.374 (04)	
Mongolia	93.6 (98)	99.2 (06)	0.1	0.1	7.3	6.5	58	76	49 (95)	50	0.332	0.366 (08)	-
Nauru	...	97.4 (07)	...	...	...	...	...	...	...	...	...	...	
Nepal	7.4 (91)	18.7 (06)	0.5	0.5	33.7	25.4	76	88	11	31	0.377 (96)	0.473 (04)	-
Samoa	76.0 (90)	100.0 (98)	...	...	45.9	60.4	91	88 (05)	98	100	...	0.430 (02)	
Solomon Islands	85.0 (94)	70.1 (07)	...	...	98.9	77.6	69 (95)	90 (05)	30 (95)	32 (05)	...	...	
Tajikistan	79.0 (96)	88.4 (07)	0.1	0.3	2.9	2.9	58 (95)	70	89 (95)	94	0.315 (99)	0.336 (04)	-
Timor-Leste	25.8 (97)	18.4 (03)	...	...	65	53.7	52 (00)	69	32 (00)	50	0.395 (01)	0.319 (07)	+
Tonga	92.0 (91)	95.0 (01)	...	...	5	5	100(95)	100	96	96	...	0.420 (01)	
Tuvalu	100.0 (90)	97.9 (07)	...	...	33.3	33.3	90	97	80	84	...	...	
Vanuatu	87.0 (94)	74.0 (07)	...	...	36.1	36.1	57	83	35 (95)	52	...	...	

Country Classification/ Country	Goal 5: Improve Maternal Health		Goal 6: Combat HIV and AIDS, Malaria, and Other Diseases		Goal 7: Ensure Environmental Sustainability						Income Gini Coefficient		Movement
	Skilled Birth Assistance (%)		HIV Prevalence (% ages 15-49)		Forest Cover (% land area)		Safe Drinking Water (% population)		Basic Sanitation (% population)		1995	Latest	
	Earliest	Latest	2001	2007	1990	2005	1990	2008	1990	2008	1995	Latest	
<b>B. Blend</b>													
Armenia	96.4 (97)	99.9 (07)	0.1	0.1	12.3	10	92 (95)	96	88 (95)	90	0.444 (96)	0.302 (07)	+
Azerbaijan	99.8 (98)	88.0 (06)	0.1	0.2	11.3	11.3	70	80	57 (95)	45	0.35	0.168 (05)	+
Bangladesh	9.5 (94)	18.0 (07)	0.1	0.1	6.8	6.7	78	80	34	53	0.335 (96)	0.332 (05)	+
Cook Islands <sup>a</sup>	99.0 (91)	98.0 (01)	...	...	63.9	66.5	94	95 (05)	96	100	...	...	
Georgia	96.6 (90)	98.3 (05)	0.1	0.1	39.7	39.7	81	98	96	95	0.371 (96)	0.408 (05)	-
Indonesia <sup>a</sup>	40.7 (90)	79.4 (07)	1	0.2	64.3	48.8	71	80	33	52	0.344 (93)	0.376 (07)	-
Marshall Islands	94.9 (98)	86.2 (07)	...	...	...	...	95	94	64	73	...	...	
Micronesia, FS	92.8 (99)	87.7 (01)	...	...	90.6	90.6	89	94 (05)	29	25 (05)	...	0.408 (98)	
Pakistan	18.8 (91)	38.8 (07)	0.1	0.1	3.3	2.5	86	90	28	45	0.287 (97)	0.312 (05)	-
Palau	99.0 (90)	100.0 (02)	...	...	82.9	87.6	81	84 (05)	69	83 (05)	...	...	
Papua New Guinea	53.2 (96)	53.0 (06)	0.3	1.5	69.6	65	41	40	47	45	...	0.509 (96)	
Sri Lanka	94.1 (93)	98.5 (07)	0.1	0.1	36.4	29.9	67	90	70	91	0.354	0.411 (02)	-
Uzbekistan	97.5 (96)	99.9 (06)	0.1	0.1	7.4	8	90	87	84	100	0.454 (98)	0.367 (03)	+
Viet Nam	77.1 (97)	87.7 (06)	0.3	0.5	28.8	39.7	58	94	35	75	0.357 (93)	0.378 (06)	-

... = not available, ADB = Asian Development Bank, ADF = Asian Development Fund, AIDS = acquired immune deficiency syndrome, DMC = developing member country, HIV = human immunodeficiency virus, Lao PDR = Lao People's Democratic Republic, MDG = Millennium Development Goal, Micronesia, FS = Federated States of, UNDP = United Nations Development Programme, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific.

<sup>a</sup> These countries were still ADF-eligible for a large part of the review period.

Note: The number in parentheses is the year of the data point.

Sources of data: Paths to 2015: MDG Priorities in Asia and the Pacific (ADB, UNESCAP, and UNDP) (for data on MDGs); Key Indicators for Asia and the Pacific 2010 (for data on income Gini coefficient).

**Table A6.5: Selected Infrastructure-Related ADF Loans and Grants to DMCs**

<b>All Infrastructure-Related Projects</b> (number and approval amount)								
<b>Sector</b>	<b>ADF VIII</b>		<b>ADF IX</b>		<b>ADF X</b>		<b>Total (2001–2010)</b>	
	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>
Energy	9	290.3	13	541.6	14	1,528.7	36	2,360.6
Water Supply and Sanitation	19	610.3	22	949.4	14	748.1	55	2,307.8
Transport and ICT, Multisector, and ANR	70	2,757.5	89	4,135.4	55	3,219.7	214	10,112.6

<b>Rural Infrastructure-Related Projects</b> (number and approval amount)								
<b>Subsector</b>	<b>ADF VIII</b>		<b>ADF IX</b>		<b>ADF X</b>		<b>Total (2001–2010)</b>	
	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>
Rural Energy	4	143.9	4	95.3	5	311.6	13	550.8
Rural Water Supply and Sanitation	3	134.3	6	190.5	2	66.0	11	390.8
Rural Roads	15	624.5	22	1,110.9	11	512.7	48	2,248.1

<b>Share of Rural in Total Infrastructure</b> (based on amount approved for the sector[s], %)								
<b>Subsector</b>	<b>ADF VIII</b>		<b>ADF IX</b>		<b>ADF X</b>		<b>Total (2001–2010)</b>	
	<b>No.</b>	<b>Amount</b>	<b>No.</b>	<b>Amount</b>	<b>No.</b>	<b>Amount</b>	<b>No.</b>	<b>Amount</b>
Rural Energy	44	49.6	31	17.6	36	20.4	36	23.3
Rural Water Supply and Sanitation	16	22.0	27	20.1	14	8.8	20	16.9
Rural Roads <sup>a</sup>	21	37.5	25	39.9	20	21.0	22	32.6

<b>Average per Year Approval in Key Infrastructure Sectors</b> (number of projects and amount)								
<b>Sector</b>	<b>ADF VIII per Year</b>		<b>ADF IX per Year</b>		<b>ADF X per Year</b>		<b>Average (2001–2010)</b>	
	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>
Energy	2	72.6	3	135.4	7	764.4	4	236.1
Water Supply and Sanitation	5	152.6	6	237.4	7	374.1	6	230.8
Transport and ICT, Multisector and ANR	18	689.4	22	1,033.9	28	1,609.9	21	1,011.3

<b>Average per Year Approval of Selected Rural Infrastructure</b> (number of projects and amount)								
<b>Subsector</b>	<b>ADF VIII per Year</b>		<b>ADF IX per Year</b>		<b>ADF X per Year</b>		<b>Average (2001–2010)</b>	
	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>	<b>No.</b>	<b>Amt (\$M)</b>
Rural Energy	1	36.0	1	23.8	2	155.8	1	55.1
Rural Water Supply and Sanitation	1	33.6	2	47.6	1	33.0	1	39.1
Rural Roads	4	156.1	6	277.7	6	256.3	5	224.8

ADB = Asian Development Bank, ADF = Asian Development Fund, amt = amount, ANR = agriculture and natural resources, DMC = developing member country, ICT = information and communication technology, IED = Independent Evaluation Department, M = million, no. = number.

<sup>a</sup> While computing for the share of respective rural infrastructure, approvals for rural energy and for rural water supply and sanitation are divided by total ADF approval for energy, and water and other municipal infrastructure and services, respectively. Since rural roads appear in at least three

sectors (ANR, multisector, and transport and ICT), approval for rural roads is divided by a weighted denominator representing 30% of ANR, 60% of multisector, and 100% of transport and ICT.

Note: ADB does not report approvals for rural infrastructure, and the figures are IED estimates based on content analysis.

Source: Independent Evaluation Department.

**ADF LOAN AND GRANT PROJECT<sup>a</sup> APPROVALS WITH REGIONAL COOPERATION AND INTEGRATION AS A THEME,  
BY SECTOR AND BY REPLENISHMENT PERIOD (2001–2010)**

Sector	Number of Projects											
	ADF VIII			ADF IX			ADF X			Total		
	Approved (A)	RCI as a Theme (B)	(B)/(A) %	Approved (A)	RCI as a Theme (B)	(B)/(A) %	Approved (A)	RCI as a Theme (B)	(B)/(A) %	Approved (A)	RCI as a Theme (B)	(B)/(A) %
Agriculture and Natural Resources	36	0	0.0	29	0	0.0	16	3	18.8	81	3	3.7
Education	22	0	0.0	19	0	0.0	6	0	0.0	47	0	0.0
Energy	9	2	22.2	13	4	30.8	14	7	50.0	36	13	36.1
Finance	12	0	0.0	11	0	0.0	1	0	0.0	24	0	0.0
Health and Social Protection	8	0	0.0	15	5	33.3	6	3	50.0	29	8	27.6
Industry and Trade	12	7	58.3	8	3	37.5	2	1	50.0	22	11	50.0
Multisector	10	0	0.0	19	0	0.0	12	2	16.7	41	2	4.9
Public Sector Management	18	0	0.0	14	0	0.0	7	1	14.3	39	1	2.6
Transport and ICT	24	3	12.5	41	15	36.6	27	14	51.9	92	32	34.8
Water and Other Municipal Infrastructure and Services	19	0	0.0	22	0	0.0	14	1	7.1	55	1	1.8
<b>Total</b>	<b>170</b>	<b>12</b>	<b>7.1</b>	<b>191</b>	<b>27</b>	<b>14.1</b>	<b>105</b>	<b>32</b>	<b>30.5</b>	<b>466</b>	<b>71</b>	<b>15.2</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, COSO = Central Operations Services Office, ICT = information and communication technology, RCI = regional cooperation and integration, TA = technical assistance.

<sup>a</sup> Each project may have more than one theme.

Sources: ADB database on Loan, TA, Grant and Equity Approvals (as of 31 December 2010); thematic classification of loans and grants from COSO.



## MAJOR ENVIRONMENTAL INITIATIVES

1. Detailed description and operational procedures of various initiatives are available from the Asian Development Bank's (ADB) Regional and Sustainable Development Department website. This appendix outlines key environmental initiatives undertaken by ADB during the review period.
2. The **Asian Environment Outlook** reviews key environmental issues facing the Asia and Pacific region and identifies current and future measures to address them. It was first launched in 2001, followed by the second one in 2005.
3. The **Cities Development Initiative for Asia**, established in 2007 as a regional initiative, promotes livable cities that are competitive and environmentally attractive. All Asian Development Fund developing member countries (DMCs) qualify for City Development Initiative for Asia. The Clean Air Initiative for Asian Cities was established in 2001 by ADB, the United States-Asia Environmental Partnership, and the World Bank as a flagship initiative for improved air quality.<sup>1</sup> ADB has signed a letter of intent with the Clean Air Initiative Asia Center to improve urban air quality and reduce greenhouse gas emissions in Asia. ADB established an **Energy Efficiency Initiative** (EEI) in 2005 to help DMCs achieve significant, measurable changes in energy consumption patterns while securing a low carbon future. Through this initiative, ADB conducts studies on institutional and external barriers to widespread application of renewable energy and energy efficiency in its DMCs.<sup>2</sup>
4. The **Climate Change Program** addresses the causes and consequences of climate change and provides support by mainstreaming climate change into its operations, mobilizing finance, and developing capacity and knowledge. Under its climate change mitigation activities, it is helping Asia transition to low-carbon growth by promoting (i) energy efficiency, renewable energy, switching to cleaner fuels, and other low-carbon energy options; (ii) efficient transport systems; (iii) improved urban sanitation and reduction of fugitive methane emissions; and (iv) sustainable land use and forestry. ADB is also helping its DMCs adapt to the adverse impacts of climate change; its adaptation activities are focused on (i) addressing climate vulnerability and risks in national development strategies and action plans, (ii) assessing climate resilience in vulnerable sectors and geo-climatic regions, (iii) addressing social dimensions of climate change, and (iv) climate proofing of projects. ADB established the Climate Change Fund and works with partners such as the Global Environment Facility to help its DMCs access grant resources for adaptation and mitigation programs and investments.
5. The **Poverty and Environment Program** was established to promote mainstreaming the environment in ADB operations and DMCs' plans and programs. Regional technical assistance (TA)<sup>3</sup> helped in learning and understanding the link between poverty reduction and the promotion of environmental sustainability through targeted interventions in three focal areas:

<sup>1</sup> The Clean Air Initiative for Asian Cities became the leading convener on air quality management (AQM) through the Better Air Quality Workshops, the largest regional gathering of AQM stakeholders in Asia. ADB was instrumental in formally structuring the initiative in 2007 as the Clean Air Initiative for Asian Cities Partnership, the Clean Air Initiative Asia Center, and the Clean Air Initiative Asia Country Networks. The Clean Air Initiative Asia Center was registered as a nonstock, nonprofit corporation in the Philippines.

<sup>2</sup> ADB clean energy investments under the EEI include end-use energy efficiency, renewable energy, and cleaner fuels. To help finance EEI, the Clean Energy Financing Partnership Facility was established in April 2007 to fund small energy efficiency investments that require quick transactions, finance some technology transfer costs of clean technologies, and provide grant assistance for activities such as developing the knowledge base on clean energy technologies.

<sup>3</sup> ADB. 2003. *Technical Assistance for Poverty and Environment Program*. Manila.

sustainable livelihoods, pollution and health, and environmental vulnerability. The TA also helped in establishing the Poverty Environment Net website (<http://www.povertyenvironment.net>). Currently, ADB is implementing another TA<sup>4</sup> that expands the scope of the Poverty and Environment Program and includes opportunities for environmental mainstreaming in ADB operations.

6. ADB's **Sustainable Transport Initiative** promotes transport solutions while ensuring inclusive and environmentally sustainable growth and mitigating negative externalities of the sector. It supports integrated land use development and mobility needs, promoting shifts to energy-efficient modes of transportation, and improving vehicle and fuel technologies. It also promotes ADB's interaction with DMCs on sustainable, low-carbon transport.

7. **Other programs.** Other regional and subregional initiatives to mainstream environmental considerations into the region's economic programs, and to restore, maintain, and enhance the productive functions of natural resources for the improved wellbeing of those who depend on these resources, while preserving ecological functions, include (i) Greater Mekong Subregion – Core Environment Program, (ii) Coral Triangle Initiative, (iii) Central Asian Countries Initiative for Land Management, and (iv) Heart of Borneo Initiative. ADB works closely with other development partners such as the Global Environment Facility, Asian Environmental Compliance and Enforcement Network, United Nations Environment Programme, International Union for Conservation of Nature, World Wide Fund for Nature, and United Nations Economic and Social Commission for Asia and the Pacific.

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<sup>4</sup> ADB. 2007. *Technical Assistance for Mainstreaming Environment for Poverty Reduction*. Manila.

## SECTOR SELECTIVITY OF ADF OPERATIONS

**Table A9.1: Distribution of Ongoing ADF Loans in 2002, 2006, and 2010, by Country and Number of Sectors**  
(sorted by country with highest total loan amount)

Country	No. of sectors			HHI <sup>a</sup> (based on amount)		
	2002	2006	2010	2002	2006	2010
Pakistan	8	10	7	0.283	0.230	0.351
Viet Nam	9	9	10	0.189	0.176	0.195
Bangladesh	7	9	10	0.218	0.175	0.150
Sri Lanka	8	9	9	0.199	0.174	0.232
Nepal	8	8	7	0.224	0.177	0.236
Indonesia	4	8	6	0.451	0.215	0.191
Cambodia	10	10	7	0.181	0.139	0.298
Lao PDR	9	9	4	0.173	0.160	0.449
Kyrgyz Republic	7	6	5	0.216	0.248	0.283
Mongolia	8	9	6	0.145	0.143	0.313
Tajikistan	6	7	4	0.243	0.253	0.328
Afghanistan	1	5	5	1.000	0.293	0.291
Philippines	3	8		0.447	1.000	0.000
Papua New Guinea	5	6	4	0.217	0.255	0.683
Maldives	5	5	5	0.231	0.210	0.396
Bhutan	5	5	4	0.208	0.251	0.268
Micronesia, Fed. States of	3	2	1	0.346	0.534	1.000
Marshall Islands	4		1	0.254	0.000	1.000
Kazakhstan	2	7		0.500	1.000	0.000
Uzbekistan	1	7	5	1.000	0.335	0.360
Samoa	3	3	3	0.357	0.369	0.430
Solomon Islands	2	1		0.835	1.000	0.000
Kiribati	1	1	1	1.000	1.000	1.000
Tonga	1			1.000	0.000	0.000
Vanuatu	1			1.000	0.000	0.000
Cook Islands	1	1	1	1.000	1.000	1.000
Tuvalu	1	1	1	1.000	1.000	1.000
Georgia			2	0.000	0.000	0.751
Armenia			2	0.000	0.000	0.625
Azerbaijan		3	3	0.000	0.441	0.364
Palua			1	0.000	0.000	1.000
Regional		1		0.000	1.000	0.000
<b>Total</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>0.178</b>	<b>0.151</b>	<b>0.156</b>

ADF = Asian Development Fund, Lao PDR = Lao People's Democratic Republic, HHI = Hirschmann-Herfindahl Index.

<sup>a</sup> The Hirschmann-Herfindahl Index formula is  $\sum [n/p]^2$  where n is the number of loans a developing member country (DMC) has in each sector, p is the DMC's total number of loans, and the squares of n/p are summed across all sectors. The maximum index value of 1 is reached only if all of a DMC's loans are in a single sector; the minimum index value approaches 0 as the total number of loans increases and they are spread evenly across all sectors.

Source: Asian Development Bank Management Information System.

**Table A9.2: Distribution of Ongoing ADF Loans in 2002, by Country and Sector**  
(number of loans; sorted by country with most number of loans)

Country	Sector										Total No. of Loans	Total No. of Sectors	No. of Loans/Sector	HHI <sup>a</sup>
	AG	ED	EN E	FI	HL	IN	LW	MS	TC	WS				
Pakistan	14	5	2	2	3		5		2	4	37	8	4.6	0.207
Viet Nam	10	4	1	2	2	2		1	5	4	31	9	3.4	0.178
Bangladesh	13	4	5	0	1			1	6	1	31	8	3.9	0.259
Sri Lanka	13	3	2	1	0	2		1	6	1	29	9	3.2	0.268
Lao PDR	6	3	2	2	1	1		2	5	2	24	9	2.7	0.153
Cambodia	5	4	1	2	2	1	1	2	4	1	23	10	2.3	0.138
Nepal	9	2	2	1	0	1	1		1	4	21	9	2.3	0.247
Mongolia	3	2	1	4	3			1	1	1	16	8	2.0	0.164
Indonesia	11	2	0	0	1		1				15	6	2.5	0.564
Kyrgyz Republic	2	1	0	0	0	1	2	2	3	1	12	10	1.2	0.167
Tajikistan	2	0	2	0	0	1		2	1	1	9	9	1.0	0.185
Philippines	5	0	0	0	2					1	8	6	1.3	0.469
Papua New Guinea	2	1	0	1	1					1	6	6	1.0	0.222
Maldives	0	1	2	0	0		1	1	1		6	8	0.8	0.222
Bhutan	0	1	1	2	0			1	1		6	7	0.9	0.222
Micronesia, Fed. States of	0	0	0	0	1		2			1	4	7	0.6	0.375
Marshall Islands	0	1	0	0	1		1		1		4	7	0.6	0.250
Samoa	0	1	1	1	0						3	5	0.6	0.333
Kazakhstan	1	1	0	0	0						2	5	0.4	0.500
Solomon Islands	0	0	0	0	0		1	1			2	7	0.3	0.500
Afghanistan	0	0	0	0	0			1			1	6	0.2	1.000
Uzbekistan	0	1	0	0	0						1	5	0.2	1.000
Kiribati	0	0	0	0	0					1	1	6	0.2	1.000
Tonga	0	0	0	0	0		1				1	6	0.2	1.000
Vanuatu	0	0	0	0	0			1			1	6	0.2	1.000
Cook Islands	0	0	0	0	0					1	1	6	0.2	1.000
Tuvalu	0	1	0	0	0						1	5	0.2	1.000
<b>Total</b>	<b>96</b>	<b>38</b>	<b>22</b>	<b>18</b>	<b>18</b>	<b>9</b>	<b>16</b>	<b>17</b>	<b>37</b>	<b>25</b>	<b>296</b>	<b>10</b>	<b>29.6</b>	<b>0.164</b>

ADF = Asian Development Fund; AG = agriculture and natural resources; ED = education; ENE = energy; FI = finance; HHI = Hirschmann-Herfindahl Index; HL = health, nutrition, and social protection; IN = industry and trade; Lao PDR = Lao People's Democratic Republic; LW = law, economic management, and public policy; MS = multisector; TC = transport and communications; WS = water supply and sanitation.

<sup>a</sup> The Hirschmann-Herfindahl Index formula is  $\sum[n/p]^2$  where n is the number of loans a developing member country (DMC) has in each sector, p is the DMC's total number of loans, and the squares of n/p are summed across all sectors. The maximum index value of 1 is reached only if all of a DMC's loans are in a single sector; the minimum index value approaches 0 as the total number of loans increases and they are spread evenly across all sectors.

Source: Asian Development Bank Management Information System.

**Table A9.3: Distribution of Ongoing ADF Loans in 2002, by Country and Sector**  
(loan amount in \$ million; sorted by country with highest total loan amount)

Country	Sector										Total Loan Amount	Total No. of Sectors	Loan Amount/Sector	HHI <sup>a</sup>
	AG	ED	ENE	FI	HL	IN	LW	MS	TC	WS				
Pakistan	1,087.2	298.0	105.0	6.0	143.0		201.0		215.0	188.8	2,244.0	8	280.5	0.283
Viet Nam	594.8	184.0	100.0	80.0	111.3	68.5		70.0	445.0	260.0	1,913.6	9	212.6	0.189
Bangladesh	507.2	297.0	419.0		40.0			65.0	476.8	60.0	1,865.0	7	266.4	0.218
Sri Lanka	334.1	88.8	150.0	85.0		26.0		70.0	321.5	75.0	1,150.4	8	143.8	0.199
Nepal	147.7	49.6	210.0	7.3		17.2	30.0		46.0	205.0	712.8	8	89.1	0.224
Indonesia	382.2	115.0			65.0		43.2				605.4	4	151.3	0.451
Cambodia	99.2	78.0	18.6	20.0	40.0	15.6	10.0	75.0	173.0	20.0	549.4	10	54.9	0.181
Lao PDR	74.0	60.0	82.0	19.0	20.0	10.9		47.0	159.0	45.0	516.9	9	57.4	0.173
Kyrgyz Republic	48.5	13.7				15.0	39.0	15.0	95.0	36.0	262.2	7	37.5	0.216
Mongolia	26.9	23.0	40.0	41.7	23.9			6.8	25.0	20.1	207.4	8	25.9	0.145
Tajikistan	40.3		54.0			10.0		25.0	20.0	3.6	152.9	6	25.5	0.243
Afghanistan								150.0			150.0	1	150.0	1.000
Philippines	79.5				34.7					18.5	132.7	3	44.2	0.447
Papua New Guinea	11.6	20.0		9.6	10.0					15.3	66.5	5	13.3	0.217
Maldives		6.3	15.0				5.0	8.0	9.5		43.8	5	8.8	0.231
Bhutan		6.9	10.0	8.0				5.7	9.6		40.2	5	8.0	0.208
Micronesia, Fed. States of					8.0		13.0			10.6	31.6	3	10.5	0.346
Marshall Islands		6.8			9.3		8.0		7.0		31.1	4	7.8	0.254
Kazakhstan	10.0	10.0									20.0	2	10.0	0.500
Uzbekistan		20.0									20.0	1	20.0	1.000
Samoa		7.0	6.0	3.5							16.5	3	5.5	0.357
Solomon Islands							1.0	10.0			11.0	2	5.5	0.835
Kiribati										10.2	10.2	1	10.2	1.000
Tonga							10.0				10.0	1	10.0	1.000
Vanuatu								10.0			10.0	1	10.0	1.000
Cook Islands										2.2	2.2	1	2.2	1.000
Tuvalu		1.8									1.8	1	1.8	1.000
<b>Total</b>	<b>3,443.1</b>	<b>1,286.0</b>	<b>1,209.6</b>	<b>280.1</b>	<b>505.2</b>	<b>163.2</b>	<b>360.2</b>	<b>557.5</b>	<b>2,002.4</b>	<b>970.3</b>	<b>10,777.7</b>	<b>10</b>	<b>1,077.8</b>	<b>0.178</b>

ADF = Asian Development Fund; AG = agriculture and natural resources; ED = education; ENE = energy; FI = finance; HHI = Hirschmann-Herfindahl Index; HL = health, nutrition, and social protection; IN = industry and trade; Lao PDR = Lao People's Democratic Republic; LW = law, economic management, and public policy; MS = multisector; TC = transport and communications; WS = water supply and sanitation.

<sup>a</sup> The Hirschmann-Herfindahl Index formula is  $\sum [n/p]^2$  where n is the number of loans a developing member country (DMC) has in each sector, p is the DMC's total number of loans, and the squares of n/p are summed across all sectors. The maximum index value of 1 is reached only if all of a DMC's loans are in a single sector; the minimum index value approaches 0 as the total number of loans increases and they are spread evenly across all sectors.

Source: Asian Development Bank Management Information System.

**Table A9.4: Distribution of Ongoing ADF Loans in 2006, by Country and Sector**  
(number of loans; sorted by country with most loans)

Country	AG	ED	ENE	FI	HL	IN	LW	MS	TC	WS	Total No. of Loans	Total No. of Sectors	Total No. of Loans/Sector	HHI <sup>a</sup>
Pakistan	11	7	2	4	2	2	7	15	4	2	56	10	5.6	0.157
Sri Lanka	10	5	1	2		1	1	7	5	4	36	9	4.0	0.171
Viet Nam	10	5		3	3	3		3	5	3	35	8	4.4	0.159
Bangladesh	7	6	4	2	1	3		4	4	1	32	9	3.6	0.145
Lao PDR	6	3	1	4	1	1		3	4	1	24	9	2.7	0.156
Nepal	7	4	1	2			1	1	2	5	23	8	2.9	0.191
Cambodia	4	3	3	1	1	2	1	2	2	2	21	10	2.1	0.120
Mongolia	2	2	1	3	3	1	2		2	2	18	9	2.0	0.123
Indonesia	5	2			2		3	5			17	5	3.4	0.232
Tajikistan	3	1	2	1	1	1			3		12	7	1.7	0.181
Afghanistan	2		2				1	3	3		11	5	2.2	0.223
Kyrgyz Republic	1			2	1	1		2	3		10	6	1.7	0.200
Papua New Guinea	2	1		1					2	1	7	5	1.4	0.224
Maldives	0	2	1					2	1	1	7	6	1.2	0.224
Bhutan	0	1	1	2					1	1	6	6	1.0	0.222
Micronesia, Fed. States of							2	2			4	2	2.0	0.500
Uzbekistan	1	1								1	3	3	1.0	0.333
Azerbaijan	1								1	1	3	3	1.0	0.333
Samoa		1				1		1			3	3	1.0	0.333
Tuvalu		2									2	1	2.0	1.000
Kiribati										1	1	1	1.0	1.000
Kazakhstan	1										1	1	1.0	1.000
Solomon Islands								1			1	1	1.0	1.000
Philippines					1						1	1	1.0	1.000
Cook Islands								1			1	1	1.0	1.000
Regional									1		1	1	1.0	1.000
<b>Total</b>	<b>73</b>	<b>46</b>	<b>19</b>	<b>27</b>	<b>16</b>	<b>16</b>	<b>18</b>	<b>52</b>	<b>43</b>	<b>26</b>	<b>336</b>	<b>10</b>	<b>33.6</b>	<b>0.129</b>

ADF = Asian Development Fund; AG = agriculture and natural resources; ED = education; ENE = energy; FI = finance; HHI = Hirschmann-Herfindahl Index; HL = health, nutrition, and social protection; IN = industry and trade; Lao PDR = Lao People's Democratic Republic; LW = law, economic management, and public policy; MS = multisector; TC = transport and communications; WS = water supply and sanitation.

<sup>a</sup> The Hirschmann-Herfindahl Index formula is  $\sum [n/p]^2$  where n is the number of loans a developing member country (DMC) has in each sector, p is the DMC's total number of loans, and the squares of n/p are summed across all sectors. The maximum index value of 1 is reached only if all of a DMC's loans are in a single sector; the minimum index value approaches 0 as the total number of loans increases and they are spread evenly across all sectors.

Source: Asian Development Bank Management Information System.

**Table A9.5: Distribution of Ongoing ADF Loans in 2006, by Country and Sector**  
(loan amount in \$ million; sorted by country with highest total loan amount)

Country	Sector										Total Loan Amount	Total No. of Sectors	Loan Amount/ Sector	HHI <sup>a</sup>
	AG	ED	ENE	FI	HL	IN	LW	MS	TC	WS				
Pakistan	754.6	325.0	20.0	106.0	83.0	23.0	163.8	811.8	84.0	90.0	2,461.2	10	246.1	0.230
Bangladesh	301.1	408.9	182.6	45.6	30.0	50.0		350.0	323.0	41.0	1,732.2	9	192.5	0.175
Viet Nam	523.5	223.0		145.0	116.2	88.5		128.1	255.5	157.2	1,637.0	9	181.9	0.176
Sri Lanka	224.1	168.8	70.0	15.0		6.0	10.0	213.0	251.5	231.8	1,190.2	9	132.2	0.174
Afghanistan	115.5		61.5					48.0	322.2	188.2	735.4	5	147.1	0.293
Indonesia	191.3	150.0			100.2			97.2	177.1		715.8	8	89.5	0.215
Nepal	151.0	99.6	50.0	63.3				30.0	30.0	66.0	683.9	8	85.5	0.177
Cambodia	58.6	63.0	82.9	10.0	20.0	35.6	10.0	43.2	92.0	26.3	441.6	10	44.2	0.139
Lao PDR	68.8	48.9	30.0	29.0	20.0	10.9		46.6	104.7	20.0	378.9	9	42.1	0.160
Mongolia	19.9	27.0	40.0	33.7	26.0	5.0	15.5		62.1	48.3	277.5	9	30.8	0.143
Tajikistan	63.2	7.5	55.5	4.0	7.5	10.7			64.5		212.9	7	30.4	0.253
Kyrgyz Republic	36.0			28.0	10.5	7.5		41.0	77.8		200.8	6	33.5	0.248
Papua New Guinea	11.6	20.0		9.6					37.0	15.3	93.5	6	15.6	0.255
Uzbekistan	27.6	30.0								25.0	82.6	7	11.8	0.335
Bhutan		7.0	9.4	13.0					27.3	24.6	81.3	5	16.3	0.251
Maldives		12.3	8.0					9.8	9.5	6.0	45.6	5	9.1	0.210
Azerbaijan	22.0								3.0	20.0	45.0	3	15.0	0.441
Micronesia, Fed. States of							13.0	22.2			35.2	2	17.6	0.534
Samoa		8.1				3.5		8.0			19.6	3	6.5	0.369
Kiribati										10.2	10.2	1	10.2	1.000
Kazakhstan	10.0										10.0	7	1.4	1.000
Solomon Islands								10.0			10.0	1	10.0	1.000
Philippines					8.8						8.8	8	1.1	1.000
Tuvalu		3.8									3.8	1	3.8	1.000
Cook Islands								2.8			2.8	1	2.8	1.000
Regional									1.5		1.5	1	1.5	1.000
<b>Total</b>	<b>2,578.8</b>	<b>1,602.9</b>	<b>609.9</b>	<b>502.2</b>	<b>422.2</b>	<b>240.7</b>	<b>387.5</b>	<b>2,215.8</b>	<b>1,647.6</b>	<b>909.7</b>	<b>11,117.4</b>	<b>10</b>	<b>1,111.7</b>	<b>0.151</b>

ADF = Asian Development Fund; AG = agriculture and natural resources; ED = education; ENE = energy; FI = finance; HHI = Hirschmann-Herfindahl Index; HL = health, nutrition, and social protection; IN = industry and trade; Lao PDR = Lao People's Democratic Republic; LW = law, economic management, and public policy; MS = multisector; TC = transport and communications; WS = water supply and sanitation.

<sup>a</sup> The Hirschmann-Herfindahl Index formula is  $\sum [n/p]^2$  where n is the number of loans a developing member country (DMC) has in each sector, p is the DMC's total number of loans, and the squares of n/p are summed across all sectors. The maximum index value of 1 is reached only if all of a DMC's loans are in a single sector; the minimum index value approaches 0 as the total number of loans increases and they are spread evenly across all sectors.

Source: Asian Development Bank Management Information System.

**Table A9.6: Distribution of Ongoing ADF Loans in 2010, by Country and Sector**  
(number of loans; sorted by country with most number of loans)

Country	Sector										Total No. of Loans	Total No. of Sectors	No. of Loans/Sector	HHI <sup>a</sup>
	ANR	EDU	ENE	FIN	HSP	ITR	MS	PSM	TICT	WMIS				
Bangladesh	9	5	4	1	1	2	4	4	8	8	46	10	4.6	0.136
Viet Nam	12	8	1	2	4	2	2	2	7	5	45	10	4.5	0.156
Sri Lanka	1	3	1	2		1	4	1	5	6	24	9	2.7	0.163
Cambodia	7	1	2	1		1		2	7		21	7	3.0	0.247
Pakistan	6	1	4				1	2	3	1	18	7	2.6	0.210
Indonesia	5	2			2		2	3		2	16	6	2.7	0.195
Nepal	3	2	1	1			1		3	5	16	7	2.3	0.195
Afghanistan	2		2				2	1	3		10	5	2.0	0.220
Papua New Guinea			1	1		1			7		10	4	2.5	0.520
Uzbekistan	2	2	1						1	4	10	5	2.0	0.260
Mongolia		1			1	1		1	3	1	8	6	1.3	0.219
Lao PDR	4	1		1					1		7	4	1.8	0.388
Tajikistan	4		1			1			1		7	4	1.8	0.388
Krygyz Republic			1			1	1		2	1	6	5	1.2	0.222
Maldives		1				1		2	1	1	6	5	1.2	0.222
Bhutan			1	2					1	1	5	4	1.3	0.280
Armenia									3	1	4	2	2.0	0.625
Georgia									3	1	4	2	2.0	0.625
Samoa		1	1							2	4	3	1.3	0.375
Azerbaijan	1								1	1	3	3	1.0	0.333
Tuvalu		2									2	1	2.0	1.000
Cook Islands									1		1	1	1.0	1.000
Micronesia, Fed. States of							1				1	1	1.0	1.000
Kirbati									1		1	1	1.0	1.000
Palau										1	1	1	1.0	1.000
Marshall Islands								1			1	1	1.0	1.000
<b>Total</b>	<b>56</b>	<b>30</b>	<b>21</b>	<b>11</b>	<b>8</b>	<b>11</b>	<b>18</b>	<b>19</b>	<b>62</b>	<b>41</b>	<b>277</b>	<b>10</b>	<b>27.7</b>	<b>0.143</b>

ADF = Asian Development Fund; ANR = agriculture and natural resources; EDU = education; ENE = energy; FIN = finance; HHI = Hirschmann-Herfindahl Index; HSP = health, nutrition, and social protection; ITR = industry and trade; Lao PDR = Lao People's Democratic Republic; MS = multisector; PSM = public sector management; TICT = transport and information and communication technology; WMIS = water and other municipal infrastructure and services.

<sup>a</sup> The Hirschmann-Herfindahl Index formula is  $\sum [n/p]^2$  where n is the number of loans a developing member country (DMC) has in each sector, p is the DMC's total number of loans, and the squares of n/p are summed across all sectors. The maximum index value of 1 is reached only if all of a DMC's loans are in a single sector; the minimum index value approaches 0 as the total number of loans increases and they are spread evenly across all sectors.

Source: Asian Development Bank Management Information System.



**Table A9.7: Distribution of Ongoing ADF Loans in 2010, by Country and Sector**  
(loan amount in \$ million; sorted by country with highest total loan amount)

Country	Sector										Total Loan Amount	Total No. of Sectors	Loan Amount/ Sector	HHI <sup>a</sup>
	ANR	EDU	ENE	FIN	HSP	ITR	MS	PSM	TICT	WMIS				
Bangladesh	409.8	368.9	115.0	3.0	30.0	81.0	335.0	319.9	350.7	598.0	2,611.3	10	261.1	0.150
Viet Nam	808.8	324.0	151.0	90.0	146.9	18.5	60.0	50.0	540.5	274.2	2,463.9	10	246.4	0.195
Sri Lanka	20.0	120.0	25.0	15.0		50.0	95.8	10.0	255.9	306.6	898.3	9	99.8	0.232
Afghanistan	115.5		61.5				317.2	48.0	188.2		730.4	5	146.1	0.291
Pakistan	345.0	16.0	50.0				220.0	13.8	18.0	38.0	700.8	7	100.1	0.351
Indonesia	171.3	130.0			85.2		76.5	97.2		50.6	610.8	6	101.8	0.191
Nepal	70.0	45.0	65.0	60.4			12.8		104.5	244.0	601.7	7	86.0	0.236
Uzbekistan	42.6	60.0	10.0						115.0	255.0	482.6	5	96.5	0.360
Cambodia	83.7	25.0	64.3	10.0		15.6		20.0	198.3		416.9	7	59.6	0.298
Papua New Guinea			16.4	13.0		25.0			247.0		301.4	4	75.4	0.683
Georgia									233.8	40.0	273.8	2	136.9	0.751
Mongolia		13.0			43.1	5.0		2.0	85.1	35.2	183.5	6	30.6	0.313
Armenia									107.9	36.0	143.9	2	72.0	0.625
Kyrgyz Republic			16.7			7.5	48.5		51.0	16.5	140.2	5	28.0	0.283
Tajikistan	59.0		21.5			10.7			40.9		132.1	4	33.0	0.328
Bhutan			29.0	13.0					27.3	24.6	93.9	4	23.5	0.268
Lao PDR	46.3	8.9		2.3					17.7		75.2	4	18.8	0.449
Maldives		6.0				7.5		36.5	5.3	6.0	61.3	5	12.3	0.396
Azerbaijan	22.0								10.0	20.0	52.0	3	17.3	0.364
Samoa		8.1	26.6							10.8	45.5	3	15.2	0.430
Micronesia, Fed. States of							14.2				14.2	1	14.2	1.000
Kiribati									12.0		12.0	1	12.0	1.000
Marshall Islands								9.5			9.5	1	9.5	1.000
Cook Islands									6.9		6.9	1	6.9	1.000
Tuvalu		3.8									3.8	1	3.8	1.000
Palau										3.4	3.4	1	3.4	1.000
<b>Total</b>	<b>2,194.0</b>	<b>1,128.7</b>	<b>652.0</b>	<b>206.7</b>	<b>305.2</b>	<b>220.8</b>	<b>1,179.9</b>	<b>606.9</b>	<b>2,616.0</b>	<b>1,958.9</b>	<b>11,069.1</b>	<b>10</b>	<b>1,106.9</b>	<b>0.156</b>

ADF = Asian Development Fund, ANR = agriculture and natural resources; EDU = education; ENE = energy; FIN = finance; HHI = Hirschmann-Herfindahl Index; HSP = health and social protection; ITR = industry and trade; Lao PDR = Lao People's Democratic Republic; MS = multisector; PSM = public sector management; TICT = transport and information and communication technology; WMIS = water and other municipal infrastructure and services.

<sup>a</sup> The Hirschmann-Herfindahl Index formula is  $\Sigma[n/p]^2$  where n is the number of loans a developing member country (DMC) has in each sector, p is the DMC's total number of loans, and the squares of n/p are summed across all sectors. The maximum index value of 1 is reached only if all of a DMC's loans are in a single sector; the minimum index value approaches 0 as the total number of loans increases and they are spread evenly across all sectors.

Source of basic data: Asian Development Bank Management Information System.

**PROGRESS MADE IN IMPLEMENTING THE RECOMMENDATIONS FROM THE 2007 SPECIAL EVALUATION STUDY  
ON ASIAN DEVELOPMENT FUND VIII AND IX OPERATIONS**

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
1	<p><b>The ADF's size should increase if it is to accelerate the achievement of the MDGs.</b> Despite its modest size relative to the massive challenge of development, the ADF can be an effective instrument in achieving the MDGs in a range of countries if the congested agenda and project administration issues are addressed. The size of the ADF is important, not only for the acceleration of poverty reduction and attention to non-income MDG concerns, but also to ensure the leverage needed to achieve policy change and governance objectives in weakly performing countries and other DMCs. Increased blending of OCR loans with ADF components to target capacity development may add significant value to the projects in many blend countries.</p>	<p>We agree with the SES recommendation to ADF donors that the ADF's size should increase if it is to accelerate the achievement of the MDGs. We believe that a certain critical mass has to be deployed not only to achieve poverty reduction and address non-income MDGs, but also to ensure the leverage needed to achieve policy change and governance objectives.</p>	<p>ADF assistance increased substantially under ADF X. Average annual approvals are projected to reach \$3.2 billion under ADF X compared with \$2 billion under ADF IX. This increase reflects the strong demand from ADF countries affected by the economic crisis and the timely response by ADB, which was made possible by the larger ADF X replenishment (equivalent to \$11.8 billion compared with \$7 billion in ADF IX).</p>	<p>ADB successfully negotiated with donors a larger envelope for ADF X; hence, the recommendation for the replenishment period is fully addressed.</p>
2	<p><b>ADF donors should consider the role and credibility of the ADF as ADB's main special-purpose vehicle for addressing poverty and achieving the MDGs in the Asia and Pacific region.</b> The ADF currently addresses a subset of countries with only 18% of the poor. Given ADB's graduation policy, this proportion will decrease at the start of ADF X. Some DMCs with</p>		<p>ADB's overall mandate is to reduce poverty in the region. Hence, all ADB operations (OCR and ADF combined) seek in one way or another to address the need of the poor. This is not limited to ADF operations.</p> <p>The regulations of the ADF clearly indicate that it should focus on the less developed members among ADB's DMCs,</p>	<p>The mandate to expand access to ADF resources lies with the donors. Under the current mandate, it is not relevant to address poverty reduction in middle-income countries that are homes to millions of the poor. ADB has demonstrated that in selected countries OCR-funded projects have had direct relevance to the poverty</p>

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
	<p>large poor populations (notably People's Republic of China, India, Philippines, and soon Indonesia) are not allocated ADF resources for projects and programs, whereas the official development assistance per capita they receive is low by comparison. With expanding reflows from earlier ADF loans and new contributions from ADF donors, ADF X may provide an opportunity to address this issue, perhaps through set-asides to cap otherwise large PBAs to populous countries. Alternative options are to revisit the ADF graduation policy, or to consider a third window to provide concessional resources (or transfers of net income from OCR) with financing on terms harder than for the ADF but softer than for OCR to more creditworthy countries that are below the gross domestic product per capita cutoff. An increase in the number of eligible countries should not lead to a reduced allocation to the existing ADF recipients. A critical mass in poor countries is needed for policy leverage.</p>		<p>and should carefully consider other financing sources the country can attract. While it is correct that a substantial number of poor people in Asia reside in middle-income countries that do not have access to the ADF, this fact does not warrant that the ADF should redirect its assistance to those countries. Doing so would redirect limited ADF resources to a small number of large middle-income countries with substantial access to other financing sources, including ADB's OCR, and away from a large number of smaller and substantially poorer countries, for which the ADF is a crucial source of assistance, in the absence of sustained capital inflows and limited or non-existent capacity to borrow on non-concessional terms.</p> <p>Under ADF X, a soft cap was introduced on ADF allocation to blend countries. As a result, a greater share of total ADF allocation went to ADF-only countries (35% under ADF X versus 29% under ADF IX).</p>	<p>needs of the poor. However, it should be noted that ADB's vision of a poverty-free Asia and Pacific region cannot be achieved by "trickle down" alone and hence will require concerted efforts from respective governments in a more tangible and substantial way. The concern to reach out to poor populations in middle-income countries through ADB assistance can be partly addressed by ensuring that OCR projects are carried out in less developed areas.</p> <p>The spirit of the recommendation was not to divert current allocation to middle-income countries, but to seek an expanded envelope to cover the poor in those countries. The recommendation is considered not addressed.</p>
3	<p><b>ADF X should avoid goal congestion in operations and in ADB as a whole.</b> The 1999 Poverty Reduction Strategy and the ADF VIII and ADF IX donor reports have broadened ADB's policy aspirations. The unintended</p>	<p>We fully agree that ADB should avoid "goal congestion" in its ADF operations. This objective has already been anchored in the selectivity approach of MTS II, and is also a crucial component of LTSF 2008–</p>	<p>Under Strategy 2020, ADB decided to be more selective and focused in its operations based on DMC needs, ADB's comparative strengths, and to ensure complementarities of efforts with other development</p>	<p>ADB has generally moved away from direct poverty targeting within projects, towards more systemic approaches of addressing poverty at the country level. The level of project complexity</p>

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
	<p>effect of the ADF donor meetings may be a very broad agenda of priorities when DMCs are not involved to the same extent. New activities have implications for ADB staffing and human resources, and these are difficult to provide when ADB shareholders have placed strict limits on increasing ADB's budget. The report for the ADF X replenishment should include a small number of feasible priorities and targets that are achievable with available resources, are measurable, and have clear baseline values. The new LTSF should provide further guidance. The ADF should support focused operations. A new inclusive growth objective should not lead to overly inclusive project designs; inclusive growth, like poverty reduction, should be addressed at the country strategy level.</p>	<p>2020 currently being finalized.</p>	<p>partners. To maximize results, efficiency, and impact, Strategy 2020 identified five core areas of operations (infrastructure, finance, education, environment, and regional cooperation) where ADB operations are expected to increasingly concentrate. ADF deputies endorsed this approach in the ADF X donors' report, reducing further the number of core sectors to two (education and infrastructure), which appeared especially relevant in the ADF context. Under ADF X, about 75% of total ADF approvals are expected to be concentrated in these two sectors.</p>	<p>has slightly decreased in recent years. Sector focus has increased under Strategy 2020. The recommendation has been largely achieved.</p>
4	<p><b>The ADF needs to be more selective in its support for sectors (and within them, the subsectors) in many countries.</b> ADB should continue reviewing sector focus at the corporate level, but especially at the country level. Some country programs spread resources thinly, and the operations in some sectors have little critical mass. While past success needs to be studied carefully, low historical success rates should not automatically</p>	<p>We fully agree with this recommendation. In the ongoing ADF X replenishment negotiations, donors have for their part supported the need for selectivity, and the emerging consensus is that the ADF should focus on what it has been doing best over the years, mainly infrastructure projects that will address poverty reduction in an indirect manner through economic growth and job opportunities,</p>	<p>This is in line with Strategy 2020 and the ADF X donors report. See point 3 above.</p>	<p>ADF X is closely aligned with Strategy 2020, and ADF approvals have demonstrated greater alignment with ADF X strategic and operational objectives. Sector selectivity at the country level has improved in some countries, although sector distribution varies widely across countries. The spirit of the recommendation has been achieved.</p>

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
	lead the ADF to turn away from sectors with greater challenges in some countries. Creative staffing solutions need to be found if complex operations that are responsive to binding constraints and appropriate to some sectors require more staff input than hitherto assigned.	and increased access to markets and social services (health services, water and sanitation, and education).		
5	<b>Poverty reduction is an appropriate goal for ADF operations, and requires more than direct targeting of the poor in each country.</b> ADB and ADF IX have already internalized this lesson of ADF VIII. It should not be lost. Poverty reduction is generally driven by an appropriate mix of operations addressing inclusive growth and social development. In some weakly performing countries or conflict-affected countries, attention to targeting the poor may be more appropriate, while governance reforms may be less feasible. More effort is needed in addressing the non-income dimensions of poverty embodied in the MDGs, as well as in reducing inequality. In most transition economies, it remains important to strengthen the institutional framework to develop a market economy.	We agree with the SES recommendation that poverty reduction should be the main goal of ADF operations. We also support the SES finding that poverty reduction requires more than direct targeting of the poor in each country. As stated in the SES, we have already internalized this lesson of ADF VIII into our operations.	Under Strategy 2020, ADB moved away from direct poverty targeting. Under ADF X, about two thirds of ADF interventions are estimated to be general interventions, while about one third are targeted interventions. To ensure inclusiveness, ADF investment operations not only involve large infrastructure projects, but also strongly focus on basic infrastructure such as rural roads, water supply, sanitation, and electricity provision in rural areas.	ADB has adopted an inclusive sustainable growth concept under Strategy 2020, and the operations are accordingly guided. Needs of disadvantaged communities continue to remain, and the inclusive growth approach only partly addresses this concern. Social protection of vulnerable populations and fragile environments should not be overlooked. Efforts to address non-income poverty are not adequate, and more needs to be done in assisting DMCs to progress in achieving MDGs.
6	<b>An ADF geared to poverty reduction and governance is staff intensive and needs specialized skills.</b> Poverty	We acknowledge this SES recommendation. As part of the HRS adopted in October 2004, measures are being introduced	Through the review of the HRS by external experts in 2008, preparation of the HR action plan in 2009, and the approval of our	The spirit of the recommendation has been fully addressed, and several initiatives are ongoing within

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
	<p>reduction and good governance are challenging goals. Increased stakeholders' demands for development effectiveness, due diligence and safeguards, transparency, governance, gender, knowledge management, and targeting of the poor require a staff-intensive approach to project processing and administration. ADB staff need to expand. ADB should continue to expand its staff contingent in resident missions, rather than rely on loan or TA consultants posted to project implementation units, as the latter often lack authority (and possibly credibility) vis-à-vis executing agencies. If expanding the staff is impossible, an improvement over the present situation would be more reliance on long-term ADB staff consultants, or on TA consultants posted to resident missions, to assist directly with project administration. In the long run, however, this alternative would be suboptimal, particularly for effective knowledge management.</p>	<p>to address ADB's skills mix issues and skills gaps. We have also aligned our skills mix more closely with the priorities of MTS II. Subsequent to the staff engagement survey undertaken in early 2008 and the adoption of LTSF (2008–2020), we will review the HRS with the assistance of external experts and plan for appropriately increasing investments, if required. This review of the HRS will include the staffing issues to implement ADF operations and the specific requirements in resident missions.</p>	<p>People Strategy and the HR Function strategic framework in early 2010, ADB has made significant progress in implementing HR reforms. The objective of these reforms is to improve the recruitment, management, and development of ADB's workforce to successfully implement Strategy 2020.</p> <p>The WPBF 2010–2012 presented the requirement for 500 additional positions to remedy current staff shortages and implement the growing portfolio of projects effectively. Subsequently in the 2010 and 2011 budgets, the Board approved significant increases in the number of staff (250 in 2010 and 160 in 2011), including staff in resident missions (67 in 2010 and 59 in 2011, representing 27% and 37% of new positions added, respectively). In terms of skills mix, 24 positions were added for safeguards, 5 for governance and public sector management, 14 for gender and social development over 2010–2011, while 7 positions were added for knowledge management.</p>	<p>ADB.</p>
7	<p><b>Aid harmonization and coordination remain necessary elements of the ADF approach.</b> ADB should continue to pursue</p>	<p>We agree with the SES finding that donor harmonization and aid coordination are crucial for aid effectiveness. We also</p>	<p>Under the Paris Declaration, ADB and other development partners committed to coordinate and harmonize their assistance to</p>	<p>ADB has done well in aid harmonization and coordination and it has met or exceeded the 2010 targets of</p>

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
	<p>the harmonization of aid processes and procedures, taking into account marginal costs and benefits. Coordination of country programs among major donors to increase sector specializations should be the priority, and should complement ADB's move toward less goal congestion. Attempts to advance the harmonization agenda through increased sector selectivity should be accompanied by country-led agreements regarding the division of labor among major aid agencies. ADB should investigate how to reduce the administrative costs involved in forging partnerships and, more generally, the implementation of the Paris Declaration. ADB needs to help governments to reduce their own transaction costs in dealing with multiple aid agencies. ADF donors can improve overall aid harmonization by increasing their contribution, as the ADF and IDA modalities are set up in part to ensure this among otherwise more fragmented aid systems.</p>	<p>agree that coordination of country programs among major donors to increase sector specialization should be a priority. However, as the implementation of the Paris Declaration should be, and in fact is, mostly countrydriven, an effective division of labor between various actors depends significantly on country-specific circumstances.</p>	<p>increase aid effectiveness. The ADF X donors report further highlighted the importance of donor coordination as a special consideration to be pursued across all ADF operations. Partnerships are being sought at all levels (country, sector, and project). Details of collaboration are usually worked out at the country level through the CPS. Under the CPS, ADB operations are chosen in close partnership with other agencies to ensure complementarities of efforts. All CPSs are accompanied by a donor coordination matrix as a key supporting document. In recent years, efforts have also been made to develop joint country strategies. For example, the recently approved Tajikistan CPS covering 2001–2014 was designed as a joint strategy among 12 development partners and the government, and highlights key sectors on which each partner will focus. ADB measures its progress against the Paris Declaration indicators annually. The latest survey, which was conducted in early 2010, showed that ADB is on track to meet most targets but needs to improve the use of country procurement systems and program-based approaches.</p>	<p>the Paris Declaration. ADB has initiated a number of initiatives to improve internal efficiency (e.g., streamlined business processes, eOperations Project, P3M, etc.). It is not clear to what extent ADB has taken steps to reduce DMCs' transaction costs in dealing with multiple aid agencies, except for the adoption of sector-wide approaches in education and health in a couple of countries. IED considers the spirit of the recommendation to have been fully addressed.</p>
8	<p><b>Major governance issues should be addressed primarily</b></p>	<p>We believe this SES suggestion has to be qualified.</p>	<p>The ADF operational approach to governance under ADF X is</p>	<p>ADB has approved increasing levels of policy-based ADF</p>

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
	<p><b>through program lending, with agreed-upon reforms being supported by advisory and capacity development TA.</b> Specialized TA and capacity development-oriented loans can be utilized to improve organizational and human resource aspects of governance reforms, and in cases where use of program lending is not suitable or agreed to. Governance components in some investment projects can help build on earlier reforms or demonstrate good practice. Such components, however, should be realistic with respect to prevailing institutional capacity and not clutter the project agenda. ADB needs to be more willing to suspend disbursements if progress on essential governance reforms and capacity building is not being made. This also applies to sector development programs, where reforms supported by program components need to take place before the start of the project investment components.</p>	<p>The choice of lending modality should be determined on a case-by-case basis. We note that when a country's budget framework and financial management system are weak, provision of program loans could involve a significant degree of fiduciary risk. Also, one must recognize that governance efforts can also be effectively pursued by focusing efforts on the key sectors in which we deliver investment projects. Investment projects can also help strengthen institutions and capacity at the sector level, as highlighted by GACAP II.</p>	<p>guided by GACAP II, under which ADB introduced a thematic focus on (i) strengthening of country systems in public financial management, procurement, and combating corruption; and (ii) adoption of a risk-based approach to governance assessment and the development of risk management plans in priority sectors. The approach is pursued through all ADB instruments, including program loans, project loans and TA. As required by GACAP II, country-level risk assessments and management plans (RAMPs) have been completed for 17 ADF countries and 33 sector-level RAMPs have been prepared in 14 ADF countries.</p> <p>Use of program loans increased in ADF X. Program loans are expected to account for 22.5% of total approvals under ADF X, compared with 18% under ADF IX. This is attributed primarily to the economic crisis, as ADB provided quick-disbursing program loans to help ADF countries deal with the immediate impact of the crisis.</p> <p>Program loans can also be used to facilitate DMC's governance-related institutional reforms. These two aspects of program lending (budget support on the</p>	<p>support for governance-related operations and public sector management. It is a difficult area in which results may not be visible for several years. A number of governance programs had to be closed due to noncompliance with the tranche release requirements. ADB also needs to further strengthen the implementation of GACAP II. IED believes that ADB has addressed the spirit of the recommendation and hence considers it achieved.</p>



No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
			<p>one hand and policy-based lending on the other hand) have been carefully considered in the ongoing work of review of policy-based lending. A balanced perspective is required to decide on optimal lending modalities to suit the contextual background of each DMC.</p>	
9	<p><b>ADB should undertake a rigorous analysis to test the validity of the various CPA indicators.</b> This exercise should analyze what are the binding constraints for development, as well as causal factors for good economic performance, poverty reduction, achievement of other development results, good portfolio performance, and project success. Low average scores for certain countries may need to lead to aid strategies different from those to be applied to countries with high scores, rather than the automatic application of a low PBA. This needs to be investigated better. OED recommended such an analysis, and the DEC later endorsed it. The study should preferably be done in partnership with the World Bank.</p>	<p>We note the SES recommendation. However, although not perfect, the present CPA system is considered collectively by the MDBs and donors as the best practice presently available. It is not clear if alternative methods cited by the SES, like tying allocations to DMCs' commitments to remove "binding constraints" to development, would be less subjective and produce more comparable results across the range of ADF recipients.</p> <p><b>General Response on the Soundness of the PBA System.</b> The SES questions the soundness of the PBA system introduced during ADF VIII. We maintain that the PBA system is the best practice available for achieving the highest level of development effectiveness with the limited resources we have. Like other MDBs, we acknowledge that it is not perfect, and we endeavor</p>	<p>ADB is using a CPIA questionnaire developed by IDA in its CPA exercise. Although not perfect, the current system is considered by the MDBs and donors as the best in assessing the overall policy and institutional environment of the borrowing countries. The system itself is also evolving over time into a better assessment framework. As an example, the Independent Evaluation Group of the World Bank conducted an evaluation of the World Bank's CPIA in 2009. The result confirmed the usefulness of the system and overall relevance of the assessment contents. Some refinements on a couple of clusters are expected to be reflected in the revised 2012 CPIA. ADB hosted an MDB/MFI PBA workshop on 30–31 August 2010 and discussed the CPIA/CPA as part of the agenda. Participants confirmed the overall validity of the system. MDBs/MFIs will continue their joint efforts to improve the</p>	<p>ADB refined the PBA allocation mechanism in 2008, but the action does not address the spirit of the recommendation.</p>

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
		to fine-tune it as we go along (for example, for the Manila meeting, we plan to present donors with concrete proposals to attenuate some of the volatility and unpredictability of PBA outcomes).	CPA/CPIA framework through annual PBA technical meetings. While CPA scores are directly linked to the ADF allocation level, they also affect the grant/loan proportion within the allocation together with the outcome of the debt sustainability analysis. Thus ADB will continue to closely monitor and ensure the quality of the annual exercise. The outcome of the exercise is being publicly disclosed and, although the narratives are kept confidential, regional departments are encouraged to feed findings from the exercise into their operational strategies.	
10	<p><b>ADB needs to pursue a varied approach to debt distress of ADF countries and not rely mainly on the institution of an ADF grant mechanism.</b> As a first step, ADB should work with IMF and the World Bank to require that all DMCs, within 5 years, have a legal framework related to public debt and are able to monitor and manage their debt. Some further recommendations elaborating on the more varied approach are in Appendix 12.<sup>a</sup> An evaluation of the advantages and disadvantages of grants versus loans should be conducted. This evaluation should be carried out in about 3 years, after ADB has gained more experience with large ADF grants for investment projects and the</p>	<p>While the main purpose of the ADF grant framework is to promote debt sustainability, we agree with the SES observation that this instrument alone is insufficient. As the SES notes, countries must have a sound legal framework to monitor and manage public debt—in conjunction with sound macroeconomic management—to ensure that levels of public debt do not become burdensome. The Bretton Woods institutions are leading initiatives to strengthen debt management, and ADB will coordinate with them to ensure a consistent approach.</p> <p><b>General Response on the</b></p>	<p>ADB is working closely with IMF and the World Bank on debt sustainability issues in ADF countries through joint training workshops for government officials on debt sustainability analysis, and public debt management through regional TA (e.g., debt sustainability workshop, Public Debt Management Forum). In 2008, two extra professional staff positions (economists) were allocated to SPD to ensure that SPD actively undertakes missions to low-income countries to collaborate with the IMF/World Bank on debt sustainability analyses.</p> <p>In addition, ADB continues to provide support to DMCs,</p>	<p>The spirit of the recommendation has been addressed, and IED considers the recommendation to have been followed.</p>

No.	SES Recommendation	Management Response	Action Taken by Management	IED's Comments
	results are more evident.	<p><b>Usefulness of ADF Grants.</b> The SES casts doubts on the effectiveness of ADF grants. However, we believe that it is too early to make any judgment calls on the usefulness for development outcomes of the ADF grant instrument, which was introduced in ADF IX. And given that grants are processed, disbursed, and supervised in the same way as ADF loans, it is difficult to see how they would provide fewer opportunities for policy dialogue than loans. Finally, as the SES observes, our grants framework is closely aligned with that of IDA, so that any changes would have to be embedded in a wider reassessment of grants as a development tool.</p>	<p>through loans and TA, sovereign and nonsovereign operations, treasury operations including local currency bond issues, to strengthen public finance management, develop domestic and regional capital markets (e.g., Asia Bond Market Initiative), reform financial sectors, and improve investment climates including reforms of legal and regulatory frameworks. These efforts continue to contribute to public debt management and debt sustainability of our DMCs.</p> <p>The recommendation to evaluate the advantages and disadvantages of ADF grants is welcome, and IED would be the most appropriate department to carry out such an evaluation.</p>	<p>Not many grant projects or programs have been completed. Therefore, it is too early to undertake such an evaluation at this stage.</p>

ADB = Asian Development Bank, ADF = Asian Development Fund, CPA = country performance assessment, CPIA = country policy and institutional assessment, CPS = country partnership strategy, DEC = Development Effectiveness Committee, DMC = developing member country, GACAP II = second Governance and Anticorruption Action Plan, HR = human resources, HRS = Human Resources Strategy, IDA = International Development Association, IED = Independent Evaluation Department, IMF = International Monetary Fund, LTSF = long-term strategic framework, MDB = multilateral development bank, MDG = Millennium Development Goal, MFI = multilateral financial institution, MTS = medium-term strategy, OCR = ordinary capital resources, OED = Operations Evaluation Department (now the Independent Evaluation Department [IED]), P3M = project processing and portfolio management system, PBA = performance-based allocation, RAMP = risk assessment and management plan, SES = special evaluation study, SPD = Strategy and Policy Department, TA = technical assistance, WPBF = work program and budget framework.

<sup>a</sup> ADB. 2007. *Special Evaluation Study on Asian Development Fund VIII and IX Operations*. Manila.

Sources: Independent Evaluation Department, and Strategy and Policy Department.

## TECHNICAL ASSISTANCE AND PERFORMANCE OF ADF PROJECTS AND PROGRAMS

**Table A11.1: Ratio of TA Approvals to Loan and Grant Approvals<sup>a</sup>  
to ADF Eligible Countries, 2001–2010**  
(cents per dollar of loan and grant approval)

Country Group	PPTA				ADTA <sup>b</sup>				PPTA and ADTA			
	ADF VIII	ADF IX	ADF X	ADF VIII–X	ADF VIII	ADF IX	ADF X	ADF VIII–X	ADF VIII	ADF IX	ADF X	ADF VIII–X
ADF-only	2.42	2.09	1.22	1.85	5.89	4.46	1.98	3.91	8.31	6.55	3.20	5.76
Blend	0.91	0.50	0.44	0.59	1.54	0.94	0.41	0.95	2.45	1.44	0.85	1.54
Total	1.18	0.71	0.61	0.80	2.32	1.41	0.76	1.45	3.50	2.12	1.37	2.26

ADB = Asian Development Bank, ADF = Asian Development Fund, ADTA = advisory technical assistance, OCR = ordinary capital resources, PCR = project completion report, PPTA = project preparatory technical assistance, RRP = report and recommendation of the President, TA = technical assistance.

<sup>a</sup> Includes the OCR loan component of blend-financed projects and OCR stand-alone projects for blend countries. Excludes loan, grant and TA approvals to Uzbekistan during ADF VIII, and Cook Islands and Indonesia during ADF X.

<sup>b</sup> Includes advisory, capacity development, and policy and advisory TA.

Source of basic data: ADB database on Loan, TA, Grant, and Equity Approvals; RRP and PCRs.

**Table A11.2: Number of Rated<sup>a</sup> ADF Projects/Programs With and Without PPTA**  
(approved from 2001–2010)

Country Classification/ Country	Without PPTA				With PPTA			
	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total
<b>A. ADF-Only Countries</b>	<b>15</b>	<b>7</b>	<b>0</b>	<b>22</b>	<b>21</b>	<b>0</b>	<b>2</b>	<b>23</b>
Afghanistan	2	1	0	3	1	0	0	1
Bhutan	0	0	0	0	2	0	0	2
Cambodia	3	0	0	3	4	0	0	4
Kyrgyz Republic	2	1	0	3	3	0	0	3
Lao PDR	0	1	0	1	4	0	0	4
Maldives	1	0	0	1	0	0	0	0
Mongolia	0	1	0	1	4	0	1	5
Nepal	0	2	0	2	0	0	0	0
Samoa	0	0	0	0	0	0	1	1
Tajikistan	6	0	0	6	3	0	0	3
Timor-Leste	1	0	0	1	0	0	0	0
Tonga	0	1	0	1	0	0	0	0
<b>B. Blend Countries</b>	<b>12</b>	<b>9</b>	<b>4</b>	<b>25</b>	<b>15</b>	<b>4</b>	<b>6</b>	<b>25</b>
Armenia	1	0	0	1	0	0	0	0
Azerbaijan	0	0	0	0	1	0	0	1
Bangladesh	1	0	0	1	1	0	0	1
Cook Islands <sup>b</sup>	1	0	0	1	1	0	0	1
Georgia	2	0	0	2	0	0	0	0
Indonesia <sup>b</sup>	1	0	0	1	0	0	0	0
Marshall Islands	0	1	0	1	0	0	1	1
Micronesia, Fed. States of	0	0	0	0	1	0	0	1

Country Classification/ Country	Without PPTA				With PPTA			
	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total
Pakistan	3	7	4	14	1	1	5	7
Papua New Guinea	0	1	0	1	0	1	0	1
Sri Lanka	0	0	0	0	3	2	0	5
Viet Nam	3	0	0	3	7	0	0	7
<b>Total</b>	<b>27</b>	<b>16</b>	<b>4</b>	<b>47</b>	<b>36</b>	<b>4</b>	<b>8</b>	<b>48</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, GS = generally successful, HS = highly successful, IED = Independent Evaluation Department, Lao PDR = Lao People's Democratic Republic, PCR = project/program completion report, PPTA = project preparatory technical assistance, PS = partly successful, RRP = report and recommendation of the President, S = successful, TA = technical assistance, US = unsuccessful.

<sup>a</sup> Based on the latest performance assessment available (i.e., PCR, PCR validation report, or project/program performance evaluation report).

<sup>b</sup> These countries were still ADF-eligible during a large part of the review period.

Sources: ADB database on Loan, TA, Grant and Equity Approvals; IED database; PCRs; PCR validation reports; RRP.

**Table A11.3: Performance Rating<sup>a</sup> (%) of Evaluated ADF Projects/Programs With and Without PPTA (approved from 2001–2010)**

Country Classification/ Country	Without PPTA				With PPTA			
	HS/GS/S	PS	US	Total	HS/GS/S	PS	US	Total
<b>A. ADF-Only Countries</b>	<b>68.2</b>	<b>31.8</b>	<b>0.0</b>	<b>100.0</b>	<b>91.3</b>	<b>0.0</b>	<b>8.7</b>	<b>100.0</b>
Afghanistan	66.7	33.3	0.0	100.0	100.0	0.0	0.0	100.0
Bhutan					100.0	0.0	0.0	100.0
Cambodia	100.0	0.0	0.0	100.0	100.0	0.0	0.0	100.0
Kyrgyz Republic	66.7	33.3	0.0	100.0	100.0	0.0	0.0	100.0
Lao PDR	0.0	100.0	0.0	100.0	100.0	0.0	0.0	100.0
Maldives	100.0	0.0	0.0	100.0				
Mongolia	0.0	100.0	0.0	100.0	80.0	0.0	20.0	100.0
Nepal	0.0	100.0	0.0	100.0				
Samoa					0.0	0.0	100.0	100.0
Tajikistan	100.0	0.0	0.0	100.0	100.0	0.0	0.0	100.0
Timor-Leste	100.0	0.0	0.0	100.0				
Tonga	0.0	100.0	0.0	100.0				
<b>B. Blend Countries</b>	<b>48.0</b>	<b>36.0</b>	<b>16.0</b>	<b>100.0</b>	<b>60.0</b>	<b>16.0</b>	<b>24.0</b>	<b>100.0</b>
Armenia	100.0	0.0	0.0	100.0				
Azerbaijan					100.0	0.0	0.0	100.0
Bangladesh	100.0	0.0	0.0	100.0	100.0	0.0	0.0	100.0
Cook Islands <sup>b</sup>	100.0	0.0	0.0	100.0	100.0	0.0	0.0	100.0
Georgia	100.0	0.0	0.0	100.0				
Indonesia <sup>b</sup>	100.0	0.0	0.0	100.0				
Marshall Islands	0.0	100.0	0.0	100.0	0.0	0.0	100.0	100.0
Micronesia, Fed. States of					100.0	0.0	0.0	100.0
Pakistan	21.4	50.0	28.6	100.0	14.3	14.3	71.4	100.0
Papua New Guinea	0.0	100.0	0.0	100.0	0.0	100.0	0.0	100.0
Sri Lanka					60.0	40.0	0.0	100.0
Viet Nam	100.0	0.0	0.0	100.0	100.0	0.0	0.0	100.0
<b>Total</b>	<b>57.4</b>	<b>34.0</b>	<b>8.5</b>	<b>100.0</b>	<b>75.0</b>	<b>8.3</b>	<b>16.7</b>	<b>100.0</b>

ADB = Asian Development Bank, ADF = Asian Development Fund, GS = generally successful, HS = highly successful, IED = Independent Evaluation Department, Lao PDR = Lao People's Democratic Republic, PCR = project/program completion report, PPTA = project preparatory technical assistance, PS = partly successful, RRP = report and recommendation of the President, S = successful, TA = technical assistance, US = unsuccessful.

<sup>a</sup> Based on the latest performance assessment available (i.e., PCR, PCR validation report, or project/program performance evaluation report).

<sup>b</sup> These countries were still ADF-eligible during a large part of the review period.

Sources: ADB database on Loan, TA, Grant and Equity Approvals; IED database; PCRs; PCR validation reports; RRP.

## **MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY ON THE ASIAN DEVELOPMENT FUND OPERATIONS: A DECADE OF SUPPORTING POVERTY REDUCTION IN ASIA AND THE PACIFIC REGION**

On 21 October 2011, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### **I. General Comments**

1. We welcome IED's Special Evaluation Study (SES) on the Asian Development Fund (ADF) operations, which serves as an important input in the ongoing ADF XI replenishment exercise. We note from the SES assessment that: (i) ADB's engagement in ADF countries remains crucial; (ii) ADF performance at the country level has been mixed; (iii) performance at the project level has been improving, though more can be done; (iv) the performance of ADF operations improved with respect to key operational commitments; and (v) ADF contributed towards development impact. In particular, ADF contributed to economic growth by helping countries improve connectivity; increase the level and reliability of power supplies; develop legal and institutional frameworks for finance and commerce; and increase agricultural production. ADF also sought to support efforts to make growth more inclusive and promote social development primarily through improved access to resources for smaller enterprises and better social infrastructure. Our response to the report's key findings and recommendations are provided below.

### **II. Key Findings**

#### **A. Performance of ADF Operations**

##### **1. Country Level Performance**

2. We note that 7 out of 12 country assistance program evaluation (CAPE) studies completed over the period 2001-2010 assessed the development effectiveness of ADF operations as satisfactory. ADB has taken steps in recent years to improve the quality of country partnership strategies and programs. These measures should help to further strengthen ADF performance at the country level in the future. ADB institutionalized the results-based country partnership strategy (CPS) in 2006 to sharpen its results focus and alignment with DMC priorities. ADB also introduced the biennial assessment of CPS quality-at-entry (QAE) in 2006 to identify lessons and aid CPS quality assurance. This complements the CAPE studies carried out by IED. ADB systematically applies the lessons identified in the CPS QAE assessments and CAPEs, which has led to steady improvements in QAE. As noted in the 2010 Development Effectiveness Review (DEFr), the proportion of CPSs for ADF countries rated *satisfactory* on QAE increased from 33% in 2006 to 100% in 2010.

3. Furthermore, as part of the 2010 streamlined CPS business processes, ADB refined its guidelines on CPS and sector results frameworks to (i) improve the alignment of CPS with country priorities and ADB's Strategy 2020, (ii) strengthen sector outcomes and outputs monitoring and reporting, and (iii)

integrate results monitoring in the regular country portfolio reviews. To guide staff in using country results management tools, ADB in 2010 upgraded its training programs on CPS preparation, updating and monitoring. To ensure that effective results monitoring is anchored in the country's own system, ADB has also strengthened its support for DMCs on results monitoring and evaluation.

4. The SES notes that political instability and civil strife affected ADF operations in most of the countries with less satisfactory performance. We agree that operating in these difficult settings is challenging. To improve effectiveness, ADB developed in 2007 a strategic and operational approach specific to countries in Fragile and Conflict Affected Situations (FCAS). The approach is based on two main pillars: (i) selectivity and (ii) strategic partnerships. It stresses the need for flexible institutional responses and modalities, working with parallel institutions such as civil society groups, adjusting staffing levels, and strengthening incentives to enhance staff motivation to work and locate in FCAS.

5. This approach provides a framework for planning and implementing interventions and offers a menu of options allowing ADB to operate more flexibly, depending on country specific circumstances. The approach was recently assessed by IED as relevant, timely and effective in addressing the needs of affected countries. Looking forward, ADB will continue to implement the approach, building on the momentum achieved so far. In particular, ADB will focus on: (i) sustaining long-term commitments; (ii) concentrating on capacity development and intensifying strategic partnerships further. This should help to further strengthen performance in these countries.

## 2. Project Performance

6. We note that **success rates of ADF projects improved over the review period**. Despite these improvements, ADB is well aware that the success rate of ADF operations remains below ADB's targets for 2012 (even though, as the SES rightly points out, the average is adversely affected by a recent period of particularly poor performance in Pakistan). We agree with the SES broad statement that project success rates depend on a number of factors, including the quality of project design and implementation, and project sustainability. In recent years, ADB has taken a series of measure to improve project performance, targeting each of these factors.

- (i) To improve project design, ADB introduced a design checklist following the 2006 biennial review of QAE of projects. To reinforce the quality of the project design and monitoring frameworks, ADB improved quality assurance mechanisms and has conducted training for its staff and country executing and implementing agencies. As a result of these initiatives, the design quality of ADF operations improved steadily during 2006–2010. To underpin this positive trend, ADB introduced additional quality measures under the 2010 streamlined business processes for loan delivery. In 2011, ADB approved a project design facility to finance detailed engineering design and broader project and program preparatory work.
- (ii) To ensure effective project implementation, in 2010, ADB adopted the recommendations of the working group on project implementation which



had been established following the 2009 DEfR commitment.<sup>1</sup> In 2011, ADB introduced a new portfolio performance rating system using a more stringent methodology that will enable ADB and borrowing member countries to identify and solve project implementation problems as they arise. New initiatives to improve procurement and consulting services systems have also been introduced.

Following the 2010 DEfR commitment, ADB scrutinized the underlying constraints to project success and has put in place an action plan to improve project outcomes. The most common problems identified include (i) inadequate capacity building and ownership measures during project design, (ii) insufficiently rigorous ADB internal review, (iii) inadequate technical analysis or inappropriate project design, and (iv) insufficient ADB supervision during implementation. Noting that the ongoing reforms are already targeting these issues, the plan stresses the importance of successfully implementing measures introduced since 2008 and paying special attention to projects currently in their “mid-life”. The plan also emphasizes the need to continue to improve the quality of sector assessments, roadmaps, and results frameworks to ensure the relevance of projects and sharpen their results orientation. It introduced a checklist for staff to promote a strong outcome focus at all stages of the project cycle. Each regional department developed its own action plan reflecting specific subregional challenges.

We are pleased to note that the SES recognizes that ADB has introduced a number of measures to improve project administration, which have led to reduced project implementation delays, as well as improved disbursement and contract award ratios, as confirmed by the 2010 Annual Portfolio Performance Report, now nearing completion to be soon shared with the DEC. The reforms that have been recently instituted should lead to further improvements in the future.

- (iii) To promote sustainability of project outcomes, ADB is improving monitoring and assessment of project outcome sustainability. It has introduced assessment of sector outcomes and outputs, and outputs of ADB-funded projects in the country portfolio review exercise. The information is used to capture lessons and update sector results frameworks. Impact evaluation studies initiated under a technical assistance approved in 2010 and additional studies being undertaken by regional departments will also identify lessons related to project sustainability and the links between project outputs and specific development outcomes. An interdepartmental impact evaluation committee established in 2011 oversees the implementation of these studies. In 2010, ADB introduced a staff training module on impact evaluation methodologies as a regular ADB-wide learning and development program.

**7. The SES highlights the poor performance of ADF operations in Pakistan as an issue.** For Pakistan, the period of review, 2001-2010, has been particularly turbulent, with significant higher level challenges including political

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<sup>1</sup> ADB. 2010. *Good Project Implementation Practice: Report of the Project Implementation Working Group*. Manila.

crisis, natural disasters, external and internal shocks and more recently serious insecurity. As the SES acknowledges (para. 37) this has been a major contributing factor constraining ADF operations. The report provides a good account of the underlying factors directly affecting portfolio performance, including problems with sector focus, complexity of design, weak and often changing political commitment, political impediments and insufficient supervision. In the last 5 years, ADB has made concerted effort to address the following challenges:

- (i) Strategic shift in focus. Following the directions of Strategy 2020, ADB's operational program in Pakistan was narrowed to infrastructure (energy, transport and irrigation), urban services and reforms. Previously, ADB was in nearly all sectors.
- (ii) Rationalized portfolio. During the last three years, there has been a spring cleaning of the portfolio which has impacted the success rates of Pakistan (and ADF as a whole), as nonperforming projects were closed. The portfolio has been reduced from 52 projects to 20 projects. This allowed cancelled funds to be reused and will ultimately boost portfolio performance.
- (iii) Introduced programmatic approach. To provide greater continuity, capacity development and more holistic and longer-term support, the multitranche financing facility modality has been applied successfully to infrastructure operations. From ADB's perspective, this allows more time spent on portfolio management relative to stand-alone project processing. To support project operations, policy-based lending was used to unlock key policy impediments and to support better public financial management. Operations moved away from multisector and complex projects, which were difficult to implement and usually were unsuccessful.
- (iv) Strengthened portfolio management. Headquarters and Pakistan Resident Mission (PRM) teamwork has been enhanced. In 2008, a joint venture approach was introduced, which involved reorganizing the large PRM office along strategic sector lines and appointing sector focal points who provide the link with sector divisions and represent 100% of the portfolio in country. Along with better teamwork, safeguards, procurement and other skills have been augmented. In addition, there are now high level tripartite portfolio reviews undertaken regularly with the government and executing agencies.

## **B. Progress in other Areas**

8. **The SES acknowledges that ADB has made solid progress with respect to key ADF operational commitments.** More specifically, (i) ADB's focus on private sector development has been increasing; (ii) gender mainstreaming has been back on track in recent years after some setbacks; (iii) environmental sustainability as a theme has grown in ADF operations; (iv) regional cooperation and integration is becoming more prominent in ADF operations; (v) harmonization and alignment have improved; and (vi) progress in implementing the recommendations of the previous SES on ADF operations has been good. In recent years, ADB has implemented many initiatives to improve its

operational effectiveness and has made significant progress in consolidating the reforms identified as part of ADB's 2004 reform agenda, the ADF X donors' report and the previous SES on ADF operations. We are pleased to see that our efforts and accomplishments are being recognized.

9. **However, the SES singles out governance as an area of concern.** In our view, this point deserves further discussion. Section IV.B of the SES, which covers governance, is difficult to interpret. Based on the analysis and information provided, it is difficult to assess: (i) what are the specific problems or issues that need to be addressed; and (ii) how to go about doing this. Management would welcome further elaboration and clarifications on these points. ADB's approach to governance and capacity development is guided by the Second Governance and Anticorruption Action Plan (GACAP II).<sup>1</sup> GACAP II focuses on (i) strengthening country systems in public financial management, procurement, and combating corruption; (ii) adopting of risk-based approaches to governance assessment; and (iii) developing risk management plans in ADB priority sectors. GACAP II outlines a comprehensive risk-based approach to managing governance risks, including corruption risks.

10. Given the region's weak governance capacity, governance risk assessments, with their focus on key public sector management systems, are increasingly being used as the starting point for wider, sector-specific capacity development support to country and sector strategies. As noted in para. 194 of the SES, GACAP II guidelines were approved in May 2008. Thus, the SES review period of 2001-2010 captures only a limited time slice since GACAP II became operational ADB-wide. We hope that wider and more sustained implementation of the approach will help further strengthen ADF support in this challenging area in the future.

### C. Financing of ADF Operations

11. The SES highlights a number of important issues related to the financing of ADF operations: (i) while the size of ADF has increased significantly over the years, the share of donors' contributions has declined; (ii) the increase in the share of grants in total ADF approvals could have a significant impact on the financial sustainability of ADF over the longer term, in the absence of further increases in donor contributions; and (iii) the performance-based allocation system may be too rigid to allow ADB to respond adequately in time of crisis, especially in smaller and poorer ADF-only countries. Management recognizes that these are valid issues and are being discussed as part of the ongoing ADF XI replenishment negotiations.

### III. Comments on Specific Recommendations

12. **Recommendation 1: Seek increased donor funding for ADF operations, particularly for ADF-only countries, to further reduce both income and non-income poverty and enable them to better cope with vulnerabilities.** We agree. ADF countries (and even more so ADF-only countries and countries in FCAS) continue to face huge development challenges and must intensify their efforts to achieve the Millennium Development Goals (MDGs).

<sup>1</sup> ADB. 2006. *Second Governance and Anticorruption Action Plan (GACAP II)*. Manila.

They will need continued strong support from the ADF to do so. Our analysis confirmed many of the findings highlighted in the SES, more specifically: (i) income poverty remains a persistent problem in ADF countries; (ii) progress on the non-income MDGs has been too slow to reach many of the targets by 2015; (iii) inequalities have been rising both within and across countries; (iv) ADF countries are very vulnerable to external shocks, including rising food and fuel prices, economic shock, natural disasters and the impact of climate change. We also agree with the SES assertion that ADF needs more flexibility to respond to natural disasters and exogenous economic shocks. As part of the ADF XI replenishment discussions, ADB is exploring the possibility of establishing a crisis response facility to allow ADF to more flexibly respond to such shocks.

**13. Recommendation 2: Increase education, rural infrastructure, water, sanitation and environment operations to help achieve related MDG targets.** We agree. These areas are highlighted as priorities under Strategy 2020, and ADB is planning to do even more under ADF XI, in each of these areas.

- (i) While operations in education had decreased from \$837 million in ADF VIII to \$690 million in ADF IX, education operations have been given renewed emphasis through Strategy 2020 and are expected to exceed \$1 billion under ADF X. This trend is expected to continue under ADF XI. In 2010, ADB introduced a pilot results delivery scheme linking OCR allocations to performance in education operations.
- (ii) ADF support to infrastructure has increased in recent years and this trend is highlighted in the SES. However, as the SES correctly notes in Table A6.5 (Appendix 6), ADB does not report disaggregated approvals, differentiating rural versus urban infrastructure. The figures quoted in the report are IED estimates based on content analysis. In our view, these estimates should be treated with caution. According to Table A6.5 on page 158, there were no rural water supply and sanitation projects under ADF X. However, based on a quick review of our project database, it would appear that ADF has indeed delivered rural water supply and sanitation projects in at least 3 countries (Bangladesh, Cambodia and Viet Nam) during the first year of ADF X<sup>1</sup>. In addition, the aggregate figures (all infrastructure related projects for water supply and sanitation) quoted in Table A6.5 are not fully consistent with our database.
- (iii) As noted by the SES in para. 131, the importance of environmental sustainability as a theme has grown significantly since ADF VIII. This trend is expected to continue under ADF XI.

**14. Recommendation 3: Strengthen capacity development efforts on the basis of capacity development strategies at country and sector levels.** We agree. Capacity development strategies could be better implemented by incorporating capacity development results in sector assessments, road maps and sector results framework. Regional departments are strengthening their

<sup>1</sup> BAN Participatory Small-Scale Water Resources Sector project (loan worth \$55M approved in 2009). VIE Central Regions Rural Water Supply and Sanitation project (loan worth \$45M approved in 2009). CAM Second Rural Water Supply and Sanitation Sector project (grant worth \$21M approved in 2009). This list is not meant to be exhaustive.

sector assessments, including the capacity gap analysis on public sector management (PSM), to inform their county partnership strategies and business plans. ADB has assisted many DMCs through its lending and technical assistance projects to strengthen their results-based PSM. Building on this experience, we are also developing a staff guidance note on integrating the results-based PSM analysis into sector assessments.

15. **Recommendation 4: Strengthen ADF operations through adequate allocation of technical assistance (TA) resources to improve project design and country institutional capacity.** We agree. TA resources are important in the ADF context, as they can facilitate capacity development at the country level, knowledge building and project preparation. However, we feel that this recommendation needs to be further qualified. On the one hand, the SES argues that the decline in project preparatory TAs may have negatively affected project success rates (para. 207). On the other, the SES recognizes improvements in the success rate of ADF projects (para. 185), despite this decline. The SES also seems to argue that the use of TA resources for capacity development has not been very effective (paras. 164 and 214). Hence, in our view, the link between project success rates and allocation of TA resources needs to be further investigated (not just how much TA resources were allocated but also how effectively they were used, for what purpose, and how that ultimately affected project success rates). Based on this additional analysis, the recommendation should be further clarified.

16. **Recommendation 5: Improve the development effectiveness further by adopting a proactive, holistic approach to addressing sustainability concerns in country strategies and programs.** We agree. In our Management Response of 12 November 2010 to a recent SES on post-completion sustainability of ADB assisted projects, we reported that all CPS now require prior country risk assessments and risk management plans. These plans focus on procurement, public financial management, and corruption risks — the latter two risks have direct links with sustainability concerns. Aware of the importance of sustainability, regional departments will strive to improve the quality of the sector assessments consistent with the study's findings. Detailed sector assessments are mandatory for each CPS and are disclosed. The new format stresses analysis of such risk factors as government policy, regulatory frameworks, the capacity of concerned agencies, the critical areas for developing capacity, and the commitment to institutional reform; along with the sustainability of investments.

17. Our Regional and Sustainable Development Department (RSDD) will continue to support regional departments in ensuring the quality of the assessments by developing better tools and methodologies, and through training programs. RSDD, in consultation with the communities of practice, is also developing guidance notes on sector risk assessments. The extensive supplementary template for the CPS final review, mandatory from September 2010, requires regional departments to include an assessment and rating of sustainability of CPS outcomes. We seek IED's support in improving the evaluation methodology for assessing sustainability, and in developing related skills for ADB staff and DMCs.



## **DEVELOPMENT EFFECTIVENESS COMMITTEE**

### **Chair's Summary of the Committee Discussion on 25 October 2011**

#### **Discussion Highlights: Special Evaluation Study on the Asian Development Fund Operations—A Decade of Supporting Poverty Reduction in the Asia and Pacific Region**

1. IED indicated that the report provided an evaluation of ADB's past record with regard to ADF's operations, which should be looked at within the context of rapid change and complex challenges in many ADF countries.

#### **Sectors and Areas of Focus**

2. DEC members inquired what could be done by ADB's projects and programs to improve performance in supporting good governance, as some thought this was not clear from the report. With regard to the finding that governance continues to be a major challenge, a DEC member questioned the basis for that finding. He was of the view that IED, in looking at public sector management, had considered governance as a separate sector, whereas governance was a cross-cutting theme which affected every project. He opined that the report did not do justice to what ADB was doing in the area of governance. IED staff explained that there were concrete project ratings for public sector management, while IED did not conduct governance ratings other than assessments under CAPEs and CAPE assessments showed that this was an issue. The member welcomed IED's separate evaluation on governance which has started in 2011. The member also requested that Management share a copy of the draft ongoing strategic review on governance.

3. IED staff indicated that governance was related to institutional performance and many of the ADF countries tended to have lower capacity than OCR countries. In this respect, other methods might be needed to strengthen institutional performance. IED staff noted that looking at all the CAPEs for various ADF countries, regardless of whether blend or ADF-only, there was a pattern. Of the following elements: (i) sustainable growth, (ii) inclusive social development, and (iii) good governance, the third pillar of good governance performed less well according to IED's findings. And this was linked to lack of progress on policy and institutional reforms. IED found that often there was no concrete buy-in from government to any institutional changes needed to improve the efficiency and effectiveness of institutional performance.

4. DEC members agreed with the finding that better connectivity within and across sectors was needed. A DEC member highlighted the differences between ADF VIII and ADF IX in terms of the substantial increase in allocation to energy and transport, and the decrease in education. He noted that the allocation remained fairly similar in water and sanitation, and in public sector management and finance. Furthermore, while ADF IX gave the latter sectors a high priority, this was not the case with ADF X. The member was of the opinion that ADB should have a larger say in determining the sectors for allocating resources. This was particularly so since ADB had the field experience and knowledge, and has been continuously interacting with the governments of the borrowing countries. The member noted that ADB should place regional integration and cooperation as a priority area only after an evaluation and assessment of the performance to date in this area.

5. With regard to the report's second recommendation, namely increased focus on education, rural infrastructure, water sanitation, and environment, DEC inquired whether, given

the limited resources, a corresponding reduction in interventions in other sectors would be required. IED indicated that the report suggested certain areas that should receive increased attention for greater effectiveness, such as non-income Millennium Development Goals (MDGs) and TA. IED agreed that the report did not specifically state which sectors or areas should receive less resources if the ADF pool remained the same or declined.

### **Sustainability**

6. DEC members agreed with the findings on sustainability but some members considered the suggestions in the report were not specific enough. DEC members recognized that government ownership and incentives were critical for the sustainability of ADF-supported policy reforms. In this respect, some DEC members considered that policy reform projects and programs should be supported by lending modalities rather than grants. Grants may result in disincentives due to a lack of ownership from the government in carrying out necessary reforms and ultimately undermine the sustainability of the reform because there is no need for repayment.

### **Performance**

7. IED staff noted that compared to earlier decades, ADF operations have improved, especially on efficiency and relevance, but less in terms of effectiveness and sustainability. They noted the difficulty in measurements especially with regard to sustainability, indicating that it was harder to measure outcomes and results compared to inputs and outputs, and that further work was required on the results side.

8. DEC members commented on the impact of the poor performance of ADF operations in Pakistan and how this affected overall ADF performance, and questioned whether the appropriate measurement methodology was being applied for Pakistan and other fragile and conflict-affected countries. IED staff noted that Pakistan is a blend country and that the same criteria have been used for all countries to make the evaluation uniform. IED noted that the performance of ADF-only and blend countries is the same if Pakistan is not considered.

9. IED staff indicated that the report, drawing on the evidence, reflected a positive track record of performance showing reasonable returns, and proposed some improvements in areas where more was required in light of the growing needs of the region.

### **Inclusive Growth and Achievement of Millennium Development Goals**

10. With regard to the limited progress in achieving non-income MDGs in DMCs and growing inequalities, DEC noted that the report indicated that ADB should increase its programming on non-income MDGs, such as education and water and sanitation.

11. IED staff noted that ADB appears to have contributed to growth in ADF countries, but progress has been limited in terms of inclusive growth, and this was an area for future focus. Findings from Bhutan, Lao PDR, Cambodia, Viet Nam, and other countries showed that where efforts on infrastructure were linked, for example with efforts in education and health, results with regard to effectiveness, sustainability and inclusive growth were better.

12. DEC members agreed with the assessment that ADF must contribute more to the achievement of non-income MDGs and the reduction of growing inequalities in a growing number of countries. Some DEC members supported the use of ADF resources to enhance



governance, public management and capacity development because they were the critical pillars for inclusive growth. Some members suggested this should be further discussed as this was an important issue for some ADF donor countries.

### **Technical Assistance**

13. DEC noted Management's agreement on the recommendation to strengthen ADF operations through adequate allocation of technical assistance (TA) resources to improve project design and country institutional capacity. TA and capacity development were important, and there was a strong correlation between project success and adequate TA. IED staff clarified that the report also called for continuous strengthening of TA performance.

14. A DEC member noted the linkage between TA and sustainability, governance, commitment to a budget process, and long-term involvement of ADB and other donors. He asked about ADB's openness to cooperating with other donors, and to share lessons and learn from others. Another DEC member noted that in supporting capacity building, it was important to provide TA in the local language.

15. DEC noted IED's finding that projects which have sufficient project preparatory TA (PPTA) performed better than projects without PPTA. It was of the view that good project design and good project preparation led to better outcomes, but considered that TA was not the only way to achieve this. IED staff agreed that PPTA was not the only driving factor but its analysis showed it was one of the key contributors. IED noted that a number of other project design issues were identified that could be addressed through other measures, such as appropriate costing and broader stakeholder consultations. IED found that many projects suffered from a lack of proper design or awareness of country conditions. One possible lesson suggested was the need for close involvement of resident missions at the project design stage.

16. With regard to room for improvement in the performance of ADB's TA, IED staff clarified that this was a finding of many CAPEs. DEC suggested that IED could look at TAs in a more holistic way; IED staff agreed that it was important to review how TA instruments were being used. IED staff clarified that after having reviewed projects in the field and having talked to different executing and implementing agencies, at least in four of the five case study countries, there was a consistent message that there was no sustainable mechanism to institutionalize the knowledge imparted by a TA. Often ownership of project-supported TA did not rest with the implementing or the executing agency. IED suggested that ADB needed to look at how it could handle TA differently, perhaps from a more strategic perspective, looking at the critical gaps and how to strengthen institutions.

### **Capacity Development**

17. IED staff noted that progress could be made in improving effectiveness and sustainability, including through capacity building. IED staff suggested the preparation of long-term sector-based strategies for capacity development in key institutions that ADB was dealing with, in coordination with other donors. TA, together with policy dialogue and other mechanisms, would support the implementation of such a strategy.

18. A DEC member noted the difference between capacity building and capacity development which involved long-term involvement, and suggested ADB focus more on the latter.

## **Program Lending**

19. A DEC member noted that the report indicated that a considerable proportion of program loans had been ineffective, and the reasons thereof. He noted that the timing of the introduction of policy changes was important. Whether the timing was suitable and favorable needed to be considered within the country context.

20. A DEC member expressed concern over a finding in the report on the usefulness and the priority for program loans or policy-based operations. It indicated that although the success rate of policy-based loans or program loans improved with 90 per cent of program policy conditions technically met, many of them failed to produce adequate levels of meaningful outputs in terms of actual reform.

21. IED staff agreed that the finding on program lending was surprising with 43 per cent of program loans rated as not effective. Elements required for success included (i) strong political support, (ii) adequate problem analysis and (iii) a robust set of policy actions that address binding constraints. IED found that in cases of failure there was no government buy-in for significant reforms, or there were shifts in government commitment due to political changes. A DEC member indicated that, in his view, project design should be made in such a way that it was not affected by changes in government.

22. IED staff explained that analysis in a number of studies, including the ones on policy-based lending, had identified a number of causes for failure of program loan effectiveness. One of the causes was lack of adequate problem analysis. Political pressure for budget support often overlooked a certain lack of commitment on the government's part. The result was a lot of conditions that appeared to be meaningful but that ultimately did not translate into meaningful outputs or reform outcomes. On the design side, to make a program loan more resistant to political changes, various IED studies had recommended more policy dialogue with other stakeholders, not only current government but possibly parliamentary commissions, etc. This may ensure that successor governments also had buy-in for program loans.

## **ADF Support**

23. With regard to donor support, DEC noted a reduction in reflows over the coming years and inquired about future financing plan for ADF. Some DEC members suggested that the recommendation be rephrased in a more general fashion, highlighting the need to increase the overall size of the ADF but without specifying the source of funding and singling out donor funding.

24. IED indicated that IED was not taking a view on the effectiveness of ADF based on the source of financing. The report supported additional financing if effectiveness and performance could be strengthened. The staff agreed that there could be ambiguity in the interpretation of IED's recommendation, and clarified that the sense of the recommendation was to continue ADF financing from donors and other sources to maintain current level of ADF resources in the face of the expected decline of the reflows. This was important to reduce both income and non-income poverty and enable ADF countries to better cope with vulnerabilities. IED would change the first recommendation in the report accordingly.

25. With regard to the Special Crisis Facility, a DEC member highlighted the importance of taking into consideration the needs of ADF countries.

26. DEC noted that donor contributions have declined since ADF V, and in the context of the next ADF donors' meetings which would decide the framework for ADF, asked if the framework should be redefined in a different context rather than just of the donors. SPD explained that in previous rounds of ADF replenishment, donors and ADB had discussed the possibility of a self-sustained ADF. The staff noted that the current crisis, unfortunately, was affecting many donors and the prospects for increased contributions were affected by this. SPD reiterated that the study clearly showed that there had been constant improvement in performance in ADF. There were certain areas needing improvement, but overall, ADF was performing reasonably well. ADF operations gave good value for money in terms of its impact on poverty in Asia-Pacific. Therefore, ADB would like to see an ADF of larger size. The sources of possible funding would be discussed between Management and donors in the upcoming ADF negotiations in Dhaka in December.

### **Regional Departments**

27. Director Generals, Pacific, Central and West Asia and South Asia Regional Departments provided their views on the SES' recommendations, responded to questions from DEC members, and provided examples specific to their respective regions of progress in various areas, sectors and countries.

28. Regional department staff appreciated the value of IED's evaluations and the lessons that can be extracted from them, and overall supported IED's recommendations. It was noted that selectivity is essential to avoid overambitious goals in too many sectors, as well as the focus on country context and on improving sustainability. They also agreed that the quality of TAs could be looked at as a separate issue. With regard to the methodology used to assess program loans, it was suggested that IED could look into this.

### **Content and Format of the Report**

29. A DEC member expressed dissatisfaction with the report because in his view some formulations were ambiguous and not always accurate, and provided examples from the report that in his opinion should have been expressed more accurately. He also considered that the Executive Summary could have summarized the findings, lessons, issues, and recommendations better to help the reader and to help Management to respond. The DEC member also noted that the report aimed to offer recommendations for donors and for ADB Management; he considered that the ADB Board should have been included.

30. Some inconsistencies were noted between IED and Management with respect to the number of rural water supply and sanitation projects delivered through ADF; IED indicated that these would be corrected, and that comments received on clarity and presentation of the report would be taken into consideration.

### **Conclusion**

31. The DEC welcomed the Special Evaluation Study on Managing for Development Results and expressed satisfaction with ADB's pursuit of MfDR since 1999. DEC recognized ADB's role as a pioneer in preparing and publicly presenting its Development Effectiveness Review. Members welcomed IED's emphasis on the importance of learning the lessons from such evaluation studies so that ADB's performance could improve over time. Some members mentioned the need for having some limit on how far in time one should go to study sustainability. Members emphasized the need for accurate project classification. Some

members also encouraged IED to study the cost and benefit of MfDR.

32. DEC welcomed the Special Evaluation Study on the Asian Development Fund Operations for the period 2001 to 2010. It endorsed IED's recommendation that ADB seek increased funding for ADF operations but without specifying the source of funding and singling out donor funding, particularly for ADF-only countries to further reduce poverty, income and non-income related, and enable them to better cope with vulnerabilities.

33. DEC noted that ADF has improved its operations not only over time but particularly in the last decade. DEC appreciated the improved ratings of projects approved during ADF IX, with more than two-thirds of the case study projects expected to be successful or highly successful. Nevertheless, members noted that while ADB has done well in terms of relevance and efficiency, there was considerable room for improvement as far as effectiveness and sustainability was concerned.

34. Similarly, the lack of progress on the non-income Millennium Development Goals underscored the need for focusing on inclusive growth. In this context, the need for extra resources under ADF and where such resources would come from given the declining reflows from a move from loans to grants, was a concern of the DEC members.

35. On technical assistance, members emphasized the need for sector-based strategies as well as the need to strengthen ADF operations through adequate allocation of TA resources to improve project design and country institutional capacity.

36. Members noted that ADB was the first multilateral development bank to adopt in 1995 a special policy on governance with focus on accountability, participation, predictability and transparency followed by a policy of anticorruption in 1998 and the launch of the Governance and Anti-Corruption Action Plan (GACAP-II) in 2006. DEC encouraged staff to make further progress on the governance issue as they believed that governance was key to achieving the MDGs.

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