

ASIAN DEVELOPMENT BANK
Independent Evaluation Department

2011 ANNUAL EVALUATION REVIEW

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.



Annual Evaluation Report

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2011 Annual Evaluation Review

Independent Evaluation Department

Asian Development Bank

ABBREVIATIONS

ACTD	action completion target date
ADB	Asian Development Bank
ADF	Asian Development Fund
ANR	agriculture and natural resources
ARAR	Annual Report on Acting on Recommendations
CAPE	country assistance program evaluation
CO ₂	carbon dioxide
COSO	Central Operations Services Office
CPS	country partnership strategy
CWRD	Central and West Asia Department
DAC	Development Assistance Committee
DEC	Development Effectiveness Committee
DMC	developing member country
EARD	East Asia Department
ECD	evaluation capacity development
ECG	Evaluation Cooperation Group
FCAS	fragile and conflict-affected situation
FPF	financing partnership facility
GMS	Greater Mekong Subregion
ICD	implementing or coordinating department
IED	Independent Evaluation Department
Lao PDR	Lao People's Democratic Republic
M&E	monitoring and evaluation
MARS	Management Action Record System
NSO	nonsovereign operation
O&M	operation and maintenance
OCR	ordinary capital resources
OECD	Organisation for Economic Co-operation and Development
PCR	project/program completion report
PPER	project/program performance evaluation report
PPP	public-private partnership
PPR	project and program performance report
PRC	People's Republic of China
PVR	project or program completion report validation report
RCI	regional cooperation and integration
RCPS	regional cooperation partnership strategy
SAPE	sector assistance program evaluation
SARD	South Asia Department
SERD	Southeast Asia Department
SHIPDET	Shanghai International Program for Development Evaluation Training
SPD	Strategy and Policy Department
TA	technical assistance
WSS	water supply and sanitation
XARR	extended annual review report

NOTE

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

Key Words

adb, asian development bank, 2011 annual evaluation review, 2010 evaluation activities, country assistance program evaluations, country evaluations, country partnership strategy completion report, country strategy partnership assessment, evaluation criteria, evaluation findings, evaluation recommendation, follow-up action, implement recommendation, knowledge management, management action, project or program completion report, project performance, success rate, tracking recommendation

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EXECUTIVE SUMMARY

The Independent Evaluation Department (IED) of the Asian Development Bank (ADB) has been publishing an Annual Evaluation Review summarizing key findings and lessons of evaluation studies carried out in the previous year, and providing trends in the success rates of ADB operations, for many years. Since 2007, IED has also published an Annual Report on Acting on Recommendations, which summarizes the recommendations from evaluation reports and the status of actions taken by ADB Management in response to these recommendations. Given the context and coverage of these two annual reports, much synergy can be gained by combining them into a single and expanded report. This report (i) summarizes the activities of IED in 2010, including the results of 2010 evaluations; (ii) presents overall trends in the success rates of ADB operations; (iii) synthesizes, by sectors and themes, the key findings and lessons from evaluations carried out in 2010; (iv) reviews the evaluation recommendations as recorded in the Management Action Record System (MARS) and the status of management action plans on agreed-upon recommendations and their implementation; and validates the implementation status of the management action plans that were completed in 2010; and (v) presents key findings, issues, and suggestions.

IED 2010 Work Program Accomplishments

IED delivered 82 reports comprising 15 higher level evaluations, 3 annual evaluation reports, 9 project/program performance evaluation reports (PPERs) covering 13 projects and programs, 2 technical assistance (TA) performance evaluation reports, a sector synthesis of evaluation findings, guidelines for the preparation of country assistance program evaluations, a validation of a regional cooperation partnership strategy completion report, and 50 validation reports for 45 project/program completion reports (PCRs) and 5 extended annual review reports.

IED devoted resources in 2010 to promote evaluation capacity development and to train its own staff, other ADB staff, and personnel of developing member countries (DMCs) through several initiatives. It strengthened knowledge management by (i) enhancing the creation, storage, retrieval, and sharing of information; and (ii) disseminating evaluation findings, lessons, and recommendations to targeted audiences. IED monitored management actions on evaluation recommendations and validated the actions taken by implementing departments in 2010, participated in international evaluation networks, and took part in the Organisation for Economic Co-operation and Development-led global phase II evaluation of Paris Declaration implementation. IED currently chairs the Evaluation Cooperation Group (ECG) and hosted the 2011 ECG spring meeting in Manila.

2010 Evaluation Results

The combined ratings of PPERs and validated PCRs for the 57 ADB sovereign operations independently evaluated or validated in 2010 indicate that 51% were successful, 33% were *partly successful*, and 16% were *unsuccessful*. Of the *partly successful* and *unsuccessful* operations, 79% were rated *partly satisfactory* or *unsatisfactory* for borrower performance (referring to the assessment of performance of the borrower and executing agencies in meeting the responsibilities assigned in the implementation plan), and 79% were rated *partly satisfactory* or *unsatisfactory* for ADB performance. This highlights the importance of timely coordination and open communication between the borrower and ADB in terms of project design and implementation. Close ADB supervision and strong project ownership, management, and commitment by the executing agencies continue to be important

determinants of project success. The sustainability of projects and programs is also crucial to project success.

Overall Trends in Success Rates

Long-term trends in sovereign operations ratings. The long-term trend (based on cumulative 5-year moving averages) for sovereign operations shows a marked increase in success rates from approval period 1995–1999. However, after peaking at over 70%, performance began to decline in 2000. The declining trend is heavily influenced by project/program performance in countries that are experiencing social and/or political unrest. In terms of country grouping, the long-term trends in success rates reveal a comparable convergence in performance for all country groupings with respect to the overall success rates for approval period 1992–2000. This changed for the 2001–2004 approval period, when Group C countries (which are eligible only for ordinary capital resources [OCR] financing) outperformed Group A and Group B countries (Group A countries are eligible only for Asian Development Fund [ADF] financing, and Group B countries are eligible for both ADF and OCR financing). While Group A countries still performed positively (i.e., above the overall success trend) for sovereign operations approved in 2001–2004, the same cannot be said of evaluated projects and programs in Group B countries, as there was a decline in their performance, which was far below the overall success trend. The poor performance of evaluated operations approved in 2001–2004 in Pakistan has pulled down the aggregate success rate of the Group B countries.

Trends in nonsovereign operations ratings. Nonsovereign operation (NSO) projects have generally performed well. Of the 18 NSOs evaluated by IED from 2006 to 2010, 78% were rated as either *highly successful* or *successful*, 17% as *partly successful*, and 6% as *unsuccessful*. By country group, the two projects in Group A countries and all nine projects in Group B countries received overall ratings of *highly successful* or *successful*. However, two of five projects in Group C countries (both in the finance sector) were rated less than successful. The two regional projects that were evaluated, both of which were private equity funds, were likewise deemed *partly successful*, primarily due to their poor investment performance.

Success Rates of Higher Level Evaluations

The country strategy and higher level evaluations completed in 2010 are summarized in the table. Four of the special evaluation studies focused on learning aspects, and hence did not entail overall performance ratings.

Country Strategy and Higher Level Evaluations Completed in 2010		
	Evaluation Type/Study Title	Overall Rating
Country Assistance Program Evaluations		
1.	Country Assistance Program Evaluation for Bhutan	S
2.	Country Assistance Program Evaluation for Lao People's Democratic Republic: Sustainable Growth and Integration	S
Sector Assistance Program Evaluations		
3.	Sector Assistance Program Evaluation for the Bhutan Energy Sector	S
4.	Sector Assistance Program Evaluation on Education in Uzbekistan	S
5.	Transport Sector in the Lao People's Democratic Republic	S
6.	Energy Sector in the Lao People's Democratic Republic	S
Impact Evaluation Study		
7.	Asian Development Bank's Assistance for Rural Electrification in Bhutan—Does Electrification Improve the Quality of Rural Life?	S

Special Evaluation Studies

8.	Indonesia: Has the Multi-subsector Approach Been Effective for Urban Services Assistance?	PS
9.	Asian Development Bank Support for Decentralization in Indonesia	PS
10.	Asian Development Bank's Support to Fragile and Conflict-Affected Situations	PS
11.	Financing Partnership Facilities	S

Other Evaluation Studies (Without Overall Performance Ratings)

1. Water Policy and Related Operations
2. Post-Completion Sustainability of Asian Development Bank-Assisted Projects
3. Asian Development Bank Support for Gender and Development—Phase II: Results from Country Case Studies
4. Reducing Carbon Emissions from Transport Projects

PS = partly successful, S = successful.

Source: Independent Evaluation Department.

Findings of country assistance program evaluations. IED's country assistance program evaluations (CAPEs) for Bhutan and Lao People's Democratic Republic (Lao PDR) rated ADB strategies and programs in both countries *successful*. In Bhutan, ADB operations, specifically in rural connectivity projects, helped increase income levels in rural areas, due mainly to improved prices for agricultural products and/or increased opportunities for nonfarm income. The effects were larger in areas that were comparatively better off prior to the development of infrastructure projects because of other influencing economic factors such as tourism-related income, the availability of extension services, and closer proximity to economic centers. Similarly, in the Lao PDR, ADB assistance made substantial contributions to sustainable pro-poor economic growth, inclusive social development, and good governance. However, the CAPEs note that the complexity of project designs and inadequate resources for operation and maintenance affected implementation efficiencies and project sustainability in both countries.

Lessons from sector evaluations. ADB's assistance to the energy sector in both Bhutan and Lao PDR was rated *successful*. Institutional reforms and corporatization facilitated the successful implementation of rural electrification in Bhutan, while the introduction of new approaches in the Lao PDR (which brought the management of adverse environmental and social impacts to the forefront of managing hydropower projects) contributed to its *successful* rating. Lessons drawn from the experience in the sector include the following:

- The long-term continuity of ADB financing for rural electrification in Bhutan has enabled the government to plan ahead, as there is certainty over the availability of financing, and increased ownership of TA by the executing agencies has resulted in more effective TA implementation with sustainable outcomes.
- The evaluation highlights opportunities to mainstream screening of hydropower project developers and to build capacity to do so; to build a requisite institutional base over the medium term to ensure that all new hydropower projects comply with a certain minimum level of environmental and social safeguards; and to harmonize standards (for example, for transmission regulations, metering arrangements, and grid codes), while power system integration remains a medium-term goal. Stand-alone interventions have not been effective for capacity building related to environmental and social mitigation, and a continued stream of interventions is necessary to improve the environmental and social impact identification and management capabilities in the country. The study emphasizes

that some allowance must be made for unforeseen environmental and social impacts, and that monitoring and evaluation of environmental and social aspects need to be appropriately designed. ADB oversight has been useful to ensure that hydropower projects comply with applicable environmental and social safeguards.

ADB has made substantial contributions to building transport infrastructure in the Lao PDR. The sector assistance program evaluation (SAPE) rated ADB's transport program *successful*, considering that the assistance has been effective in enabling positive outcomes at the local, country, and regional levels, and has contributed to agricultural development. Experience in the sector indicates that (i) sectorwide solutions for road maintenance will ensure consistent sustainability; (ii) adoption of an integrated approach to the rehabilitation of rural roads enables complementarities with other interventions in agriculture, trade, and tourism; (iii) ADB can facilitate the transfer of knowledge from other countries to the Lao PDR; and (iv) higher development outcomes can be achieved by continuing and scaling up assistance for provincial and rural roads.

ADB's assistance in the education sector in Uzbekistan was *successful* in part due to the success experienced in supporting interventions that were inclusive, and thus benefitted vulnerable sectors of the society. Experience in the sector provided the following lessons: (i) many executing agencies are still focused on outputs; executing and implementing agencies need to understand that the outcomes and impact of a project are just as essential as the outputs in justifying the process, modality, and magnitude of assistance; and (ii) many projects are implemented without established monitoring and evaluation (M&E) systems. Capacity building in data collection, data analysis, and M&E is required.

Findings of thematic evaluations. Higher level evaluation studies were carried out in areas of special interest to ADB, including decentralization, the multi-subsector approach for urban services assistance, fragile and conflict-affected situations (FCASs), postcompletion sustainability of projects, water policy and related operations, financing partnership facilities (FPFs), gender and development, and reducing carbon emissions. The evaluations provide the following findings and/or lessons:

- The special evaluation study on ADB's support to decentralization in Indonesia found that interventions taking place during periods of rapid economic, political, and administrative transitions face the risk of becoming irrelevant and ineffective, with short-lived outputs and outcomes. This requires balancing the need to ensure that scarce TA resources are deployed effectively and efficiently while supporting important policy processes during a period characterized by risk and uncertainty. The evaluation surmises that providing a sound policy framework for decentralization could have been effective and sustainable if supported by TA designed to develop the capacity of decentralized institutions instead of training individuals.
- The special evaluation study on employing the multi-subsector approach for urban services assistance in Indonesia found that ADB-funded multi-subsector projects were *less efficient* in resource use. All of the reviewed multi-subsector projects experienced substantial implementation delays due to consultant recruitment, local government approval procedures, and procurement-related issues. Land acquisition was a common problem for urban infrastructure projects, as locations were densely populated. All these factors led to poor performance by ADB in utilizing the multi-subsector approach in the provision of urban services in the country.
- The evaluation of ADB's support to FCASs confirmed that the ADB approach to FCAS countries is relevant, although the approach can be further improved by being more

flexible in identifying FCASs based on the country context and applying a longer term framework for capacity development. In terms of development outcomes, the study noted that no clear demarcation exists between former and current FCAS countries. Former FCAS countries are performing slightly better than DMCs remaining in the FCAS category, with the latter facing greater challenges in efficiency and in achieving outcomes.

- The evaluation of the postcompletion sustainability of ADB-assisted projects emphasized that project effectiveness and efficiency do not guarantee the sustainability of project net benefits, and that the substantial task of ensuring greater sustainability remains for projects rated *effective* and *efficient*. However, at project completion, it is still possible to undertake a scenario analysis of key project features to identify where additional resources could best be placed to enhance sustainability.
- The special evaluation study on water policy and related operations indicated that ADB's current water policy (i) supports priorities of DMCs; (ii) is consistent with ADB's corporate strategy, international consensus on integrated water resources management and water and sanitation-related Millennium Development Goals, as well as the policies of other multilateral development banks; and (iii) is generally reflected in ADB's lending operations.
- The special evaluation study on FPFs in the areas of water, regional cooperation and integration, and clean energy found that the introduction of the direct-charge modality improved the efficiency of use of available FPF resources, albeit with some concern about possible overuse of the direct-charge modality vis-à-vis the traditional small-scale TA modality. The FPF administrative arrangements are working well. The use of existing ADB sector and thematic communities of practice and working groups to screen projects is seen as effective, particularly under delegated funds. Project implementation delays are an issue for the FPFs, as they are for other ADB projects.
- The special evaluation study on ADB's support for gender and development highlighted several factors that contribute to successful gender mainstreaming. It also confirmed that strengthening consultation and participation throughout the project cycle, and working with development partners to improve coordination and collaboration around key issues are important elements of strengthening country and project gender mainstreaming. Further, the quality of project design, implementation, and operations is fundamental in achieving intended gender outcomes.
- The special evaluation study on reducing carbon emissions from transport projects highlighted that expressway projects can increase carbon dioxide (CO₂) emissions over their 20-year lifetime because of the effects on induced travel that more than offset the short-term benefits of curbing low-efficiency congested traffic. Rural road and road rehabilitation projects were found to have a neutral or slightly reducing effect on CO₂ emissions. These rural roads improve the efficiency of traffic flow and reduce low-speed, high-carbon-intensity travel. Public transport investments and railway improvements, while generating new CO₂, can more than offset these CO₂ emissions when they divert passengers and freight traffic from higher carbon modes and through improved traffic flows. Investments that reduce CO₂ tend to reduce air pollution and public health problems linked to transportation.

Review of Management Actions

Degree of Management agreement with Independent Evaluation Department's recommendations. Since the establishment of the MARS in 2008, a total of 251 recommendations addressed to ADB (103 in 2008, 86 in 2009, and 62 in 2010) have been

recorded by IED into the MARS. Management has responded to 239 of these, and has agreed to implement 217 (91%). Management's degree of agreement with recommendations of the past 3 years was analyzed by Strategy 2020 result categories, and the results showed that recommendations directed towards ADB's sector and thematic contributions had the highest rate of agreement (95%), followed by operational effectiveness (88%), strategy and policy (85%), and organizational effectiveness (75%, but based on a limited sample size of 8 recommendations).

ADB Management disagreed with 9% of the recommendations, the reasons included the following: (i) the timing and decision to adopt the recommendation hinged on another entity or institution; (ii) ADB Management believed that existing operational modalities, mechanisms, systems, and strategies were sufficient to respond to the findings or issues raised in the evaluation; (iii) the resource implications of or constraints associated with implementing the recommendation; (iv) questions regarding the validity and coherence of the recommendation with respect to the country context; (v) ADB Management believed it was more important to maintain flexibility to respond to emerging critical concerns than to pursue interventions, strategies, or approaches that specifically address certain sectors/subsectors or areas; (vi) the feasibility of the recommendation, given the geographical and political context and other underlying conditions; and (vii) another approach or strategy was deemed appropriate.

Independent Evaluation Department validation of completed action plans in 2010.

Of the 74 recommendation action plans that were completed in 2010, the implementing or coordinating departments (ICDs) rated 32 (43%) *fully adopted*, 31 (42%) *largely adopted*, and 11 (15%) *partly adopted*. IED confirmed the ratings of ICDs for 58 (78%), upgraded the ratings for 2 (3%), downgraded the ratings for 13 (18%), and deferred the rating for 1 (1%). The key recommendations that were rated *fully* and *largely adopted* and subsequently validated by IED are in the areas of enhancing ADB-wide monitoring and evaluation, strengthening of government institutions, harmonization of development initiatives and assistance, and enhancement of project/program management, operation and maintenance, and sustainability. Actions taken by concerned ADB departments encompassed, among others, policy and management reforms, capacity development, partnership building, and operational and country-level diagnostics.

Key Findings and Issues

Declining performance in terms of success rates. According to the past data, success rates have not reached 80%, although this is ADB's corporate target for 2012. Performance began to decline in approval year 2000 after peaking at over 70%. Although the declining trend is supported by a limited sample size, the project and program performance report (PPR) system indicates that this trend will continue unless significant corrective measures are taken. Based on the new PPR system, about 25% of ongoing projects are facing implementation challenges and are at risk of not meeting their objectives (which confirms IED's previous findings that portfolio performance ratings were overrated in PPRs)—an important issue that needs to be addressed.

IED has already raised sustainability issues through its evaluation report (*Post-Completion Sustainability of Asian Development Bank-Assisted Projects*) and has made several recommendations to (i) strengthen ADB's approach to identifying and mitigating risks to project sustainability during country and sector assistance programming; (ii) pay more attention to risks to sustainability of outputs and outcomes and their mitigation during project preparation and implementation; and (iii) undertake postcompletion monitoring of selected projects and

programs with emphasis on outcomes, sustainability, impact, and monitoring arrangements. ADB has agreed to these recommendations, and the corresponding action plans are being implemented (expected to be completed by end of 2011) to strengthen development effectiveness.

Acting on recommendations. In its second full year of operation and with 95 (47%) of the 203 recommendation action plans validated by IED, the MARS has evolved to become more relevant and useful to ADB's Board, Management, IED, and other users. Most of the issues pertaining to its implementation (such as action plan formulation, tracking, and stocktaking) have been discussed and addressed. However, some remaining issues could be addressed to improve the implementation and effectiveness of the MARS:

- **Downgrading of ratings by the Independent Evaluation Department.** Some actions rated by ICDs were downgraded because they did not comply with the spirit or context of the recommendations. This is indicative of the need for more contextual information and/or consultations between ADB Management and IED. Management or its designated departments/offices may consider consulting IED on the context of the recommendations and their timing, while ensuring that IED's independence is not compromised.
- **Validated partly adopted ratings.** A review of the nine recommendation action plans rated *partly adopted* by the ICDs and IED reveals that the completion of action targets was constricted by ambitious or unrealistic action completion target dates (ACTDs). In formulating action plans and setting their ACTDs, ICDs should take into account the complexity, magnitude, expected impact, and nature of the actions and their corresponding targets. Likewise, external risk factors that could affect implementation of the proposed actions should be assessed and properly mitigated.
- **Timely updating and reporting of management action records.** Significant improvements were observed in 2010 in entering the required data in the MARS. However, there is a need to ensure that information in the MARS is regularly updated so that it can be used as a source of information by Management for the development or management of current and future ADB projects and programs. To encourage the timely posting of information, staff incentives and recognition may be considered. This would uphold the usefulness of the MARS and lead to more robust real-time tracking, updating, and reporting of Management actions on recommendations.

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I. INTRODUCTION

A. Objective and Scope

1. The Independent Evaluation Department (IED) of the Asian Development Bank (ADB) has been publishing an Annual Evaluation Review summarizing key findings and lessons of evaluation studies carried out in the previous year, and providing trends in the success rates of ADB operations, for many years. Since 2007, IED has also published an Annual Report on Acting on Recommendations (ARAR), which summarizes the recommendations from evaluation reports and the status of actions by ADB Management in response to these recommendations. The 2010 ARAR took stock of the evaluation recommendations from 2008–2009 as recorded and tracked in the electronic Management Action Record System (MARS), the corresponding response from Management, action plan status and implementation progress, and IED validation of the implementation status of the action plans.¹

2. Given their context and coverage, there is much to be gained by combining the two annual reports. This expanded report incorporates both the Annual Evaluation Review and the ARAR, and it (i) summarizes the activities of IED in 2010; (ii) presents the overall trends in the success rates of ADB's operations; (iii) synthesizes, by sector and theme, the key findings and lessons from evaluations carried out in 2010; (iv) reviews the evaluation recommendations as recorded in the MARS and the status of Management action plans on agreed-upon recommendations and their implementation; and (v) validates the implementation status of the Management action plans that were due by 31 December 2010.

B. Work Program and Accomplishments in 2010

3. IED's accomplishments in 2010 contributed to enhancing development effectiveness by (i) providing inputs to future ADB policies, strategies, and programs; (ii) assessing the development impacts of ADB assistance; (iii) providing real-time feedback on operations, (iv) promoting evaluation capacity development and self-evaluation by ADB and developing member countries (DMCs); (v) monitoring ADB Management actions on agreed-upon evaluation recommendations to enhance ADB's accountability; and (vi) disseminating evaluation findings and lessons to promote learning from evaluations.

1. Report Completions

4. In 2010, IED produced 82 reports, comprising 2 country assistance program evaluations (CAPEs), 4 sector assistance program evaluations (SAPEs), 9 project/program performance evaluation reports (PPERs) covering 13 projects, 7 special evaluation studies, 3 annual evaluation reports, 1 knowledge brief, 1 rigorous impact evaluation, 2 technical assistance (TA) performance evaluation reports, guidelines for the preparation of CAPEs, validations of 45 project/program completion reports (PCRs), validations of 5 extended annual review reports (XARRs), validation of 1 regional cooperation partnership strategy completion report, and 1 agriculture sector synthesis of evaluation findings. In 2010, the Development Effectiveness Committee (DEC) discussed 15 IED reports completed in 2010 and one report completed in 2009. Appendix 1 lists all evaluation reports completed in 2010.

¹ ADB. 2010. *2009 Annual Report on Acting on Recommendations*. Manila.
<http://www.adb.org/Documents/Evaluation/Annual-Reports/2009-Acting-Recommendations/RPE-OTH-2010-06.pdf>

5. IED completed CAPEs in two countries (Bhutan and Lao People's Democratic Republic [Lao PDR]) and SAPEs in three countries (Bhutan, Lao PDR, and Uzbekistan). Special evaluation studies undertaken in 2010 were in areas of special interest to ADB, namely (i) the multi-subsector approach for urban services assistance in Indonesia; (ii) support for decentralization in Indonesia; (iii) support to fragile and conflict-affected situations; (iv) postcompletion sustainability of ADB-assisted projects; (v) water policy and related operations; (vi) financing partnership facilities; and (vii) ADB support for gender and development (phase II), which complemented the phase I study completed in 2009. In addition, IED completed a rigorous impact evaluation to assess the development effectiveness of rural electrification in Bhutan, and an evaluation knowledge brief on reducing carbon emissions from transport projects. IED also delivered 50 PCR and XARR validations.

2. Promoting Evaluation Capacity Development in ADB and Developing Member Countries

6. IED has been promoting evaluation capacity development (ECD) for several years. The focus on a triple-level strategy (strengthening the evaluation capacity of IED staff, ADB operations staff, and DMC government officials) began in 2009 and expanded substantially in 2010. IED's 2010 ECD accomplishments are summarized in Box 1.

3. Monitoring Management Actions on Evaluation Recommendations

7. The 2008 IED ARAR recognized the importance of tracking actions taken on evaluation recommendations, and proposed the creation of an electronic MARS.² The MARS was subsequently established and introduced in ADB in 2009 under the leadership of the Managing Director General's Office, with IED support, and taking into account the experience of evaluation departments in other organizations. The MARS has been accessible since July 2009 to the Board, ADB Management, and all ADB staff through ADB's intranet portal.

8. The MARS is intended to be a tracking system for ADB Management, with results validated yearly by IED.³ Action plans and action completion target dates (ACTDs) are determined by the implementing or coordinating departments (ICDs), thereby promoting commitment to and ownership of implementation. Each IED recommendation is entered into the MARS in one of three separate sections: (i) those agreed to by Management, (ii) those not agreed to by Management, and (iii) those to be acted on by DMCs. All evaluation recommendations agreed to by Management are tracked together with the associated action plans; those not agreed to by Management are not tracked, but are kept on file electronically. The history of the tracking of follow-up actions and recommendations, and details of the MARS were included in 2009 ARAR, which is available in IED's website (footnote 1).

² ADB. 2008. *Annual Report on Acting on Recommendations*. Manila.

³ ADB. 2008. *Review of the Independence and Effectiveness of the Operations Evaluation Department*. Manila. This policy paper states that (i) Management, in collaboration with the concerned departments, would be responsible for monitoring actions taken in response to IED recommendations and for recording implementation progress at least twice a year; and (ii) IED would continue to prepare its ARAR.

Box 1: Accomplishments in Evaluation Capacity Development

Evaluation capacity development of Independent Evaluation Department staff. The Independent Evaluation Department (IED) brought in two experts for 2 days each to provide training for IED staff (relevant Philippine government officials were also invited to attend). One expert addressed rigorous impact evaluation and the other, evaluation and performance-based planning and budgeting. IED also sent five of its international staff to attend external training (two staff attended a week-long program at King's College in London, and three staff attended a 2-week International Program for Development Evaluation Training in Ottawa). In addition, IED sent five staff to attend training for 1–2 weeks at the Shanghai International Program for Development Evaluation Training (SHIPDET).

Evaluation capacity development of operations staff. IED conducted four 3-day training workshops to strengthen the self-evaluation capacity of Asian Development Bank operations staff in preparing project/program and technical assistance (TA) completion reports—two took place in Manila, and the other two at resident missions (Dhaka and Bangkok) so that staff of nearby resident missions could also attend. Each training workshop had 20–30 participants. Participants found the workshops very useful, particularly the case study sessions, which allowed them to do group exercises followed by group presentations and open discussions. IED also provided helpdesk services to answer any questions encountered by operations staff in doing self-evaluations.

Evaluation capacity development in developing member countries. In response to concerns raised in 2009 by participating developing member countries (DMCs)—that they could not send many participants for a long duration—IED proposed dividing the 2-week SHIPDET course into two shorter courses (comprising a 1-week core course and a 4-day special topics course) in order to attract a sufficient number of DMC participants. The cosponsoring agencies of SHIPDET at that time (the Independent Evaluation Group of the World Bank, the People's Republic of China's Ministry of Finance, and the Asia-Pacific Finance and Development Center) agreed with the shorter course proposal. The participating DMCs appreciated the two short courses and sent far more SHIPDET participants in 2010 (totaling 140, comprising 60 for the core course and 80 for the new special topic course) than in 2009, when they sent a total of 50 participants. Of the 140 participants in 2010, IED funded 45 (25 for the core course and 20 for the special topics course) from four Central Asian countries and three Greater Mekong Subregion countries through two regional TA activities, compared with a total of 36 participants supported in 2009.

Additional evaluation capacity development for developing member countries. IED staff conducted an evaluation workshop for government officials during a CAPE mission in the Lao PDR. IED also prepared a regional TA to support DMC officials for on-the-job training opportunities at IED for up to 5 months each, to be implemented in 2011. IED also co-sponsored a multidonor-supported "Center for Learning on Evaluation and Results Program" to help develop a regional center for monitoring and evaluation in South Asia.

4. Enhancing Information Services, Learning, and Knowledge Sharing

9. IED has emphasized the importance of knowledge management for effective identification, creation, storage, retrieval, and sharing of information, and ultimately for dissemination of evaluation findings, recommendations, and lessons for targeted audiences.⁴ A number of initiatives have been undertaken (and will be further enhanced) in support of disclosure and dissemination outreach: (i) web content management, design, and multimedia; (ii) events tracking, briefings, and presentations; (iii) branding and publications; (iv) internal and external collaborations and networks, including with communities of practice in ADB; (v) evaluation database management; and (vi) more effective use of information systems and technology for storage, sharing, and dissemination of evaluation information. IED uses multiple

⁴ Linking Evaluations to Results: <http://www.adb.org/Evaluation/Linking-to-Results/default.asp>

avenues to promote information sharing and learning from evaluations. Evaluation missions actively engage government officials, members of the civil society, development partners, and various stakeholders. Such engagements, for example, are carried out through discussion forums, consultation meetings, workshops, seminars, and other events with various audiences for communicating and seeking feedback on evaluation findings, lessons, and recommendations.

10. With improved content management, the IED website (www.adb.org/evaluation) was also upgraded to include user-friendly browse/search and bookmark/share functions. Dissemination initiatives through the monthly *Evaluation Alerts*,⁵ *Learning Curves*,⁶ and other evaluation syntheses were intensified in 2010. Several video clips featuring authors of evaluation reports were produced and posted on ADB's YouTube broadcasting channel. External electronic gateways (www.zunia.org and www.scribd.com) have also been used to disseminate IED's evaluation products. Dissemination outreach is tailored to improve readership and usage of evaluations in ADB and among stakeholders. IED will continue to review its media options and networks to increase its presence in information gateways for dissemination of its evaluation products. Ultimately, more effective knowledge management will contribute to making IED's evaluation products more influential.

5. Participating in Evaluation Networks

11. IED contributed to the Evaluation Cooperation Group (ECG)⁷ by providing inputs for the preparation of (i) good practice standards for evaluation (public sector and nonsovereign operations [NSOs]);⁸ (ii) papers on microfinance, evaluative lessons for agriculture and agribusiness, and urban and rural water supply; and (iii) a briefing note on lessons from evaluations for biodiversity in a sustainable future. IED also took part in the Organisation for Economic Co-operation and Development (OECD)-led global phase II evaluation of Paris Declaration implementation. IED chairs the ECG in 2011 and hosted the 2011 ECG meeting in Manila.⁹ IED continued to provide secretariat support to the ECG and managed the ECG website,¹⁰ which is a dedicated platform to foster collaboration and harmonization of evaluation work as well as information sharing. IED actively participated in the activities of the Development Assistance Committee (DAC) network on development evaluation of the OECD.¹¹ IED also disseminated and shared its evaluation products with the public through the DAC's Evaluation Resource Centre, which hosts a free and dynamic database of development

⁵ <http://www.adb.org/evaluation/evaluation-alerts.asp>

⁶ <http://www.adb.org/evaluation/resources-list.asp?type=15&p=evalor>

⁷ The ECG was established by the heads of evaluation in the multilateral development banks in February 1996. Members comprise evaluation departments or offices of the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Fund for Agricultural Development, International Monetary Fund, Islamic Development Bank Group, and World Bank Group. The Organisation for Economic Co-operation and Development's Development Assistance Committee Evaluation Network and the United Nations Evaluation Group are permanent observers.

⁸ ADB conducts both sovereign and nonsovereign operations. An NSO is defined as an ADB-financed transaction in the form of a guarantee to, loan to, or equity investment in a subsovereign, state-owned enterprise, other public private entity, or private sector entity as obligor or investee, normally without direct sovereign indemnity (ADB. 2010. Nonsovereign Operations. *Operations Manual*. OM D10/BP. Manila).

⁹ IED hosted the 2011 spring meeting of the ECG on 15–17 March 2011 in Manila.

¹⁰ ECGnet. <http://www.ecgnet.org>

¹¹ The network's goal is to increase the effectiveness of development cooperation policies and programs by promoting high-quality, independent evaluation. It serves as a platform for learning and coordination, and enables members to work together to improve the quality of evaluations and harmonize evaluation processes.

evaluation reports and guidelines, searchable by keyword, development partner, country, and sector.¹²

II. DEVELOPMENT PERFORMANCE OF ADB PROJECTS AND PROGRAMS

12. To gain insight into how evaluated projects and programs have performed, this chapter first reviews the results of the 9 public sector PPERs and 45 PCR validations produced in 2010. Reasons are offered for *partly successful* and *unsuccessful* operations to provide opportunities for learning. The chapter then examines all completed and self- or independently evaluated sovereign projects and programs through the end of 2010, grouped by approval period. Historical trends in the ratings of sovereign operations are then presented by approval period and completion period based on cumulative 5-year moving averages. Trends in public sector projects and programs are analyzed by modality, country classification, and sector. The chapter closes by examining trends in success rates of NSOs and presenting key lessons from NSO projects.

A. Success Rates in 2010 Evaluations

13. In 2010, IED completed nine PPERs covering 2 sovereign programs and 11 sovereign projects in four sectors—finance, multisector, transport, and water supply and other municipal infrastructure. The two sovereign programs, in Lao PDR and Bhutan, were rated *successful* and *partly successful*, respectively.¹³ Of the 11 sovereign projects, nine (82%) were rated *successful*; of these, all were considered *highly relevant* or *relevant* (except one, which was rated *partly relevant*), *effective*, *efficient*, and *most likely* or *likely sustainable* (except for two with *less likely sustainable* ratings).

14. IED validated 45 PCRs for sovereign operations in 2010. IED validation reports rated 20 of the 45 (44%) *successful*, 16 (36%) *partly successful*, and 9 (20%) *unsuccessful*. Of the 20 successful operations, all were *highly relevant* or *relevant*, 19 (95%) were either *highly effective* or *effective*, and 17 (85%) were either *highly efficient* or *efficient*. However, only 12 (60%) were rated *most likely* or *likely sustainable*, and the remaining 8 (40%), *less likely sustainable*. These results indicate that substantial work has yet to be carried out to ensure the realization of intended development impacts.

15. The IED validation reports (i) confirmed self-evaluation ratings for 37 PCRs; and (ii) downgraded 2 *highly successful* ratings to *successful*, 4 *successful* ratings to *partly successful*, and 2 *partly successful* ratings to *unsuccessful*. The reasons for downgrading the PCR ratings were (i) lack of clear understanding of the key evaluation criteria and how they relate to each other,¹⁴ and (ii) insufficient evidence to support the economic analysis and the core evaluation criteria ratings.

¹² DAC Evaluation Resource Centre.

http://www.oecd.org/pages/0,2966,en_35038640_35039563_1_1_1_1_1,00.html

¹³ See Appendix 2 for a detailed description of the evaluation criteria.

¹⁴ To address the lack of clear understanding of the evaluation criteria, IED has organized training and learning events since 2010 for operations and resident mission staff to strengthen their self-evaluation capacity in preparing project/program and TA completion reports (Box 1). These learning events will continue in 2011.

16. The combined ratings of PPERs and validated PCRs for 57¹⁵ ADB sovereign operations validated or independently evaluated in 2010 indicate that 51% were *successful*, 33% were *partly successful*, and 16% were *unsuccessful*.¹⁶ Of the *partly successful* and *unsuccessful* operations, 79% were rated *partly satisfactory* or *unsatisfactory* for borrower performance;¹⁷ 79% were also rated *partly satisfactory* or *unsatisfactory* for ADB performance. These findings highlight the significance of timely coordination and open communication between the borrower and ADB in terms of project design and implementation. Close ADB supervision and strong project ownership, management, and commitment by the executing agencies continue to be important determinants of project success. Consensus building between the governments and executing agencies on mutual responsibilities and authority to meet the project outputs and outcomes is paramount in achieving success. Where the country systems and procedures are not in place to manage and implement a project, strengthening the technical and management capacity of parallel project management/implementation units increases the odds for success. For ADB, evaluation findings show that frequent, close, and proactive supervision by resident mission staff increases the likelihood of project success. This brings much-needed transfer of knowledge in terms of understanding ADB's policies and procedures, allowing issues to be resolved quickly and efficiently. Regular, in-depth review missions remain an essential means to address weaknesses in project design and implementation.

17. The sustainability of projects and programs is also crucial to project success. For the PPERs and validated PCRs completed in 2010, more than 85% of *partly successful* and *unsuccessful* operations were *less likely sustainable* or worse.¹⁸ As pointed out in the PPERs and validated PCRs, a *less likely* or *unlikely sustainable* rating is a result of insufficient flow of funds to cover routine and periodic maintenance costs, absence of regular maintenance due to budget constraints, poor institutional support, low financial viability, lack of technical capacity to undertake operation and maintenance (O&M), suboptimal use and pricing of the service, and/or an unsupportive policy and regulatory environment. For programs, unsustainable ratings were observed in cases where government support and commitment were low, financial governance needed improvement, policy reversals occurred, key stakeholder support was inadequate, and/or O&M systems were ineffective. These findings are consistent with the findings of the special evaluation study on project sustainability (para. 61). Early adoption of risk mitigation measures is useful in this context.

B. Trends in Ratings of Sovereign Operations

18. Up to the end of 2010, 1,562 sovereign operations (projects and programs) with a net loan amount (total disbursements in US dollars at the time of loan closing) of \$80.13 billion had been independently and/or self-evaluated. Of these, 1,432 sovereign operations (with a net loan amount of \$75.56 billion) were rated. The cumulative ratings given for these were 63% *successful*, 29% *partly successful*, and 8% *unsuccessful*.¹⁹ Table 1 shows the aggregate

¹⁵ One sovereign project had both a PCR validation report and a PPER in 2010. In this case, only the PPER rating was taken into account. Hence, combined ratings are given to 57 sovereign projects/programs rather than 58 (which is the total number of PCR validation reports and projects/programs covered by PPERs done in 2010).

¹⁶ The 2010 validation reports covered PCRs circulated mostly in 2008-2009. Hence, the results are different from the Development Effectiveness Report's statement that 68% of 81 sovereign operations with PCRs in 2010 (which was derived exclusively from PCRs completed in 2010 most of which were not validated by the end of 2010) were rated *successful*.

¹⁷ Borrower performance refers to the assessment of performance of the borrower and executing agencies in meeting the responsibilities assigned in the implementation plan.

¹⁸ See Appendix 3.

¹⁹ A project or program is considered "successful" when its rating is *highly successful*, *successful*, or *generally successful*. Performance ratings by PCRs, PCR validation reports (PVRs), and PPERs are aggregated using the

success rates in terms of both the number of sovereign operations and the net loan amount for approval years 1968 through 2009, broken down into four chronological subgroups.²⁰ Sovereign operations approved in 1992–2000 were the best performers, whether considering the number of sovereign operations or the net loan amount. However, the aggregate success rate for sovereign operations approved from 2001 onwards declined to 67% in terms of number and to 71% in terms of net loan amount. In interpreting the results, given the time lags between approval, completion, and evaluation, it is important to recognize that about 78% of projects and programs approved in 2001–2009 are still under implementation.

Table 1: Performance Ratings of Sovereign Operations in terms of Number of Sovereign Operations and Net Loan Amount

Approval Period of SOs	Total Number of Rated SOs	Distribution by Number of Loans (%) with Performance Ratings of SOs			Total Net Loan Amount of Rated SOs ^a (\$ million)	Distribution by Net Loan Amounts (%) with Performance Ratings of SOs ^b		
		HS/GS/S	PS	US		HS/GS/S	PS	US
1968-1980	340	60.9	28.5	10.6	5,897	66.6	23.6	9.8
1981-1991	421	54.9	35.6	9.5	20,049	59.2	36.3	4.5
1992-2000	525	70.1	24.6	5.3	38,463	80.1	18.3	1.6
2001-2009 ^c	146	67.1	21.9	11.0	11,153	70.8	23.0	6.2
Total	1,432	63.1	28.5	8.4	75,561	72.2	24.2	3.7

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, SO = sovereign operation, US = unsuccessful.

^a Net amount refers to total disbursements in US dollars at the time of loan closing.

^b Instead of numbers, performance ratings of loans were weighted by net loan amounts to calculate the rates of project success.

^c Success rates may change as more SOs approved from 2001 to 2009 are completed and evaluated.

Note: Totals may not add up because of rounding.

Source: Independent Evaluation Department database as of 31 December 2010.

19. IED generally tracks and reports the long-term trend in overall success rates by aggregating the ratings by year of approval.²¹ This illustrates how individual operations prepared under similar policy and economic conditions performed, and aids in understanding how major internal reforms or policies that were introduced over the last four decades may have influenced project and program performance. As shown in Figure 1, the *Report of the Task Force on Improving Project Quality*²² was most likely the main driver of change in project performance. ADB implemented the recommendations of the task force in the areas of management structure, improvement of quality-at-entry, and improvement of portfolio management and administration. These actions paid off, as the success rates showed a marked increase from approval years 1995 to 1999. However, the improvement in success rates was not sustained, as the trend started to decline in 2000. The declining trend, however, may be temporary, as it is heavily

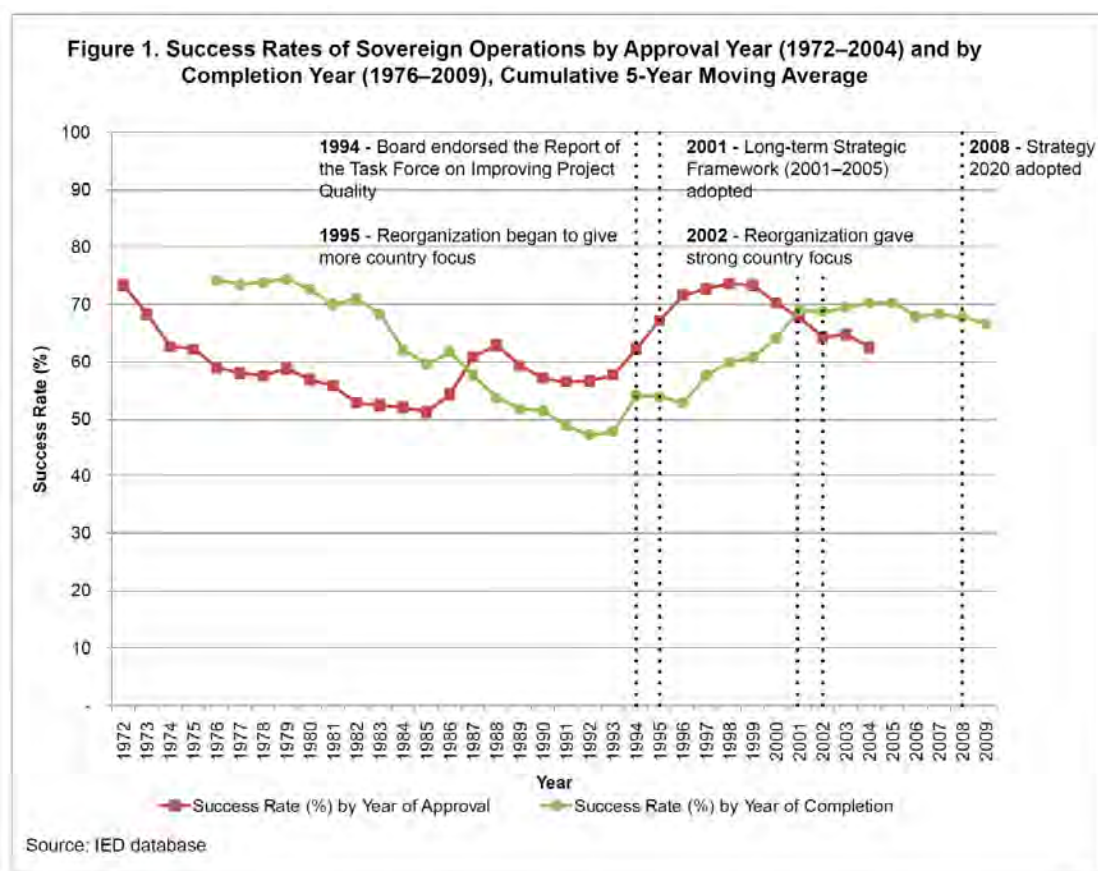
PVR or PPER ratings when both PCR and PVR or PPER ratings are available. Of the 1,432 rated sovereign operations, 759 (53%) were based on PPER ratings, 119 (8%) on PVR ratings, and 554 (39%) on PCR ratings. There is a moderate upward bias in the assessment of project performance by PCRs: Of the 135 sovereign operations rated by PCRs circulated from 2007 to 2010, 13% of the performance ratings were downgraded by either PVRs or PPERs, 2% were upgraded, and 85% were confirmed.

²⁰ The approval period ranging from 1968 to 2009 was broken into subgroups to coincide with ADB's medium- to long-term planning directions. The first medium-term strategic framework was introduced in 1992, while the long-term strategic framework was introduced in 2001. In the absence of a medium- or long-term strategic framework prior to 1992, the period 1968–1991 was split into two generally comparable periods, 1968–1980 and 1981–1991.

²¹ The trend by year of approval presents data only through 2004 because of the small number of rated sovereign operations approved in 2005–2009.

²² ADB. 1994. *Report of the Task Force on Improving Project Quality*. Manila.

influenced by countries that are undergoing social and/or political unrest. Also, the number of evaluated sovereign operations included in the calculations for 2001–2004 represents less than half of the total approved sovereign operations.



20. Ratings can also be aggregated by year of completion,²³ which shows the trend for sovereign operations with the same implementation principles. Different types of sovereign operations have different implementation periods and are subject to different degrees of delay. On average, the time it takes for projects to be completed ranges from 4 to 8 years, and for programs, 1 to 5 years. The trends are, however, comparable, because the trend in success rates at completion generally follows the trend in success rates based on approval year.

21. As illustrated in Figure 1, the trend based on year of completion also shows improvement in the performance of sovereign operations beginning in 1996.²⁴ The trend remained upward until 2005 but started to decline in 2006. As mentioned earlier, the declining trend is largely because the group of evaluated sovereign operations during this period included countries with difficult political and/or economic conditions.

22. In summary, Figure 1 reveals that the success rates—based on a cumulative 5-year moving average, either by year of approval or by year of completion—have not reached 80% at

²³ Refers to the year of physical completion for projects and the year of loan closing for programs.

²⁴ The trend by year of completion presents data only through 2009 because of the small number of rated sovereign operations that were completed in 2010.

any period.²⁵ Performance began to decline in approval year 2000 after peaking at over 70%. Although the declining trend is supported by a limited sample size, the project and program performance report (PPR) system indicates that this trend will continue unless significant corrective measures are taken. Based on the new PPR system, about 25%²⁶ of ongoing projects are facing implementation challenges and are at risk of not meeting their objectives. ADB Management is deeply concerned about the declining trend in performance and has taken a range of actions in response, including (i) improving innovation and knowledge services related to operations; and (ii) improving project outcomes by (a) improving project selection and design; (b) improving project implementation and supervision through implementation of the recommendations of the working group on project implementation for achieving total project readiness; enhancing organization, staff skills, and incentives; and ensuring effective project implementation; and (c) containing the number of future operations.

23. The trend in sovereign operation ratings could have been affected by changes in the composition of operations. To further identify the underlying factors affecting the performance of sovereign operations, trends in sovereign operation ratings have been analyzed according to modality, country classification, and sector.

1. Modality

24. In general, project loans perform better than program loans (Appendix 4). Of the 1,275 projects approved in 1968–2006 and evaluated through the end of 2010, 64% were rated *successful*, 27% *partly successful*, and 9% *unsuccessful*. For program loans, of the 157 rated programs approved in 1978–2009, 54% were rated *successful*, 42% *partly successful*, and 4% *unsuccessful*. Projects exhibited their best performance to date for the 1992–2000 approval period, with a 72% success rate. However, the performance rating of projects dropped to 67% for the approval period 2001–2006 (based on 87 rated projects). On the other hand, the performance of program loans continued to improve, increasing from an average performance rating of 57% for the approval period 1992–2000 to 68% for 2001–2009.²⁷

2. Country Grouping

25. Table 2 provides the overall success rates of sovereign operations by country classification and approval period,²⁸ while Appendix 5 provides the success rates for sovereign operations by country, approval period, and modality.

26. Comparative analysis of sovereign operations performance by country grouping reveals that (i) Group A and Group C countries have comparable overall performance ratings, and these

²⁵ However, in terms of the net loan amounts of the rated sovereign operations, the success rates reached 80% and above for the approval period from 1996 to 2000.

²⁶ This refers to 106 of the 426 operations as of March 2011. Of these operations, most were considered at risk of not meeting the disbursement and contract award targets (ADB. 2011. *2010 Development Effectiveness Review*. Manila.)

²⁷ This result should be interpreted with caution. An ongoing study on program lending by IED shows that downgrading the ratings of aborted program cluster loans would significantly affect the overall performance of that modality (i.e., the study sample program loans' success rate dropped by about 10 percentage points when the aborted program clusters evaluated to be *highly successful* or *successful* were rated as *partly successful*). (ADB. 2011. *A Strategic Assessment of ADB's Performance under Current Program Lending Policy* [draft]. Manila)

²⁸ ADB employs a classification system for its DMCs that meets the requirements of its Charter by establishing criteria to determine their eligibility to borrow from the Asian Development Fund (ADF) and their access to ordinary capital resources (OCR). The current country classification is as follows: (i) Group A countries are eligible for ADF-only financing; (ii) Group B countries are eligible for both ADF and OCR financing; (iii) Group C countries are eligible only for OCR financing. Graduated economies are no longer eligible for ADB support.

are better than those of Group B countries; and (ii) taking note of the small sample size for 2001–2009 success rates, figures show that, while Group A and Group C performance ratings continued to improve since 1981, Group B performance declined since 2001. Based on evaluation (self and independent) reports, factors that affect performance include continued government commitment, macroeconomic stability, strong ownership of reforms, close cooperation and coordination between and among development partners, adequacy and appropriateness of program design, provision of TA to help program implementation, enabled institutional capacity, and adequacy of supervision.

Table 2: Performance Ratings of Sovereign Operations in Terms of Number and Net Loan Amount by Country Group and Approval Period

Country Group	Approval Period of SOs	Total Number of Rated SOs	Distribution by Performance Rating (%)			Total Net Loan Amount of Rated SOs (\$ million)	Distribution by Performance Rating by Loan Amount (%)		
			HS/GS/S	PS	US		HS/GS/S	PS	US
A	1968–1980	51	56.9	23.5	19.6	369	58.5	11.9	29.6
	1981–1991	85	51.8	36.5	11.8	1,106	58.0	33.3	8.8
	1992–2000	129	69.0	27.1	3.9	2,641	77.9	20.8	1.3
	2001–2009	48	77.1	16.7	6.3	1,135	85.2	14.6	0.2
	Subtotal	313	63.6	27.5	8.9	5,251	73.9	21.4	4.6
B	1968–1980	89	43.8	42.7	13.5	1,577	53.2	33.0	13.8
	1981–1991	167	50.9	41.9	7.2	9,917	55.7	39.5	4.8
	1992–2000	179	70.4	23.5	6.1	12,088	79.5	19.1	1.5
	2001–2009	64	50.0	32.8	17.2	5,650	48.5	39.5	12.0
	Subtotal	499	56.5	34.3	9.2	29,232	64.0	30.7	5.3
C	1968–1980	147	63.3	27.9	8.8	2,870	67.1	24.4	8.4
	1981–1991	162	59.3	29.6	11.1	8,821	63.0	33.4	3.6
	1992–2000	216	70.4	24.1	5.6	20,034	77.2	20.9	2.0
	2001–2009	34	85.3	8.8	5.9	4,368	95.9	3.9	0.2
	Subtotal	559	66.2	25.8	8.1	36,093	75.2	22.2	2.7
Graduated Economies	1968–1980	53	86.8	11.3	1.9	1,081	87.7	11.6	0.7
	1981–1991	7	85.7	14.3		204	75.4	24.6	
	1992–2000	1	100.0			3,700	100.0		
	2001–2009	0							
	Subtotal	61	86.9	11.5	1.6	4,985	96.3	3.5	0.2
Total		1,432	63.1	28.5	8.4	75,561	72.2	24.2	3.7

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, SO = sovereign operation, US = unsuccessful.

Note: Net loan amount refers to total disbursements in US dollars at the time of loan closing.

Source: Independent Evaluation Department database as of 31 December 2010.

27. The success rate of sovereign operations in Group B countries is of particular concern. While the group exhibited improving performance from 1968 to 2000, success rates based on 64 rated operations indicate a drop in performance for approval period 2001–2009, when only half (50%) were rated *successful*, far below the average success rates for Group A or Group C countries. Among the Group B countries, Pakistan had the highest number of evaluated sovereign operations (25, or 39% of the total) approved during 2001–2009; of these, only 5 (20%) were rated *successful*.²⁹ These success rates for 2001–2009 may change significantly as more sovereign operations are evaluated and rated.

²⁹ Since 2007, ADB's Central and West Asia Department (CWRD) has conducted spring cleaning (mainly in Pakistan) to improve the quality of its portfolio. This involves project/program restructuring, loan cancellations, and an

28. A review of both PCR validation reports and PCRs cited the following reasons that led to the very poor performance of ADB-financed sovereign operations in Pakistan:

- (i) **Weak or inappropriate designs.** The majority of the designs of Pakistan's sovereign operations were overly ambitious and unsound owing to a complex menu of diverse interventions and implementation arrangements, which resulted in startup delays. Many operations had too many conditions and covenants, and interlinking these conditions and covenants with sector, thematic, and crosscutting interventions contributed to their failure. In addition, the original designs had no budget for costs associated with compliance with some conditions. The scope of some sovereign operations was overly broad, and designs failed to take into account the capacity of the executing and implementing agencies (whether at the federal or provincial level) to carry out the innovative but highly complex projects. Detailed and objective analyses of implementation risks (especially the strengths and weaknesses of executing and implementing agencies) could have been carried out and appropriate mitigation measures incorporated into the designs.
- (ii) **Weak political commitment.** The evaluation reports highlight the weak institutional commitment and unclear mandate of the executing and implementing agencies. Coordination and communication among various elements of the project teams in the executing and implementing agencies were also assessed to be poor, inefficient, and ineffective. The reports also note that the political will to address the development challenges was quickly diluted by emerging divisions among the stakeholders, resulting in poor execution of the project design during implementation. This lack of consensus resulted in considerable delays in the procurement of consulting services, and in making counterpart funds available to executing and implementing agencies.
- (iii) **Shifts in priorities and political impediments.** Continuing problems with government approvals, and frequent changes in focus, scope, and direction caused major delays in implementation. Increased political impediments and rapidly changing priorities were noted to have seriously diminished the relevance of the sovereign operations' designs. Projects in Pakistan require continued political commitment, which was adversely affected by prolonged political crises, resulting in constant reshuffling of the civil bureaucracy and changes in the administrative system. The affected executing agencies were unable to commit to activities within their mandates, and were heavily involved in other activities.
- (iv) **Insufficient ADB supervision.** Some sovereign operations in Pakistan had insufficient oversight, supervision, and monitoring. Frequent changes in ADB staff members affected the continuity of operations. Insufficient involvement of experienced and specialized ADB staff also affected project and program administration.

extension policy that requires agreed-upon milestones as conditions that preclude an automatic extension for projects with delayed implementation. This portfolio management regime is intended to improve the quality and performance of the portfolio over time. In the meantime, projects/programs that have been restructured (including those that have not received an extension and/or with parts thereof that have been cancelled) may, upon their completion, lead to performance ratings of less than successful. Lessons have been drawn from poorly performing projects/programs for contextual application on new projects/programs. According to CWRD, such measures are expected to yield better performance of completed projects/programs in Pakistan starting from 2012.

29. Starting from 2007, actions have been initiated and taken by ADB's Central and West Asia Department (CWRD) to improve portfolio quality and performance (including in Pakistan) by taking a number of measures during the project design stage and project implementation. These actions include initiatives to improve project readiness, quality assurance, and implementation arrangements, as well as efforts to enhance project management/administration, portfolio review, and the use of the PPR as an early warning system. Such actions are complemented by higher selectivity during the preparation of country partnership strategies and country operations business plans.

30. Looking at the long-term trends based on the cumulative 5-year moving averages (Figure 2), there is a comparable convergence in the performance of all country groupings with respect to the overall success rates for approval period 1992–2000. This changed for the 2001–2004 approval period, when Group C countries outperformed groups A and B (although this may be tentative, as the number of rated operations represents 44% of the total operations approved during this period). While Group A still performed positively (i.e., above the overall success trend) for sovereign operations approved in 2001–2004, Group B countries did not, with performance far below the overall success rate. The poor performance of operations in Pakistan has pulled down the aggregate success rate of Group B countries, and Group B's success trend conforms more closely to the overall performance average if Pakistan's performance is excluded (Figure 2.4).

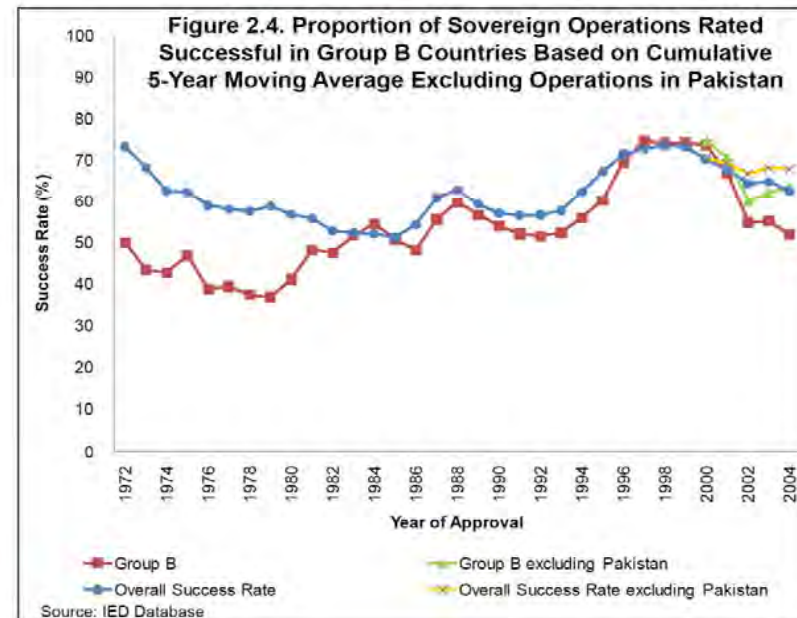
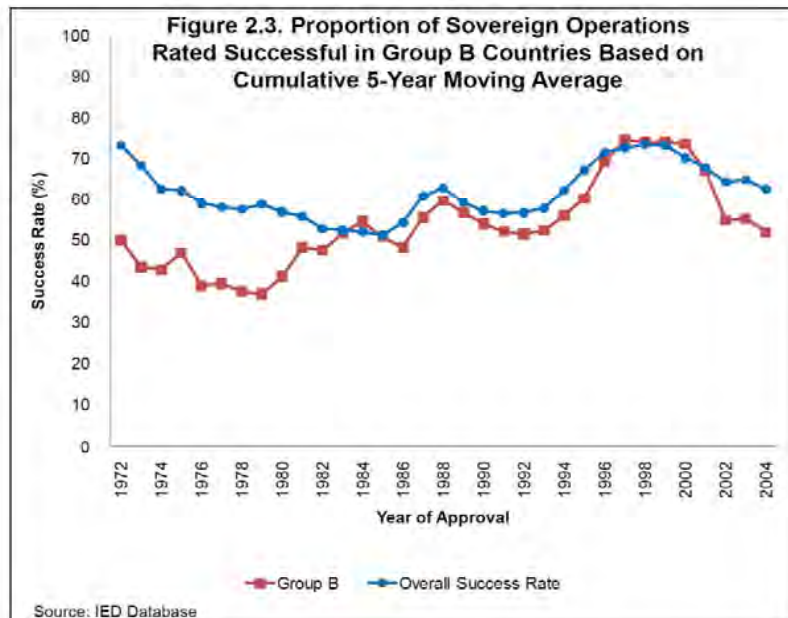
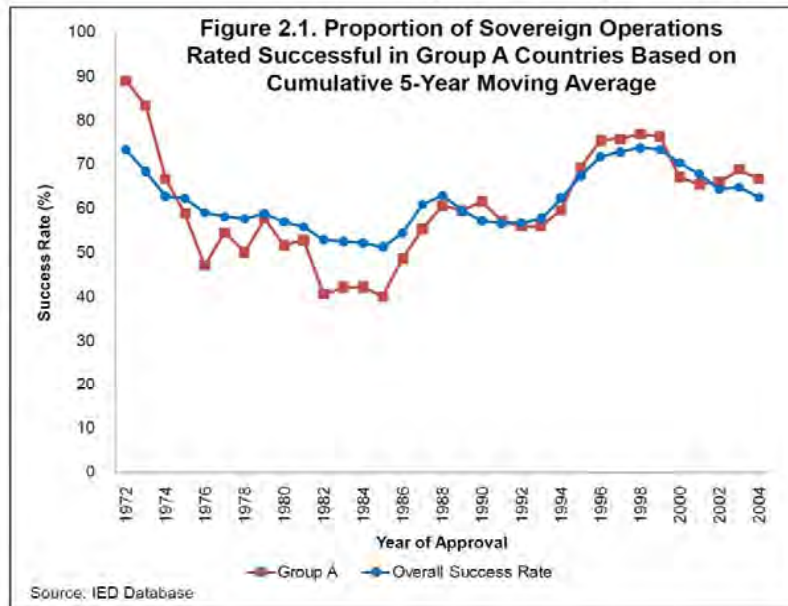
31. A comparison of the success trend for each modality by country group with the overall success trend is made in Appendix 6. Since 2000, the project loan operations of Group C countries have exhibited performance that is much better than the overall success trend, while Group A countries have mirrored the overall performance trend, and Group B countries have performed more poorly than the overall trend. The performance of program loan operations in all groups has improved since 1992. The project and program loan success trend of Group B countries has been below the overall success trend since 2001. However, the success rate decline for program loan operations for Group B countries, as shown in Appendix 6, was not as significant as the decline in the success rate for project operations.

3. Sector Performance

32. The proportion of successful sovereign operations to the total number of evaluated operations approved by sector (Appendix 7) indicates the following performance by sector.

33. The combined success rates of sovereign operations in agriculture and natural resources increased consistently since 1968, to about 65% for the 2001–2009 approval period. This compares favorably with the very poor 37% success rate in this sector for the 1968–1980 approval period and 42% success rate for the 1981–1991 approval period. Factors contributing to project success rates were high stakeholder participation (i.e., in which deeper involvement of nongovernment organizations, indigenous peoples, and local governments was evident), improved interagency coordination, and local adaptation of technology in investment design. Project and program performance was continually challenged by having multiple components and complex institutional arrangements, geographically dispersed project areas, and difficulties in policy and institutional reforms in the sector. The sustainability of agriculture and natural resources projects was complicated by O&M concerns, including a reluctance to contribute to user fees/charges and a reliance on budget support from national government agencies or local government units.

Figure 2. Comparison of Success Rates by Country Groupings



34. The combined success performance for infrastructure operations (both energy, and transport and information and communication technology) has shown a cyclical trend: it was 83% for the 1968–1980 approval period, then decreased to 74% for 1981–1991, increased to a high of 85% for 1992–2000, and subsequently decreased again to 72% for 2001–2009. Infrastructure program operations contributed to the combined success performance in 2001–2009, as all four program loans were assessed as *successful*. The keys to project success included, among others, a well-designed project, involvement of the private sector in construction and maintenance, local or rural connectivity, an experienced executing agency with a strong sense of project ownership, and committed project implementation office staff. A primary concern with infrastructure operations is the adequacy of O&M after completion; improving road safety is an additional concern for road transport projects.

35. For the social sector, success rates for the education sector also declined (to 67%) during the 2001–2009 approval period from a high of 82% in 1992–2000. On the other hand, operations in the health and social protection sector have improved—success rates went from 67% in the 1992–2000 approval period to 83% in 2001–2009. Success rates for water and other municipal infrastructure operations were fairly stable—going from 62% in 1992–2000 to 64% in the 2001–2009 approval period. Projects and programs with successful ratings in the education sector featured (i) synergy in policy reforms and investment components; (ii) appropriate implementation arrangements; and (iii) effective targeting of assistance and strong ownership, especially at the community level. Contributing to the successful ratings of health and social protection sector operations was strong government commitment to instituting health reforms in partnership with nongovernment and community-based organizations, and adoption of a sectorwide management approach. The factors underlying the success of water supply and sanitation (WSS) projects and programs varied between urban and rural areas. Urban WSS projects with successful performance were influenced by strong government ownership and commitment, and the adoption of a comprehensive and integrated approach to water resource management, while rural WSS operations displaying good performance featured a flexible design process and a strong feeling of ownership and enhanced capacity on the part of community-based organizations.

36. The combined success rates improved for multisector operations (from 73% in 1992–2000 to 82% in the 2001–2009 approval period), public sector management (from 47% in 1992–2000 to 57% in 2001–2009), as well as industry and trade operations (from 36% in 1992–2000 to 67% in 2001–2009). The improved performance of sovereign operations in the multisector, public sector management, and industry and trade sectors from 1992–2009 was influenced by the favorable performance of program operations (project operations performance in these sectors has remained steady since 1992). Strong government ownership, private sector participation, and a focus on capacity building contributed to the successful sector operations.

37. The combined success rates for finance sector operations fell from 59% in 1992–2000 to 53% in 2001–2009; this decrease is reflected in both project and program operations performance. Sector performance has been affected by insufficient legislation to enable prudential oversight and to address weak capacity. The adoption of inappropriate intervention mechanisms, unfavorable environment for financial markets (which to some extent due to external factors), lack of a strong and viable financial intermediary, as well as insufficient involvement of key stakeholders also contributed to the decline in sector performance.

C. Trends in Success Rates of Nonsovereign Operations

38. IED evaluated 18³⁰ NSO projects from 2006 to 2010 using the new evaluation criteria.³¹ Table 3 indicates that NSO projects generally performed well. Overall, 78% of the NSO projects evaluated were rated either *successful* or *highly successful*. Similarly, 78%–84% of the evaluated projects were rated *satisfactory* or *excellent* in each criterion. Among the criteria, ADB additionality, which assesses the extent to which ADB finance was a necessary condition for the timely realization of the project, had the most *excellent* ratings—7 of 18 (39%). Conversely, ADB investment profitability had the most *unsatisfactory* ratings (3).

Table 3: Summary of Ratings of Independently Evaluated Nonsovereign Operations Projects by Criterion, 2006 to 2010

Rating for Criteria	Criteria								Overall Project Rating	No.	%
	DI&O		IP		ADB WQ		ADB Add				
	No.	%	No.	%	No.	%	No.	%			
Excellent	3	17	5	28	3	17	7	39	Highly Successful	2	11
Satisfactory	12	67	9	50	11	61	7	39	Successful	12	67
Partly Satisfactory	3	17	1	6	4	22	3	17	Partly Successful	3	17
Unsatisfactory	0	0	3	17	0	0	1	6	Unsuccessful	1	6
Total ^a	18	100	18	100	18	100	18	100	Total	18	100
^a Numbers may not add up due to rounding.											
ADB = Asian Development Bank, Add = additionality, DI&O = development impacts and outcomes, IP = investment profitability, WQ = work quality.											
Source: Independent Evaluation Department database as of 31 December 2010.											

39. Due to the small sample size, disaggregated information gives only preliminary results. By sector, an equal number of infrastructure/industry projects and finance sector projects³² were independently evaluated. However, as shown in Table 4, infrastructure and industry projects performed much better, with 100% of the projects in this category receiving *successful* or *highly successful* overall ratings as compared with only 56% for finance sector projects. None of the infrastructure/industry projects had a less than satisfactory rating in development outcomes and impacts, and only one or two projects had less than satisfactory ratings in the other criteria. In contrast, about a third of the finance sector projects were rated poorly in each evaluation criterion. Two finance sector projects even had *unsatisfactory* ratings in ADB investment profitability.

³⁰ As of 31 December 2010, there were 105 projects that were approved from 1996 onwards that were in the pipeline of projects to be independently evaluated. This included: (i) projects that had been closed or reached operating maturity but had not been subjected to independent evaluation; and (ii) projects that were still active (disbursement or repayment in progress). Not yet included in the pipeline were 25 projects with investment or loan agreements that had not been signed or with conditions precedent to implementation that had not been completed as of 31 December 2010. In addition, it is important to note that NSO projects that had been independently evaluated were approved from 1995 to 2004, and that 50% of these evaluated NSO projects were approved before 2000. Since then, major changes have been adopted in the credit process. There were also enhancements to the assessment and monitoring of development results.

³¹ Prior to 2006, NSO projects were evaluated like sovereign projects using the criteria of relevance, effectiveness, efficiency, sustainability and impact. Starting in 2006, the new criteria for evaluating NSO projects, which were intended to harmonize ADB's practices with those of other ECG members, consisted of development impact and outcomes, ADB profitability, ADB work quality, and ADB additionality. See Appendix 2 for evaluation criteria for nonsovereign operations.

³² Finance sector projects consist of loans to banks and other financial intermediaries and equity investments in private equity funds, infrastructure funds, banks, and other financial and capital market institutions.

**Table 4: Summary of Ratings of Independently Evaluated
Nonsovereign Operations Projects by Main Sector, 2006 to 2010**

Sector	Total Rated Projects (no.)	Overall Project Rating (% of total)		
		HS/S	PS	US
Industry and Infrastructure	9	100%	0%	0%
Capital Markets, Funds and Financial Institutions	9	56%	33%	11%
Total	18	78%	17%	6%

HS = highly successful, PS = partly successful, S = successful, US = unsuccessful.

Source: Independent Evaluation Department database as of 31 December 2010.

40. By country group, the two projects in Group A and all nine projects in Group B received overall ratings of *successful* or *highly successful*. However, two of five projects in Group C (40%)—both in the finance sector—were rated less than successful. The two regional projects that were independently evaluated, both private equity funds, were rated *partly successful* due primarily to their poor investment performance.

41. Six NSO projects were independently evaluated in 2010. The evaluations consisted of one PPER and five validation reports. All six were in the finance sector—a loan to a housing finance institution, equity investments in two regional private equity funds, a loan to and investment in two banks in support of their privatization, and an equity investment in a securities depository. All six projects had been previously self-evaluated by the Private Sector Operations Department—one received an overall rating of *highly successful*, while the rest were rated *successful*. IED downgraded two of the *successful* ratings to *partly successful*, reducing the success rate for the year to 67%.

42. The key lessons from the evaluation of the six NSO projects are as follows:

- (i) Mortgage finance for customers in the lower and middle-income segments can be commercially viable, but housing finance corporations and banks must have highly trained and experienced staff as well as sound credit underwriting and portfolio management policies to succeed in this market segment.
- (ii) Reliance on a government regulator as a major source of funding may not be sustainable over the long term, considering that regulators are typically not stable sources of funding (funding is not their primary activity), and there is an inherent conflict of interest between the financing and oversight functions.
- (iii) Whenever possible, ADB should negotiate for put options³³ and price adjustment mechanisms to protect its investments.
- (iv) A small equity investment can have a large impact in the right circumstances, especially if it is supported by TA and policy reforms.
- (v) If ADB brings a private partner into the deal, it needs to be sure that there are adequate incentives and safeguards in the contract for that partner to stay the course.

³³ A put option is a contract that gives the holder the right, but not the obligation, to sell a certain quantity of a property or security to the writer of the option at a specified price (strike price) up to a specified date (expiration date).

- (vi) It is important to use self-liquidating instruments in Pacific DMC markets to avoid dependence on a single exit event in an extremely volatile economic and political environment.
- (vii) The provision of support for accounting and management practices is crucial for successful small and medium-sized enterprise equity investments in the smallest Pacific markets.
- (viii) Well-designed and properly sequenced TA can be very useful in identifying, structuring, and operationalizing certain NSO projects.

III. LEARNING FROM EVALUATIONS

A. Inputs for Future Country and Regional Cooperation Partnership Strategies

43. In 2010 IED carried out two CAPEs (for Bhutan and Lao PDR). Several SAPEs and other evaluation studies also supported preparation of country strategies. In addition, IED validated the South Asia regional cooperation partnership strategy (2006-2008) completion report to provide inputs to the preparation of a new regional cooperation partnership strategy (RCPS) and related operations.

1. Country Assistance Program Evaluation for Bhutan

44. For Bhutan, the CAPE rated ADB's country strategies and programs *successful*.³⁴ The performance of ADB assistance in Bhutan for the energy sector, urban development, and public sector management was *successful*, while assistance for the transport sector and for finance and private sector development was rated *partly successful*. ADB has made major contributions to rural electrification; the commercialization of the power sector; the preparation and application of a public-private partnership (PPP) model for hydropower projects; the development of basic infrastructure in two major centers; the establishment of a legal, regulatory, and institutional framework for the financial sector; and the development of capacity for debt management, road planning, road safety, and construction management. Ongoing assistance will likely result in further outcomes, including a financial regulatory framework based on best practices, the new Southern East-West Highway that will facilitate trade and the development of southern Bhutan, and the expansion of urban infrastructure. Rural connectivity projects have helped increase income levels in rural areas, due mainly to improved prices for agricultural products and/or increased opportunities for nonfarm income. The effects were larger in areas that were comparatively better off prior to the development of infrastructure projects because of other influences such as tourism-related income, the availability of extension services, and closer proximity to economic centers.

45. The sustainability of infrastructure projects has been affected by inadequate resources and systems for maintaining assets, including those financed by ADB. Resource efficiencies need to be carefully assessed for rural connectivity projects, considering their comparatively high cost and the limited number of beneficiaries in a sparsely populated country. Implementation efficiency, although still above the ADB average, has been declining in recent years, possibly due to the increasing project size and complexity of project designs, frequent project design changes, and increasing work volumes coupled with limited capacity of domestic contractors. These issues need to be addressed, given the rapidly growing volume of financial assistance. The CAPE for Bhutan draws attention to several recommendations to (i) improve

³⁴ ADB. 2010. *Country Assistance Program Evaluation for Bhutan*. Manila
<http://www.adb.org/Documents/CAPES/BHU/cap-bhu-2010-17.pdf>

the results orientation of ADB strategies and programs, (ii) enhance the effectiveness of support for capacity development through comprehensive needs assessment and results-based sector assistance strategies and programs, (iii) improve mainstreaming of thematic concerns in ADB operations, (iv) enhance the economic efficiency of future rural connectivity projects, (v) improve the sustainability of ADB operations, (vi) improve the implementation efficiency of ADB operations, and (vii) adapt ADB assistance to changing country conditions through an expansion of assistance for integrated urban development and support for government employment-generation initiatives. Management agreed to these recommendations, with the exception of recommendation (vii), stating that it would be for the Government of Bhutan to decide whether to expand assistance for integrated urban development and government employment-generation initiatives, and that Management would provide all necessary support if so requested by the government.

2. Country Assistance Program Evaluation for Lao People's Democratic Republic

46. For the Lao PDR, the CAPE rated ADB's country strategies and programs *successful*,³⁵ and concluded that ADB assistance has made substantial contributions to sustainable pro-poor economic growth, inclusive social development, and good governance. ADB helped the government improve policies and institutional capacity to support broad-based private sector-led growth. Support was provided through a combination of interventions in agriculture and rural development, small and medium-sized enterprises, financial markets, and catalytic private investments in hydropower. This was complemented by transport, power, and trade facilitation support in the Greater Mekong Subregion (GMS). Substantial progress in promoting the private sector as a key agent in economic growth and poverty reduction has been recognized. ADB also played a leading role in supporting inclusive social development. Assistance in health, education, and WSS supported improvements in access to and quality of essential social services, thereby contributing to progress toward the Millennium Development Goals. ADB capacity-building assistance helped strengthen sector development strategies and policies in agriculture, education, health, small and medium-sized enterprises, water resources, and WSS. With ADB support, capacity has been built for registering and facilitating the cross-border movement of goods and services, for improving foreign direct investment requirements, for performance assessment and decentralized management in basic education, and for enhanced planning for primary health care and human resources. An important accomplishment was the capacity created in the government to manage PPPs for hydropower development and to channel government revenues to priority social development programs. The evaluated sectors follow a similar pattern of performance, with most criteria (excepting efficiency) showing good performance. The low efficiency was due mainly to chronic implementation delays across sectors, reflecting weak implementation capacity in executing agencies and complexity in the design of some projects. Persistent risks are related to inadequate funding of recurrent costs for O&M, the weak domestic revenue base, and high aid dependency.

47. The CAPE for the Lao PDR recommended (i) strengthening ADB assistance to governance reforms and building public sector financial management capacity; (ii) helping develop the government's integrated medium-term capacity-development programs based on a careful needs assessment; (iii) continuing support in the areas of environmental and social protection for mainstreaming environment and social safeguards and climate change adaptation, based on past success; (iv) building on innovative financing modalities and

³⁵ ADB. 2010. *Country Assistance Program Evaluation for Lao People's Democratic Republic*. Manila <http://www.adb.org/Documents/CAPES/LAO/CAP-LAO-2010-43/cap-lao-2010-43.pdf>

implementation mechanisms to meet the growing funding requirement and demand for sustaining growth, avoid high transaction costs, and enhance efficiency and synergies; and (v) further enhancing ADB's service delivery and program implementation results through better coordination between ADB's sector divisions and the Lao Resident Mission. Management agreed with these recommendations, highlighting that (i) there is scope for further support for strengthening public financial management under the umbrella of a multidonor Public Financial Management Strengthening Program; (ii) in principle, one-off TA operations are not the best way to build capacity, and that a more strategic approach is needed, while smaller TA operations may be more appropriate in some cases to take into account capacity issues; (iii) mainstreaming the implementation of safeguards at the national and subnational levels is needed; (iv) in most ministries, the capacity to handle program-based approaches is lacking, and hence, in the short to medium term, common project implementation arrangements are being pursued, while the absence of strong national systems and capacity necessitates alignment through the strengthening of country systems; and (v) service delivery capacity is being further enhanced through better coordination of policy dialogue, especially with the preparation of sector assessments, strategies and roadmaps, and a new country partnership strategy (CPS).

3. Validation of South Asia Regional Cooperation Partnership Strategy Completion Report

48. The validation report rated the overall performance of the South Asia Regional Cooperation Partnership Strategy for 2006-2008 as *partly successful*.³⁶ The RCPS strategic and institutional performance (top-down rating) was consistently rated as *modest* by the validation report based on its strategic relevance and positioning, institutional cooperation and capacity building, and value addition by and institutional performance of ADB. Project and operational performance (bottom-up ratings) was rated *relevant*, *less effective*, and *less efficient*. Key factors that affected the ratings were (i) inability to attain most of the planned outputs (i.e., only 2 of 9 regional investment projects were approved in 2009, and only 2 of 10 regional TA operations were completed); (ii) overly ambitious targets, given the political intricacies (i.e., low level of ownership and complex decision-making process) at the DMC and regional levels; (iii) weak linkage between RCPS and ADB's CPS; (iv) limited value addition by ADB as revealed by the weak private sector response, varied degree of DMC ownership, and inadequate utilization of the regional cooperation fund; (v) ADB's fragmented internal implementation arrangements for regional cooperation and integration (RCI), weak results framework, and output-focused project monitoring; (vi) lack of tangible contribution made to improving roads, trade facilitation systems, and regional energy trade; and (vii) delays in the design and implementation of assistance.

49. Key lessons and recommendations from the validation of the RCPS completion report include the following: (i) strategies and programs should be realistic, given the influence of complex procedures and changing geopolitical factors on the preparation and implementation of regional projects; (ii) clear criteria should be established for identifying those national projects that have significant regional implications; and (iii) given the importance of RCI in ADB's Strategy 2020, ADB should provide adequate staff resources to the South Asia Country Coordination and Regional Cooperation Division to be able to pursue RCI initiatives more

³⁶ The RCPS Completion Report overall rating was also *partly successful*. However, ratings on individual criterion varied between both evaluation reports (ADB. 2010. *Validation Report: South Asia Regional Cooperation Partnership Strategy*. Manila. Table 1, pp. 10-11). <http://www.adb.org/Documents/Reports/Validation/REG/in185-10.pdf>

proactively and vigorously.³⁷ Some strategic issues that could be considered in future RCPS formulation and implementation are also identified in the validation report, namely (i) setting realistic goals, objectives, and focus (i.e., cross-border projects and regional public goods); (ii) securing national ownership of and leadership for RCI efforts; (iii) ensuring integration of RCPS and CPSs; and (iv) providing strong emphasis on monitoring and evaluation (e.g., establishing baseline information and monitorable progress targets as well as conducting regular result-monitoring mechanisms).

B. Sector-Level Evaluations for Country Strategies

50. In 2010, IED completed four SAPEs: Bhutan (energy sector), Lao PDR (energy and transport sectors), and Uzbekistan (education sector). IED also completed a rigorous impact evaluation of two ADB-funded rural electrification projects in Bhutan, providing further evaluation evidence for the SAPE for the Bhutan energy sector in support of the CAPE for Bhutan. For the Lao PDR, the SAPEs for the energy and transport sectors supported the CAPE. The SAPE for the education sector in Uzbekistan supported the preparation of a CAPE scheduled for completion in 2011.

51. **Energy.** ADB has been a major development partner in Bhutan's energy sector,³⁸ providing financial assistance through concessionary loans for the expansion of the rural power distribution network. ADB also played a catalytic role in structuring and financing Bhutan's first PPP transaction in the export-oriented hydropower sector. ADB has been instrumental as well in promoting institutional and regulatory reforms in the power sector to improve the legal and institutional framework, regulatory regime, commercial orientation, and financial sustainability of power sector entities, as well as the investment climate and institutional arrangements for promoting investments in export-oriented hydropower projects. The overall assessment of ADB assistance to Bhutan's energy sector is *successful*. Institutional reforms and corporatization of the sector facilitated the successful implementation of the rural electrification program. The emphasis on cost recovery has increased since commercialization of the sector. When the power sector was managed as part of the government, awareness was lacking regarding the cost of supply and the need to achieve adequate returns on investments. Bhutan's power sector cannot continue to absorb the high cost of rural electrification unless the government continues to provide electricity for domestic supply at a discount (below the export price). There is scope for a judicious mix of grid extension and off-grid renewable energy applications in rural electrification. As more remote and sparsely populated areas are electrified, there is increasing scope for using economically efficient off-grid renewable energy applications (grid extensions may become economically less efficient beyond a certain threshold value for the connection cost per household).

52. The long-term continuity of ADB financing for rural electrification in Bhutan has proven highly effective, and the resulting certainty over the availability of financing has enabled the government to plan ahead. Increased ownership of TA by the executing agencies has resulted in more effective TA implementation with sustainable outcomes. The SAPE for the energy sector in Bhutan recommended that ADB (i) consider supporting grid-connected renewable energy projects, including small hydropower projects (below 25 megawatts); (ii) increase efforts to develop follow-up PPP transactions; and (iii) increase its focus on the environmental

³⁷ SARD drafted a new RCPS as of April 2011 covering 2011–2015 and incorporating the main recommendations of the validation report.

³⁸ ADB. 2010. *Sector Assistance Program Evaluation for Bhutan Energy Sector*. Manila <http://www.adb.org/Documents/Reports/SAPE/BHU/SAP-BHU-2010-21/SAP-BHU-2010-21.pdf>

sustainability of large hydropower development. In principle, ADB Management agreed to these recommendations.

53. The impact evaluation of two ADB-funded rural electrification projects in Bhutan confirmed that impacts from electrification are quantifiable, visible, and positive.³⁹ However, most impacts are modest in magnitude due to low household electricity consumption (electricity use is largely limited to lighting, rice cooking, and water boiling). Economic benefits from electrification are emerging slowly, and it will take time for the impacts to become substantial. The uptake of electricity use for income generation depends on other enabling factors. At present, uptake has been limited to weaving in central and western Bhutan and poultry production in southern Bhutan. In comparison with unelectrified households, electrified households (i) derive proportionately more income from farming and nonfarming activities, (ii) encounter fewer smoke-induced health ailments, (iii) experience fewer missed workdays due to illness, (iv) provide a better educational environment for their children, (v) spend less time collecting fuelwood, and (vi) enjoy better access to information. Gender benefits from electrification are emerging. When compared with unelectrified households, women in electrified households have more significant roles in household decisions, particularly with regard to their children's education and the health of household members. Project impacts are likely to be sustainable, subject to continued subsidies for rural electrification from electricity export revenues. The fundamentals of cross-subsidization are unlikely to change in the near future, as Bhutan has committed to increasing power generation for the export market. Meanwhile, domestic demand for electricity is likely to grow with modernization and urbanization. The impact evaluation recommended (and Management agreed) that ADB should (i) assist the government in (a) implementing and developing action plans for safety standards, (b) ensuring clean and efficient energy use, (c) strengthening the existing regulatory framework, and (d) linking electricity with income-generating activities; (ii) ensure the sustainability of project benefits, which hinges on cross-subsidization of rural electrification by power export and energy royalty sources; and (iii) encourage the monitoring of the project outcome and impacts over time.

54. ADB has made substantial contributions to the creation of energy infrastructure in the Lao PDR. ADB energy sector assistance since the late 1980s has focused on hydropower projects, high-voltage grid extension, rural electrification, and capacity building to manage power sector infrastructure and utility operations. The SAPE⁴⁰ rated ADB's program *successful*, reflecting that the interventions have been consistent with government policies, programs, and priorities; and the ADB assistance has enabled positive outcomes at both the national level (e.g., increased foreign exchange earnings, and environmental and social mitigations) and local level (e.g., increased electricity access). The SAPE emphasized that (i) one-off and stand-alone interventions are ineffective for capacity building related to environmental and social mitigation, (ii) a budgetary allowance is needed for unforeseen environmental and social impacts, (iii) ADB oversight is useful to ensure that hydropower projects comply with applicable environmental and social safeguards, and (iv) a multifaceted approach is required to ensure that power tariffs remain affordable. The SAPE highlighted several opportunities to improve mainstream screening of hydropower project developers and to build capacity to do so; to build a requisite institutional base over the medium term to ensure that all new hydropower projects comply with a certain minimum level of environmental and social safeguards; and to harmonize standards

³⁹ ADB. 2010. *Asian Development Bank's Assistance for Rural Electrification in Bhutan—Does Electrification Improve the Quality of Rural Life?* Manila. <http://www.adb.org/Documents/IES/BHU/in212-10.pdf>

⁴⁰ ADB. 2010. *Sector Assistance Program Evaluation for the Energy Sector in the Lao People's Democratic Republic*. Manila. <http://www.adb.org/Documents/Reports/SAPE/LAO/SAP-LAO-2010-42/in259-10.pdf>

(for example, for transmission regulations, metering arrangements, and grid codes in the GMS countries), while power system integration remains a medium-term goal. At its conclusion, the SAPE has the following recommendations, to which ADB Management agreed in principle: (i) focus ADB's capacity development interventions on the need to increase electricity access, improve the operational and financial efficiency of the power utility, and better manage the development of large hydropower projects in coordination with other development partners; (ii) work with development partners to design a knowledge management framework and deliver knowledge management solutions, given the need for capacity development in several areas; (iii) continue to offer financial assistance (a) particularly for hydropower projects with a view to increasing compliance with environmental and social safeguards, and (b) for electricity access projects; and (iv) conduct policy dialogue to accelerate formulation of a comprehensive energy policy and power system integration across the GMS.

55. **Transport.** ADB has made substantial contributions to building transport infrastructure in the Lao PDR. The SAPE⁴¹ rated ADB's transport program *successful*. ADB's program broadly comprises two categories based on the mode of lending—(i) various levels of road improvements from national to rural roads for the domestic economy; and (ii) the GMS regional program, which has supported mainly regional roads connecting international borders. Although the basic objective of providing connectivity remains, regional cooperation has emerged as an area for investment. This requires an appropriate balance between domestic needs and international aspirations. In addition to contributing to this balanced development, ADB's value addition is closely linked to institutional development efforts in the country. There is increased awareness within the government of the need for maintenance of road projects, but it remains to be seen whether the government can deploy adequate resources to ensure sustainability. Sectorwide solutions for road maintenance will ensure consistent sustainability. Meanwhile, ADB has adopted an integrated approach to the rehabilitation of rural roads. ADB should continue this integrated approach, which enables complementarities with other interventions (e.g., in agriculture, trade, and tourism). ADB can facilitate transfer of knowledge from other countries to the Lao PDR, and better development outcomes can be achieved by continuing and scaling up assistance for provincial and rural roads. The SAPE recommends and emphasizes the need for (i) integrated capacity-building programs (instead of one-off TA) in specific areas, (ii) project-readiness filters to assess institutional preparedness within the government for implementing a new project, and (iii) improved development agency coordination for knowledge sharing and implementation monitoring. Management agreed in principle to these evaluation recommendations.

56. **Education.** The SAPE for the education sector in Uzbekistan⁴² rated ADB's assistance program *successful*. This SAPE will feed into the 2011 CAPE for Uzbekistan. For the past 12 years, ADB has assisted the government in designing the country's new education system. The main human development challenge in Uzbekistan is the development of skilled and knowledgeable personnel to facilitate the country's transition to an internationally competitive economy. ADB-financed interventions in education in Uzbekistan were generally inclusive, targeting the entire school-going population, and improved the working conditions of public employees, teachers, and education administrators. ADB's support strengthened the core teaching–learning system by helping develop new curricula, instruction materials, guidelines, teacher training, and textbooks. Future opportunities for ADB will possibly be within higher

⁴¹ ADB. 2010. *Sector Assistance Program Evaluation for the Transport Sector in the Lao People's Democratic Republic*. Manila. <http://www.adb.org/Documents/Reports/SAPE/LAO/SAP-LAO-2010-44/in260-10.pdf>

⁴² ADB. 2010. *Sector Assistance Program Evaluation for the Education Sector in Uzbekistan*. Manila. <http://www.adb.org/Documents/Reports/SAPE/UZB/SAP-UZB-2010-29/in220-10.pdf>

education and vocational training. Ensuring a sustainable supply of graduates with marketable skills and competencies is at the heart of an effective education development strategy, and significant reforms are needed to make this possible. Many low-income families face challenges in paying for education. Through its emphasis on devolution and its off-budget provisioning of resources under the national program for basic education, the country is strengthening its capability to manage funds at the school level. A carefully devised and well-implemented reform policy is essential. The SAPE highlights that many executing agencies are still focused on outputs. Executing and implementing agencies need to understand that the outcomes and impact of a project are as essential as the outputs in justifying the process, modality, and magnitude of assistance. Many projects are implemented without established monitoring and evaluation (M&E) systems, and capacity building in data collection, data analysis, and M&E is required. At its conclusion, the SAPE recommends that ADB (i) remain engaged in the education sector by focusing on higher education and vocational training, i.e., skills that support new technology industries; (ii) support two approaches for public sector support programs related to information and communication technology, and for PPP or joint ventures with international universities; (iii) assist in building a stronger and more conducive policy and regulatory environment; and (iv) assist in building and operating a reliable system for M&E of education sector activities and results.

C. Thematic Evaluations

57. In 2010, IED carried out evaluation studies in areas of strategic priority to ADB, including (i) support for decentralization in Indonesia, (ii) the multi-subsector approach for urban services assistance in Indonesia, (iii) support to fragile and conflict-affected situations (FCASs), (iv) post-completion sustainability of ADB-assisted projects, (v) water policy and related operations, (vi) financing partnership facilities (FPFs), and (vii) ADB support for gender and development. IED also published an evaluation knowledge brief on reducing carbon emissions from transport projects. For Indonesia, the evaluations prepared for the support for decentralization and the multi-subsector approach for urban services assistance are intended to inform the preparation of the future CPS. The study on ADB support to FCASs provides findings, lessons, and recommendations to inform preparation of future CPSs.

58. **Support for decentralization in Indonesia.** ADB has supported the decentralization process in Indonesia since 1998 at the center and in the specific areas of basic social services, development administration, and environmental management. Initial support was in response to the Asian financial crisis and the need for community development, while later support focused more on the challenges facing public financial management and fiscal decentralization. The decentralization-focused program loans began initiatives designed to enable more effective local government public services through an improved fiscal, budgetary, and financial management framework. ADB assumed a responsive stance to government needs, particularly as the scope of the challenges became apparent. Support was provided to rearrange strategies and practices to conform with decentralized forms of governance through advisory TA for an environmental impact assessment process, urban infrastructure, and minimum service standards. Irrespective of the urgent need for assistance, interventions taking place during periods of rapid economic, political, and administrative transitions face the risk of becoming irrelevant and ineffective, with short-lived outputs and outcomes. This requires balancing the need to ensure that scarce TA resources are deployed effectively and efficiently, while supporting important policy processes during a period characterized by risk and uncertainty. ADB responded promptly to a rapidly changing situation, but the very nature of the situation precluded detailed analyses and programming. Subsequent support has attempted, with some success, to provide a sound policy framework for decentralization. This support might have

been more effective and sustainable if backed by more TA designed to develop the capacity of decentralized institutions, rather than TA focused on the training of individuals. The overall performance of ADB support was *partly satisfactory*.⁴³ It is possible that more could be done to highlight to the government successes and failures experienced elsewhere, so as to understand why programs have failed or succeeded. The evaluation study made the following recommendations, to which ADB Management agreed in principle: that ADB (i) continue support for developing the policy framework for decentralization with project- and program-based support, complemented by more decentralized local-level assistance (such as support for institution building); (ii) continue addressing government priorities for decentralization by focusing ADB's interventions on past successes (in public financial management reform and capacity development) and further supporting improvement of the coordinated decentralization framework; and (iii) deepen coordination with development partners in supporting government decentralization activities.

59. Multi-subsector approach for urban services assistance in Indonesia. Evaluating the performance of urban sector assistance and learning from experience are important, as “big-bang” decentralization has put pressure on the management of urban areas in Indonesia, and the demand for urban infrastructure is expected to escalate due to population growth and rapid urbanization. The study⁴⁴ found that ADB-funded multi-subsector projects in Indonesia were *less efficient* in resource use. All of the reviewed multi-subsector projects experienced substantial implementation delays due to consultant recruitment, local government approval procedures, and procurement-related issues. Land acquisition was a common problem for urban infrastructure projects, as locations were densely populated. Overall, the performance of ADB assistance for urban services in Indonesia under the multi-subsector approach was assessed as *partly successful*. The study recommends that (i) the multi-subsector approach should not be adopted in urban projects unless there is agreement between the government and ADB on (a) the procedures to follow, (b) strategy, and (c) implementation management; and (ii) if local conditions do not favor the multi-subsector approach, then ADB should adopt a sector-specialized approach with fewer components. The study further recommends that a financing scheme supporting the multi-subsector approach is needed, along with a vision for capacity building. The needs assessment for capacity building should be more rigorous, and an analysis made of what constitutes the added value of ADB TA in terms of knowledge and skills compared with other development organizations. ADB Management agreed with these recommendations. The study also drew lessons on project implementation, the need for a local champion, debt assessment and sustainability, beneficiary participation at the neighborhood level, cofinancing, and private sector participation.⁴⁵

60. Support to fragile and conflict-affected situations. The evaluation of ADB's support to FCASs⁴⁶ emphasizes that an ADB approach to FCAS countries was needed and ADB has provided substantial timely FCAS assistance, selecting and focusing on key areas needing attention, working with other partners, and providing an increased on-the-ground presence. However, the approach can be fine-tuned by making it more flexible in identifying FCASs based

⁴³ ADB. 2010. *Asian Development Bank Support for Decentralization in Indonesia*. Manila. <http://www.adb.org/documents/ses/ino/ses-ino-2010-15.pdf>

⁴⁴ ADB. 2010. *Indonesia: Has the Multi-subsector Approach been Effective for Urban Services Assistance?* Manila. <http://www.adb.org/Documents/Evaluation/SES/SES-Multisector/ses-multisector.pdf>

⁴⁵ ADB. 2010. *Learning Curves: Has the Multi-Subsector Approach been Effective for Urban Services Assistance in Indonesia?* Manila. <http://www.adb.org/Documents/Evaluation/Learning-Curves/SES/LC-multisubsector-approach-ino.pdf>

⁴⁶ ADB. 2010. *Asian Development Bank's Support to Fragile and Conflict-Affected Situations*. Manila. <http://www.adb.org/Documents/SES/REG/SES-REG-2010-45/SES-REG-2010-45.pdf>

on the country context and applying a longer term framework for capacity development. The characteristics of FCAS countries may also differ, whether they are classified as FCASs due to their fragile characteristics or whether they have emerged from a conflict-affected situation. The study highlights that, while the approach of identifying FCASs can be more flexible, the principles used in ADB's approach to FCASs has been relevant. In terms of development outcomes, no clear demarcation exists between former and current FCAS countries. Former FCAS countries are performing slightly better than DMCs remaining in the FCAS category, the latter facing greater challenges in efficiency and in achieving outcomes. In most former FCAS countries, the technical aspects of infrastructure projects overall are doing well; problems center instead on building capacity and institutions and effecting policy reforms. Sustainability and capacity development are key areas in need of attention, and pooling resources with development partners has been useful. The study recommends that FCAS countries should be classified at the CPS preparation stage, based not only on the country performance assessment but also on other fragility and/or conflict characteristics of the country, including at subnational levels. In its recommendations, the study also emphasizes the need for (i) a plan for capacity development based on the country context, country performance assessment, and needs assessment; (ii) flexibility in the design of FCAS projects to accommodate implementation adjustments and programmatic approaches; and (iii) identification of resource gaps for working in FCAS countries in consultation with development partners. ADB Management agreed with these recommendations.

61. **Postcompletion sustainability of ADB-assisted projects.** Project sustainability is a critical issue in many DMCs and several ADB core sectors. The evaluation of the postcompletion sustainability⁴⁷ of ADB-assisted projects emphasizes that project effectiveness and efficiency do not guarantee the sustainability of project net benefits, and that the substantial task of ensuring greater sustainability for projects rated *effective* and *efficient* remains. However, at project completion, it is still possible to undertake a scenario analysis of key project features to identify where additional resources to enhance sustainability could best be placed. The main factor supporting a *most likely sustainable* rating for projects is a positive assessment of pricing and financial viability, followed by O&M policies and financing. In around half of the cases reviewed, the *most likely sustainable* rating was supported by the policy and regulatory environment—generally outside project control—and addressed at the sector or national level. The main factors leading to an *unlikely sustainable* rating for projects (including a high proportion of nonrevenue-generating projects) included a negative assessment of the policy and regulatory environment, O&M, and financing. For programs, in all cases of *most likely sustainable* ratings, the main positive factors were the political will to maintain support for reforms, and the absence of policy reversals. For the few programs rated *unlikely sustainable*, the absence of political will was the major factor, but there were policy reversals and a negative assessment of resilience of policy reforms to changing conditions and institutions. The study concludes with the following recommendations, to which ADB Management agreed: (i) strengthen ADB's approach to identifying and mitigating risks to project sustainability during country and sector assistance programming; (ii) pay more attention to risks to sustainability of outputs and outcomes and their mitigation during project preparation and implementation; and (iii) undertake postcompletion monitoring of selected projects and programs with an emphasis on outcomes, sustainability, impact, and monitoring arrangements. ADB Management did not agree with the recommendation to strengthen ADB's approach to identifying and mitigating risks to project

⁴⁷ ADB. 2010. *Post-Completion Sustainability of Asian Development Bank-Assisted Projects*. Manila.

<http://www.adb.org/Documents/SES/REG/SES-OTH-2010-46/SES-OTH-2010-46.pdf>

Project sustainability refers to the probability that human, institutional, financial, and natural resources are sufficient to maintain the outcome achieved over the economic life of a project and that any risks need to be or can be managed.

sustainability during country and sector assistance programming by considering alternative and innovative assistance modalities to improve sector policies, institutions, and asset management systems to ensure sustainability of ADB-assisted projects and programs. ADB Management believed that the existing operational modalities are sufficient to respond to systemic sector, policy, operational, and institutional issues hampering project and program sustainability. ADB Management also did not agree that a new modality is needed for ADB to finance budget support for financing fiscal deficits to enhance continuity of sector outputs and outcomes.⁴⁸

62. Water policy and related operations. Water remains one of the greatest global challenges. Significant improvements are needed in water management policies and practices to sustain lives and food production, support larger urban populations, and improve environmental sustainability in the Asia and Pacific region. The ADB water policy⁴⁹ treats water as both a social and economic good and acknowledges the fundamental distinction between water as a “resource” and water as a “service.” These principles help efforts to improve suboptimal national policies and practices in the water sector. The policy supports ADB’s strategy for poverty reduction by promoting participation of the poor in water management, supports ADB’s strategy for public–private partnerships, and aims to catalyze a national focus on water sector reform in its DMCs. The study⁵⁰ concludes with several recommendations, to which ADB Management agreed, for ADB to (i) develop and implement an operational framework and plans for further implementation of the water policy, (ii) build on success and assist DMCs to achieve their water-related national and international targets, and (iii) address more effectively the thematic and cross-cutting issues of the water policy by reorienting assistance operations. The evaluation of ADB’s water policy and related operations offers a number of cogent lessons (Box 2).

63. Financing partnership facilities. IED evaluated ADB’s first three FPFs⁵¹ in the areas of water, RCI, and clean energy with the objective of drawing lessons from their implementation.⁵² Given that the FPF portfolio is relatively new, the study emphasizes evaluating the process at the facility level and the actual outputs, rather than outcomes and likely impacts. The study highlights several issues. The introduction of the direct-charge modality has recently improved the efficiency of use of available FPF resources, but there is a concern regarding the possible overuse of the direct-charge modality vis-à-vis the traditional small-scale TA modality; it is possible that direct-charge projects may use an expedited processing cycle and thus may not be subject to the same scrutiny as small-scale TA. The FPF administrative arrangements are working well, but there is a need for strengthening in some areas. The use of existing ADB structures such as sector and thematic communities of practice and working groups to screen projects is seen as effective, particularly under delegated funds, but reporting to financing partners needs further strengthening. Chronic project implementation delays are an issue for the FPFs, as they are for other ADB projects. For the FPF-financed grants, the disbursement levels are less than half of what would be expected, given the project elapsed time, and also below the

⁴⁸ Although ADB Management did not agree with this recommendation, Management’s *2010 Development Effectiveness Review* reported that ADB is improving monitoring and assessment of outcome sustainability through new mandatory project risk assessment and management plans, better sector roadmaps and results frameworks, and pilot impact studies (ADB. 2011. *2010 Development Effectiveness Review*. Manila).

⁴⁹ ADB. 2001. *Water for All: The Water Policy of the Asian Development Bank*. Manila.

⁵⁰ ADB. 2010. *Special Evaluation Study on Water Policy and Related Operations*. Manila.
<http://www.adb.org/Documents/SES/REG/SES-OTH-2010-47/SES-OTH-2010-47.pdf>

⁵¹ Financing partnership facilities are defined as operational platforms for strategic, long-term, and multipartner cooperation with development partners, linking various forms of assistance in a coordinated manner for well-defined purposes.

⁵² ADB. 2010. *Special Evaluation Study on Financing Partnership Facilities*. Manila.
<http://www.adb.org/Documents/SES/REG/SES-OTH-2010-74/SES-OTH-2010-74.pdf>

levels of non-FPF grants. Overall, the implementation progress of FPF-financed TA, although somewhat better than grants, is also well behind schedule. The causes may be either overly optimistic implementation planning or systemic weaknesses in project implementation. The study recommends to ADB Management to (i) examine the possibility of mainstreaming the direct-charge modality for financing small, direct, and identifiable stand-alone activities such as workshops, short studies, and knowledge products; (ii) establish ground rules and systems for improving ADB's uptake capacity⁵³ of nonmonetary FPF financing mechanisms; (iii) encourage more delegation of allocation and processing of FPF-financed projects to ADB, while ensuring that FPF requirements are met; (iv) develop a more structured and coordinated approach to securing new FPF financing partners and FPF fund replenishment; and (v) improve FPF design and monitoring frameworks, paying particular attention to outcome indicators and cost of inputs.

Box 2: Lessons from the Evaluation of ADB's Water Policy and Related Operations

At the strategic level, an effective policy has to be firmly grounded in the core business of an enterprise. Successful policies have to be accompanied by clearly defined targets, an appropriate approach and adequate resources, and a reliable monitoring mechanism with result indicators. To improve the overall success rate in water sector operations, both the design and implementation of Asian Development Bank (ADB)-funded projects have to improve, requiring change in the institutional mindset and adoption of good practices and appropriate techniques/technology. There is a substantial gap between what was planned and what was actually implemented in integrated water resources management, illustrating the difficulties in implementation and indicating that past experience and lessons did not influence subsequent project design. Capacity development, government commitment, strong leadership, community participation, monitoring, and good coordination are important requisites of successful projects. Impoverished populations realize real benefits when the water issues that affect them are resolved—when access to clean drinking water is secured, when floods are controlled, and when crops can be reliably irrigated.

Some countries have made good progress in forming basin organizations, expanding urban water and sewerage systems, and rehabilitating irrigation systems. Many countries have had less success largely because of poor governance and the weak financial sustainability of implemented projects. Water resources management is intensely political and requires the articulation of prioritized, sequenced, practical, and patient interventions. Support to regional cooperation has proven difficult, although ADB has had some success in Central and Southeast Asia. The multiplicity of competing or conflicting interests and political sensitivities make integrated management and rational resource allocation difficult.

The private sector plays a pivotal role in developing water supply and sanitation systems in the Asia and Pacific region. However, this role is limited to construction contracts or concessions, with relatively low levels of direct foreign or local investment in the sector. Ways need to be found to make investment in the sector more attractive to private businesses if investment is to increase. Government-owned and commercially run water agencies can be highly efficient in delivering water sector services, but champions—both managerial and political—are needed.

64. ADB support for gender and development. The evaluation of ADB support for gender and development (phase II)⁵⁴ complements the phase I study⁵⁵ completed in 2009. The study highlights several factors that contribute to successful gender mainstreaming: (i) projects are more successful when coherence is strong among analytical work, project design, and implementation; (ii) project-specific gender analysis strengthens responsiveness and provides a foundation for assessing potential and actual impacts; (iii) project documents that explicitly

⁵³ To strengthen the absorptive capacity, there is a need to establish systems/structures that would facilitate (i) secondment of experts to ADB and to executing agencies in DMCs, (ii) exchange of knowledge resources between ADB and financing partners (including data and models), and (iii) other forms of nonmonetary cooperation.

⁵⁴ ADB. 2010. *Asian Development Bank Support for Gender and Development - Phase II: Results from Country Case Studies*. Manila. <http://www.adb.org/Documents/SES/REG/SES-REG-2010-80/SES-REG-2010-80.pdf>

⁵⁵ ADB. 2009. *The Asian Development Bank's Support to Gender and Development Phase I Evaluation Report: Relevance, Responsiveness, and Results to Date*. Manila. <http://www.adb.org/documents/ses/reg/ses-reg-oth-2010-03/SES-Gender-Development-Phase-I.pdf>

address gender-related targets, output, and outcome indicators can facilitate monitoring of implementation progress; (iv) provision of resources to implement gender-focused design features is critical to both successful design and effective implementation; and (v) capacity development of executing and implementing agencies and others responsible for project implementation to address gender-related issues in the sector and project is crucial for effective implementation of gender-related design features. The study confirms that gender mainstreaming involves many actors, and opportunities to build and strengthen partnerships exist. The consultations with stakeholders, and notably development partners and civil society organizations, affirm that the different actors involved in gender mainstreaming projects bring important insights, experience, and perspectives to bear. Strengthening consultation and participation throughout the project cycle, and working with development partners to improve coordination and collaboration around key issues, constitute an important element of strengthening country and project gender mainstreaming. Further, the quality of project implementation and operations is fundamental in achieving intended gender outcomes. There is ample room for improving gender and development results by strengthening M&E of projects during their implementation, in addition to ensuring high quality at entry. The study recommends to ADB Management to (i) make more effective use of country- and sector-level gender assessments in the preparation of CPSs, sector roadmaps, results frameworks, operations business plans, and project preparation; (ii) strengthen tracking of gender results in ADB project performance monitoring systems; and (iii) increase collaboration with development partners—including nongovernment and community-based organizations in DMCs—to jointly deepen the gender focus in country policy dialogue and TA activities, and to strengthen the capacity of executing agencies.

65. Reducing carbon emissions from transport projects. The evaluation⁵⁶ prepared estimates of the carbon emissions from the construction and operation of selected ADB-funded transport projects using a set of sketch models. The study also identified carbon intensity indicators linked to outputs, mobility, and investment, which can be used to track future performance. The study found that expressway projects increase carbon dioxide (CO₂) emissions over their 20-year lifetime because of the effects on induced travel that overwhelm the short-term benefits of curbing low-efficiency congested traffic. Rural road and road rehabilitation projects have a neutral or slightly reducing effect on CO₂ emissions compared with business as usual. These rural roads improve the efficiency of traffic flow and reduce low-speed, high-carbon-intensity travel. Public transport investments and railway improvements, while generating new CO₂, can more than offset these CO₂ emissions when they divert passenger and freight movements from higher carbon modes and improve the efficiency of traffic flows. Investments that reduce CO₂ tend to reduce air pollution and public health problems linked to transportation, while investments that boost CO₂ tend to also boost air pollution and public health problems. The study recommends that ADB Management (i) adopt carbon emissions as a consideration for project design, review, and appraisal by developing the tools for estimation of carbon emissions of transport projects and applying them to selected projects on a pilot basis in coordination with other multilateral and bilateral development agencies; (ii) encourage a modal shift in ADB investments to lower the intensity of their carbon footprint by expanding investments to cover new modes; (iii) consider systematic indicators to monitor the intensity of carbon emissions from transport investments in alignment with the emphasis given in Strategy 2020⁵⁷ to climate change issues; and (iv) in partnership with DMC governments, align ADB's

⁵⁶ ADB. 2010. *Reducing Carbon Emissions from Transport Projects*. Manila.

<http://www.adb.org/Documents/Evaluation/Knowledge-Briefs/REG/EKB-REG-2010-16.pdf>

⁵⁷ ADB. 2008. *Strategy 2020: The Long-Term Strategic framework of the Asian Development Bank, 2008-2020*. Manila.

sustainable transport initiatives with nationally appropriate mitigation actions. ADB Management agreed with these recommendations, but with the understanding that (i) a suitable approach and a robust methodology will first be developed by ADB and other relevant parties; and (ii) the recommendations need to be considered in light of current limitations and progressively piloted, where applicable, to ensure they can be systematically and sustainably implemented.

IV. REVIEW OF MANAGEMENT ACTIONS ON EVALUATION RECOMMENDATIONS FOR IMPROVING POLICIES, STRATEGIES, AND BUSINESS PROCEDURES

A. 2008–2010 Recommendations Recorded in the Management Action Record System

66. Since the establishment of the MARS in 2008,⁵⁸ a total of 257 recommendations (109 in 2008, 86 in 2009, and 62 in 2010⁵⁹) were recorded by IED into the MARS as of the end of 2010 (Table 5). All but six of the recommendations were addressed to ADB, most (95%) were generated from strategic and higher level evaluations. The number of recommendations from IED has reduced due to its focus on a few key recommendations and consolidation of SAPE recommendations in CAPEs.

67. In 2010, Management focused on tracking recommendations from strategic and higher level evaluations (sectoral, thematic, and country specific) rather than from PPERs (Table 5). Management has responded to 50 recommendations from 13 higher level evaluations comprising 2 CAPEs, 3 SAPEs, 5 special evaluation studies, 1 annual evaluation report, 1 evaluation knowledge brief, and 1 impact evaluation study.

Table 5: Reports and Recommendations with ADB Management Response

Item	2008		2009		2010		Total	
	No.	%	No.	%	No.	%	No.	%
Reports with Management Response	22	100	21	100	13	100	56	100
PPERs/TPERs	4	18	1	5	0	0	5	9
CAPEs/RCAPE, SAPEs, SESs, ARs, EKBs, IES	18	82	20	95	13	100	51	91
Recommendations with Management Response	109	100	86	100	50	100	245	100
Recommendations Addressed to ADB	103	94	86	100	50	100	239	98
Recommendations Addressed to Others	6	6					6	2

ADB = Asian Development Bank, AR = annual report, CAPE = country assistance program evaluation, EKB = evaluation knowledge brief, IES = impact evaluation study, PPER = project/program performance evaluation report, RCAPE = regional cooperation assistance program evaluation, SAPE = sector assistance program evaluation, SES = special evaluation study, TPER = technical assistance performance evaluation report.

Source: Management Action Record System.

⁵⁸ As mentioned in para. 8, the history and details of the MARS were reported in Appendix 2 of the 2009 *Annual Report on Acting on Recommendations* (footnote 1) and is available at

<http://www.adb.org/Documents/Evaluation/Annual-Reports/2009-Acting-Recommendations/RPE-OTH-2010-06.pdf>

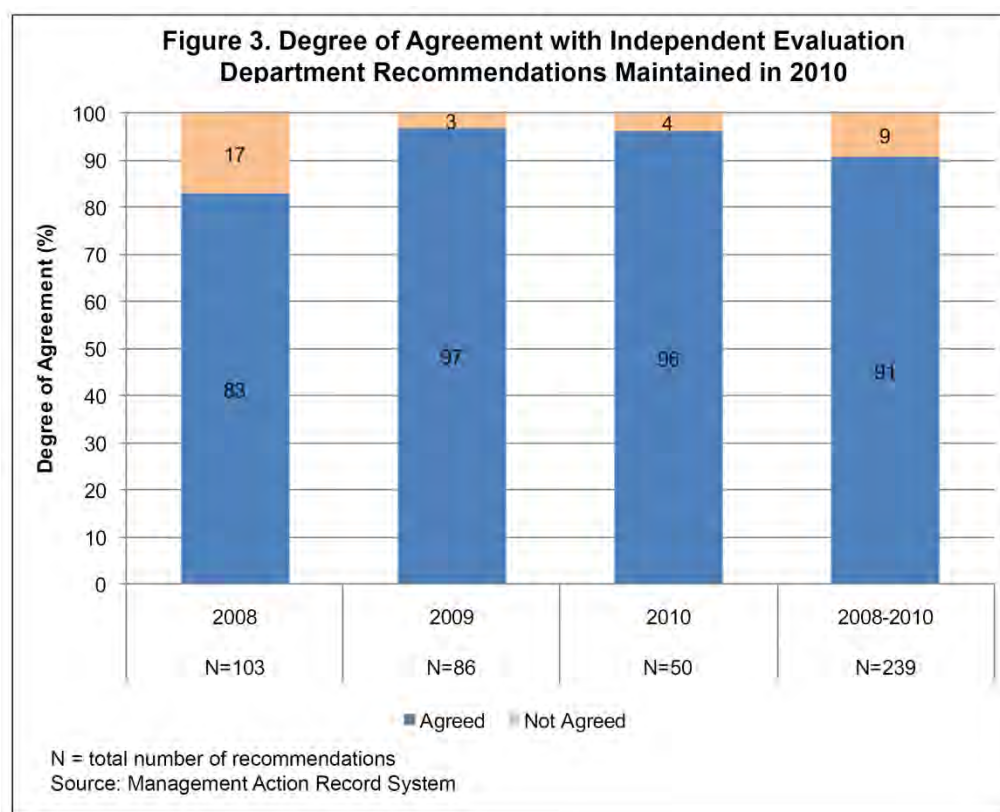
⁵⁹ In 2010, a total of 16 circulated higher level evaluations (that generated 62 recommendations) were recorded in the MARS. As of the cut-off date of 24 January 2011, IED had not received the Management response to three higher level evaluations (covering 12 recommendations). Subsequently, IED has received Management response to two special evaluation studies covering eight recommendations, but these were not included in the analysis.

B. 2008–2010 Recommendations and Degree of Agreement by Management

1. Degree of Agreement

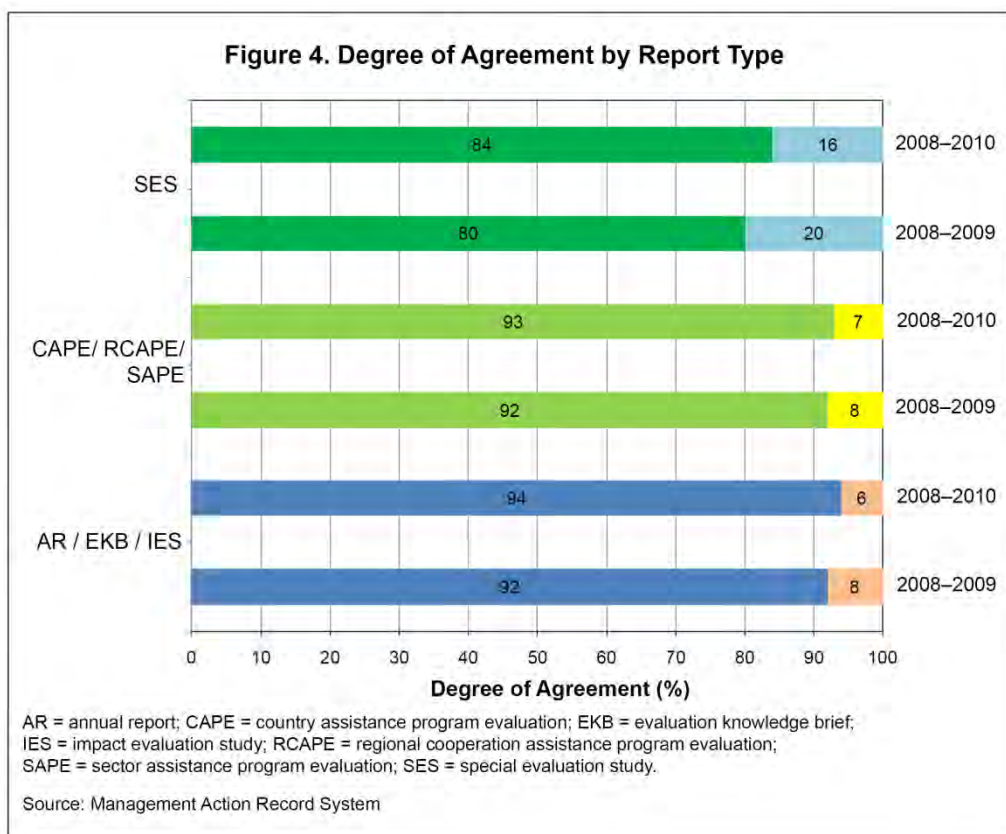
68. As of the end of 2010, ADB Management had responded to 245 recommendations (239 addressed to ADB and 6 addressed to DMCs and others). Of the 239 recommendations addressed to ADB, ADB Management agreed to implement 217 (91%) and disagreed with 22 (9%).

69. Figure 3 shows the degree of agreement by year of evaluation report approval. With IED's continuing efforts to formulate more strategic and relevant recommendations, the degree of ADB Management agreement with IED recommendations in 2010 has so far reached 96%.⁶⁰



70. Management agreed to 80% of special thematic evaluation recommendations for 2008–2009, which improved to 84% for 2008–2010. Figure 4 presents the improvements also achieved for country- and sector-specific and annual and impact evaluation recommendations.

⁶⁰ This figure may change, as IED had not received the ADB Management response to 12 recommendations from three higher-level evaluations as of the cut-off date of 24 January 2011.



71. Table 6 shows the distribution of the 2008–2010 recommendations by ICDs. Operations departments continue to implement the bulk of agreed-upon recommendations (67%, or 146 of the 217). The remaining 71 agreed-upon recommendations are assigned to or implemented by non-operations departments (48 of 217, or 22%) and multiple departments (23 of 217, or 11%). This distribution of recommendations is influenced by IED's 3-year rolling work program, which takes into account ADB's CPS program cycle. From 2008 to 2010, CAPEs for Cambodia, Lao PDR, Philippines, and Viet Nam, and their supporting SAPEs, were conducted to provide inputs to their respective new CPSs; as a result the Southeast Asia Department (SERD) was responsible for more than half of the 146 recommendations assigned to operations departments.

Table 6: ADB Management Agreement with 2008–2010 Recommendations (by Implementing or Coordinating Department)

ICD	Agreed to by ADB Management		Not Agreed to by ADB Management	
	No.	%	No.	%
Operations				
CWRD	6	100.0		
EARD	22	81.5	5	18.5
PARD	5	100.0		
SARD	33	97.1	1	2.9
SERD	75	96.2	3	3.8
PSOD	5	83.3	1	16.7
Subtotal	146	93.6	10	6.4
Non-operations				
COSO	9	81.8	2	18.2
IED	1	100.0		
OGC	3	100.0		
OREI	5	100.0		
RSDD	18	75.0	6	25.0
SPD	12	80.0	3	20.0
Subtotal	48	81.4	11	18.6
Multiple departments	23	95.8	1	4.2
Total	217	90.8	22	9.2

ADB = Asian Development Bank, COSO = Central Operations Services Office, CWRD = Central and West Asia Department, EARD = East Asia Department, ICD = implementing or coordinating department, IED = Independent Evaluation Department, OGC = Office of the General Counsel, OREI = Office of Regional Economic Integration, PARD = Pacific Department, PSOD = Private Sector Operations Department, RSDD = Regional and Sustainable Development Department, SARD = South Asia Department, SERD = Southeast Asia Department, SPD = Strategy and Policy Department.
Source: Management Action Record System.

72. Management's degree of agreement with recommendations of the past 3 years was analyzed by Strategy 2020 result categories,⁶¹ and the results showed that recommendations directed towards ADB's sector and thematic contributions had the highest rate of agreement (95%), followed by operational effectiveness (88%), strategy and policy (85%), and organizational effectiveness (75%, but based on a limited sample size of 8 recommendations). Details of the classification of the recommendations by Strategy 2020 results framework and IED classifications are in Appendix 8.

73. During 2008–2010, ADB Management did not agree with 22 recommendations, or 9% of recommendations addressed to ADB. The reasons that recommendations were not agreed to include the following: (i) the timing and decision to adopt the recommendation hinged on another entity or institution; (ii) ADB Management believed that existing operational modalities,

⁶¹ Recommendations are classified according to four Strategy 2020 results levels, as follows: (i) the first level pertains to recommendations on country partnership strategy and policy, and points to ADB's contribution to outcomes in Asia and the Pacific; (ii) the second level denotes recommendations on ADB's sector and/or thematic contributions, contributing to country outcomes through key outputs; (iii) the third-level recommendations focus on ADB's operational effectiveness; and (iv) the fourth-level recommendations point to ADB's organizational effectiveness.

mechanisms, systems, and/or strategies were still sufficient to respond to the findings or issues raised in the evaluation; (iii) the resource implications of or constraints associated with implementing the recommendation; (iv) questions regarding the validity and coherence of the recommendation with respect to the country context; (v) ADB Management believed it was more important to maintain flexibility to respond to emerging critical concerns than to pursue interventions, strategies, or approaches that specifically addressed certain sectors/subsectors or areas; (vi) the feasibility of the recommendation, given the geographical and political context and other underlying conditions; and (vii) another approach or strategy was deemed appropriate. Details are in Supplementary Appendix A (available upon request).

2. Agreed-upon Recommendations with Action Plans

74. Of the 217 recommendations agreed to by ADB Management, 203⁶² corresponding action plans and target dates have been formulated and set by assigned ICDs. Of the 203 action plans, 95 (47%) have been completed (21 were completed in 2009, 74 in 2010) and the remaining 108 (53%) are to be implemented during 2011–2015.

75. The 203 recommendation action plans span a maximum completion period of 7 years. However, compared with the average (at least 2 years) reported in the 2009 ARAR, a recommendation action plan, on average, would now require at least 2.3 years to complete (footnote 1). The East Asia Department (EARD) would require the longest period to implement action plans, with an average of 4.5 years, because most of its action plans address Mongolia CAPE recommendations, whose implementation can be assessed only after the current CPS has been implemented and completed. Action plans assigned to the Central Operations Services Office (COSO) and Strategy and Policy Department (SPD) would require the shortest period to implement, with an average duration of 1.3 years.

76. In terms of Strategy 2020 results classifications, action plans for recommendations pertaining to ADB's sector/thematic contributions to country outcomes (Level 2) require the longest period (2.6 years) to implement, followed by action plans for recommendations involving strategy and policy (Level 1, 2.0 years) and operational effectiveness (Level 3, 1.9 years). This is consistent with the findings presented in the 2009 ARAR, i.e., implementing action plans to achieve outcomes at the country level would need a longer gestation period.

77. Of the 74 recommendation action plans that were completed in 2010,⁶³ the ICDs rated 32 (43%) as *fully adopted*, 31 (42%) as *largely adopted*, and 11 (15%) as *partly adopted*. Overall, of the 95 recommendation action plans that were completed from 2009 to 2010, ICDs rated 45 (47%) as *fully adopted*, 36 (38%) as *largely adopted*, 11 (12%) as *partly adopted*, 2 (2%) as *not adopted*, and 1 (1%) as ongoing. See Appendix 9 for details on ICDs' status ratings.

⁶² As of the cut-off period on 24 January 2011, action plans for 14 recommendations had yet to be uploaded by the assigned ICDs into the MARS. By April 2011, most of the action plans for these recommendations had been inputted in the MARS.

⁶³ An action plan is considered complete upon reaching the action completion target date. Upon completion ICDs have to rate the extent of adoption of the recommendations as *fully adopted*, *largely adopted*, *partly adopted*, or *not adopted*.

C. Independent Evaluation Department Validation of Completed or Due Recommendation Action Plans in 2010

78. This year marks the second time that IED validated actions taken by ICDs on recommendations. The validation process for recommendation action plans due in December 2010 utilized the same validation criteria as those in 2009.⁶⁴

79. As shown in Table 7, of the 74 recommendation action plans that were completed in 2010, IED confirmed the ratings of ICDs for 58 (78%), upgraded the ratings for 2 (3%), downgraded the ratings for 13 (18%), and deferred the rating for 1 (1%). The details of IED's validations are given in Supplementary Appendix B of this report (available upon request).

Table 7: Ratings of Implementing and Coordinating Departments and the Independent Evaluation Department
(for action plans due 31 December 2010)

ICD Rating	IED Validation Rating ^a				Total (Sum of ICD Ratings)	%
	<i>Fully Adopted</i>	<i>Largely Adopted</i>	<i>Partly Adopted</i>	<i>Deferred Rating</i>		
<i>Fully adopted</i>	22	5	4	1	32	43
<i>Largely adopted</i>		27	4		31	42
<i>Partly adopted</i>		2	9		11	15
Total (sum of IED validation ratings)	22	34	17	1	74	100
%	30	46	23	1	100	

ICD = implementing or coordinating department, IED = Independent Evaluation Department.

^a Two of the action plans due on 31 December 2010 were validated the previous year. No further updates were provided by the ICD that would merit a review of the previous ratings.

Source: Management Action Record System.

80. The highlights of 49 confirmed *fully adopted* or *largely adopted* ratings are discussed in Section IV.D paras. 83–91. The *partly adopted* ratings that were subsequently validated by IED were assigned for the following reasons:

- (i) There was inadequate time to fully implement the action(s) associated with the recommendation. For example, on the recommended strengthening of the Government of Viet Nam's commitment to postcompletion sustainability of investments,⁶⁵ the need was emphasized for continued policy dialogue until it was finally incorporated and approved in the new 2011–2015 CPS for Viet Nam. The assigned action completion target date was too ambitious.

⁶⁴ IED used the following rating system: (i) an action plan that had been fully implemented was rated *fully adopted*; (ii) if the extent of implementation was greater than 67% but less than 100%, the action plan was rated *largely adopted*; (iii) if the extent of implementation was anywhere from 33% to 67%, the action plan was rated *partly adopted*; and (iv) if the extent of implementation was less than 33% or the recommendations were no longer relevant, the action plan was rated *not adopted*. In addition, if the spirit of the recommendation had not been satisfied, the rating could be downgraded.

⁶⁵ ADB. 2009. *Country Assistance Program Evaluation: Viet Nam*. Manila. Action plan for the recommendation: "Strengthen government commitment to the postcompletion sustainability of investments by undertaking policy dialogue coordinated with development partners, preparing results-oriented project business plans, and establishing mechanisms for operation and maintenance and tariff collection." See Supplementary Appendix B, item no. 16.

- (ii) The approval of the expected output was delayed. In the case of the recommended policy dialogue to expedite the issuance of the Transport Policy in Cambodia,⁶⁶ approval of the policy by the Council of Ministers was delayed and had not been approved at the time of validation.
- (iii) There was a need for further or continued action(s) to fully adopt the recommendation (e.g., the recommended appropriation or allocation of funds to ensure regular, periodic, and routine maintenance of road transport projects in the GMS).⁶⁷ While full adoption of the recommendation was imminent, support action such as continued policy dialogue with the concerned GMS countries was still needed to meet the fully adopted status of the recommendation.

81. The ratings of two action plans were upgraded by IED from *partly* to *largely adopted* for the following reasons: (i) there was evidence indicating that the recommended integration of wastewater treatment in the project design was supported by a heightened focus on the wastewater sector in the newly processed loan or in the future pipeline;⁶⁸ and (ii) the recommended sourcing of staff at ADB headquarters and the Viet Nam Resident Mission (VRM) was largely complied with by the hiring of appropriate VRM staff.⁶⁹ In addition, the ratings of 13 action plans were downgraded for the following reasons:

- (i) While steps were taken leading towards full adoption of proposed actions, additional or follow-through steps still needed to be taken or continued to satisfactorily comply with the proposed action targets. For example, on the targeted provision of policy development advice on institutional strengthening in Mongolia,⁷⁰ the ICD rating of *fully adopted* was downgraded to *partly adopted*. Even though it was reported that the draft transport strategy for Mongolia had been revised and a 5-year capacity development roadmap was being developed, there was no clear indication whether the targeted policy dialogue on institutional strengthening would materialize, necessitating additional or follow-through steps to ensure achievement of the targeted policy dialogue on institutional strengthening.

⁶⁶ ADB. 2009. *Sector Assistance Program Evaluation: Transport Sector in Cambodia – Focusing on Results*. Manila. Action plan for the recommendation: “ADB should engage in further policy dialogue with the Government of Cambodia to expedite the issuance of the Transport Policy, which is expected to contribute to efficiency gains in sector institutions and also foster more consistent policies that keep overall economic and social concerns in view. ADB has been involved in the drafting of the Policy via the 2001 Transport Sector Strategy TA and should continue supporting the issuance of the Policy and other areas of government concern, such as cost recovery.” See Supplementary Appendix B, item no. 54.

⁶⁷ ADB. 2008. *Project Performance Evaluation Report: Phnom Penh to Ho Chi Minh Project in the Greater Mekong Subregion*. Manila. Action plan for the recommendation: “ADB should continue to engage the Ministry of Public Works and Transport of Cambodia as well as the Ministry of Transport of Viet Nam in policy dialogue to ensure that appropriate budget is allocated for regular, periodic, and routine maintenance.” See Supplementary Appendix B, item no.29.

⁶⁸ ADB. 2009. *Sector Assistance Program Evaluation: Urban Services and Water Supply and Sanitation Sector in Viet Nam*. Manila. Action plan for the recommendation: “Facilitate the integration of wastewater (sewer) treatment in future project design to supplement substantial investments in the water supply.” See Supplementary Appendix B, item no.46.

⁶⁹ ADB. 2009. *Sector Assistance Program Evaluation: ADB Support for the Transport Sector in Viet Nam*. Manila. Action plan for the recommendation: “Review current staffing requirements at both ADB headquarters and Viet Nam Resident Mission to ensure that the expanding transport portfolio is appropriately resourced. This could involve a reassessment of the overall staffing needs and staff location in order to ensure efficient and effective portfolio management.” See Supplementary Appendix B, item no. 32.

⁷⁰ ADB. 2010. *Sector Assistance Program Evaluation: Transport and Trade Facilitation: Potential for Better Synergies in Mongolia*. Manila. Action plan for the recommendation: “Provide advice on policy development in areas such as institutional strengthening.” See Supplementary Appendix B, item no. 51.

- (ii) Progress described in the action status report (i.e., approved loan and TA operations), while highly relevant to the recommendation, corresponds to projects that were approved at the time of the evaluation, implying that no incremental actions were subsequently undertaken. Such is the case for the proposed ICD action to provide road maintenance components under new transport projects in Mongolia,⁷¹ where the ICD rating was downgraded from *fully adopted* to *partly adopted*.
- (iii) Actions did not fully comply with the spirit of the recommendations. For example, the ICD reported that the multi-subsector approach was applied to a newly designed project in response to the recommendation.⁷² However, this has not fully addressed the recommendation on making the current financing environment more supportive and flexible to the needs of the multi-subsector approach. The validation pointed out that there is still a strict approval mechanism by Indonesian central government ministries on which subsector and/or subprojects can receive central funding support. In addition, municipal governments have limited authority in the use or transfer of cost savings between different components (or subsectors). For this reason, the ICD rating of *largely adopted* was downgraded to *partly adopted*.

82. IED deferred validating the *fully adopted* rating of the action requiring the adoption of an ADB corporate business plan for PPPs.⁷³ As the business plan is still awaiting finalization and approval, IED contends that the draft corporate business plan may still be subject to change, and therefore it would be difficult to assess the extent to which it will address IED's recommendation.

D. Highlights of Validated Fully and Largely Adopted Recommendations in 2010

83. Appendix 10 provides details of key recommendations rated as *fully adopted* and *largely adopted* and their corresponding actions and outputs or expected results, arranged depending on their scope or coverage (ADB-wide or focused on specific DMCs). The key highlights (ADB-wide and by region) are discussed below.

84. From among the key recommendations that were validated as *fully adopted* or *largely adopted*, topics include enhancing ADB-wide M&E; strengthening of government institutions; harmonization of development initiatives and assistance; and enhancement of program and/or project management, O&M, and sustainability. Actions by concerned ADB departments

⁷¹ See footnote 70. Action plan for the recommendation: "The Government needs to develop its road maintenance regimes based on needs, achieve a balanced distribution of public funds, identify alternative financing sources including the private sector, and improve cost recovery. ADB should support the Government in enabling these changes." See Supplementary Appendix B, item no. 52.

⁷² ADB. 2010. *Special Evaluation Study: Indonesia: Has the Multi-Subsector Approach been Effective for Urban Services Assistance?*. Manila. Action plan for the recommendation: "There should be a financing scheme that strongly supports the multi-subsector approach. If a city or a district meets the agreements in recommendation #1 of the report, then the availability of flexible financing-such as a loan or grant that could be used across various subsectors to allow cost savings from capital expenditure in one subsector to be flexibly transferred for investment in another, and thus realize vertical or geographical integration-would constitute an opportunity to adopt the multi-subsector approach. Such type of capital-expenditure-financing scheme intended for multiple-subsector projects currently does not exist in the local authority budget." See Supplementary Appendix B, item no. 71.

⁷³ ADB. 2009. *Special Evaluation Study: ADB Assistance for Public-Private Partnerships in Infrastructure—Potential for More Success*. Manila. Sub-action plan for the recommendation: "Improve ADB's strategic focus and performance by preparing a public-private partnership corporate strategy that provides a consistent analytical and operational framework for PPP assistance in support of Strategy 2020." See Supplementary Appendix B, item no.58.

encompassed, among others, policy and management reforms, capacity development, partnership building, and operational and country-level diagnostics. These are expected to result in enhanced management of ADB sovereign operations; strengthened, more transparent, and accountable government institutions; more robust partnerships with and among development partners, and more effective and efficient management and sustained development initiatives in targeted DMCs.

1. ADB-Wide

85. Various ADB departments (COSO, IED, SPD, and the Regional and Sustainable Development Department) fully adopted two ADB Management-agreed recommendations and largely adopted another five that would contribute to the enhanced management of ADB sovereign operations. The concerned departments (i) strengthened results M&E systems by including baseline, midterm, and final surveys in project designs and benefits measurement, as well as improving the quality of design and monitoring frameworks for rural road projects; (ii) improved the CAPE reporting template by avoiding repetitive information, focusing on a few topics with in-depth analysis, simplifying the rating system, quantifying selected key outcomes and impacts, and harmonizing CAPE methods and approaches with ECG good practices; (iii) revised the TA completion report format to address the need to clarify TA outputs and outcomes under different sections, define and assess sustainability prospects, and identify relevant lessons and recommendations; (iv) revised the CPS completion report format to address the need to assess bottom-up outcomes by sector, link the report to CPS outcomes or pillars, and assess assistance approved before the current CPS but implemented during the current CPS period; (v) revamped the project performance report system (and linked it to the revised eOperations system) and refined/supplemented the indicators for project performance monitoring and measurement; (vi) conducted training sessions and mentorship practices on self-evaluation; and (vii) enabled systematic monitoring of the quality of the capacity development action plan by revising the capacity development action plan as well as conducting various training sessions, briefings, and consultations on the Governance and Anticorruption Plan II⁷⁴ and on the capacity development action plan.

2. Regional

86. **Central and West Asia.** CWRD fully adopted three ADB Management-agreed recommendations that strengthened WSS management and operations in Georgia, Kyrgyz Republic, and Pakistan. It (i) incorporated and will continue to incorporate waste management in WSS program/project designs, (ii) worked closely with various development partners to gain support for WSS investments and other initiatives, and (iii) established and will continue to establish baseline data for results M&E.

87. **East Asia.** EARD fully adopted an ADB Management-agreed recommendation that contributed to the facilitation of customs harmonization and border formalities between Mongolia and the People's Republic of China (PRC). It pilot-tested and ensured continued support to the Mongolia–PRC joint customs cooperation. EARD also largely adopted another recommendation that helped improve transport and trade logistics in Mongolia. It formulated and obtained approval for the Regional Logistics Development Project in order to establish a regional logistic center at Zamyn Uud in Mongolia.

⁷⁴ ADB. 2008. *Guidelines for Implementing ADB's Second Governance and Anticorruption Action Plan*. Manila. <http://www.adb.org/Documents/Guidelines/GACAP-II-Guidelines.pdf>

88. **Pacific.** The Pacific Department fully adopted two Management-agreed recommendations and largely adopted another that would enhance ownership and the focus of reform initiatives as well as ensure the continuity of ADB support in Cook Islands, Marshall Islands, Samoa, Solomon Islands, and Tonga. Supplemented by economic, thematic, and sector work, it conducted policy reform dialogues on economic management, the public service, and private sector reform agenda, and in 2009 and 2010 processed reform program loans focused on prioritized government reforms, removing binding constraints, and economic and public resource management issues for the concerned Pacific DMCs.

89. **South Asia.** The South Asia Department (SARD) fully adopted a Management-agreed recommendation that would contribute to the reduction of infrastructure deficits in Nepal. It supported projects in transport, power, and water supply, including capacity building and governance. In Bangladesh, SARD fully adopted a Management-agreed recommendation and largely adopted two others that are expected to result to enhanced service delivery and program management in the sector, leading to improved education quality in Bangladesh. It (i) developed a results framework including disbursement-linked indicators covering most critical areas of reforms; (ii) formulated small-scale capacity development TA to support monitoring of results and fiduciary risk management; and (iii) conducted efficient discussions in joint annual reviews, with a focus on reporting and using a common results framework for all partners. SARD also largely adopted a recommendation that would contribute to the enhancement of the effectiveness of the sectorwide approach in Bangladesh. It prepared and will implement TA in employing the sectorwide approach in Bangladesh.

90. **Southeast Asia.** Highlights of key recommendations rated as *fully adopted* or *largely adopted* for Southeast Asia are presented in Appendix 10. From among the 18 key recommendations with *fully* or *largely adopted* ratings, most notable are their contributions leading towards more robust partnerships with and among development partners, stronger regional cooperation among DMCs, and improved portfolio performance for the road and WSS sectors as well as strengthened institutional capacities to manage these sectors. To foster partnerships among development partners, SERD (i) conducted consultations and partnership discussions with development partners and leveraged Asian Development Fund resources in order to mobilize financing from development partners in the GMS; (ii) prepared and/or conducted sector assessments, strategies, and roadmaps in the Philippines; and (iii) implemented policy advisory TA on institutional and financial arrangements, O&M, and governance in Viet Nam. To spur regional cooperation in the East ASEAN⁷⁵ Growth Area and the GMS, SERD (i) used and supported an existing 3-year rolling program (viz., the Brunei-Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area) as an instrument for synergy building, and (ii) supported the ratification of the cross-border transport agreement by GMS countries.

91. To improve portfolio performance for the WSS sector in Cambodia and Viet Nam, SERD prepared and/or implemented (i) sector assessment strategy and roadmap exercises, and a sector development program in Cambodia; and (ii) policy and capacity development TA and/or programs on equitization of water companies, tariff reforms, institutional strengthening, and wastewater and water supply management as well as on project preparation including feasibility study reports, detailed design, and bidding documents in Viet Nam. To improve portfolio performance for the road sector in Viet Nam, SERD closely coordinated and cooperated with development partners to encourage assistance for and ensure O&M of road projects.

⁷⁵ ASEAN = Association of Southeast Asian Nations.

E. Summary of Validation Ratings (2008–2010) by Strategy 2020 Results and Independent Evaluation Department Classifications

92. From 2008 to 2010, a total of 95 recommendation action plans (21 by the end of 2009, and 74 in 2010) were completed and rated by IED. Of the 95 completed plans, 68 (72%) were rated *fully adopted* (30) or *largely adopted* (38); the rest were *partly adopted* (24, or 25%), *not adopted* (2 or 2%), or *deferred* (1 or 1%).

93. In terms of Strategy 2020 results classification, the bulk of the completed and validated action plans fall under ADB's sector and thematic contributions (48, or 51%), followed by operational effectiveness (28, or 29%), and then by strategy and policy (15, or 16%) and organizational effectiveness (4, or 4%). Appendix 11 provides details of the distribution of IED validation ratings by Strategy 2020 results and IED classification from 2008–2010.

F. Past and Emerging Challenges

94. **Progress since the 2009 Annual Report on Acting on Recommendations.** The 2009 ARAR discussed (i) challenges encountered in the use of the MARS; (ii) opportunities for process improvements in tracking and reporting on recommendations, action plans, and actions taken; and (iii) options for procedural and systemic changes that would make the MARS and its data more useful. In 2010, challenges and implementation issues pertaining to review and stocktaking of existing action plans, the level of detail of action plans, and tracking recommendations of CAPEs and SAPEs and corresponding actions taken have been largely addressed. Likewise, the MARS has been modified to enhance its (i) search performance, with the introduction of a visual prompt during search processing; (ii) workflow and approval, by permitting the designation of approving officers and the batch approval of multiple management action records; (iii) reporting facility, by allowing users to generate statistics by due or report dates or by department; and (iv) classification, by tagging recommendations according to their primary and secondary classifications. Appendix 12 provides details of the updates to these issues, suggestions, and improvements.

95. **Management Action Record System real-time accessibility.** The potential benefits of real-time accessibility of the MARS have yet to be fully achieved. As pointed out in the 2009 ARAR, real-time tracking, updating, and reporting of actions on recommendations can be done continuously. Marked improvements were observed in 2010 in the uploading of action plans into the MARS. However, updating of the recommendation implementation status continues to be done only at year's end. Gaining acceptance by ADB Management of continuous updating or reporting of implementation progress has remained a challenge; this limits the availability of up-to-date information, which would prove valuable in ADB operations and Management decision making.

96. **Overly optimistic action completion target dates.** Of the 17 actions rated *partly adopted* by IED in 2010, in 9 instances there was insufficient time to fully implement the actions pertaining to the recommendations on institutional changes and policy reforms (see examples in para. 80). To fully adopt this type of recommendation would require, among others, continuous policy dialogue, an adequate gestation period for the changes or reforms to be established and take effect, and strong government commitment and ownership. Taking into account these factors (the last two of which may be difficult to control), actions for this type of recommendation would need a longer period to complete. This was not the case for the 9 actions rated *partly adopted*, as their average ACTD of 1.3 years was far below the average 2.3 years needed to complete a recommendation action plan.

V. OVERALL CONCLUSION: FINDINGS, ISSUES, AND SUGGESTIONS

A. Summary of Accomplishments

97. In 2010, IED completed its work program (paras. 4–5) and contributed to enhancing ADB's development effectiveness. It delivered a total of 82 reports. Notable evaluations completed include CAPEs in two countries (Bhutan and Lao PDR) and SAPEs in three countries (Bhutan, Lao PDR, and Uzbekistan) to support the preparation of CPSs. Special evaluation studies were undertaken in areas of special interest to ADB. In addition, IED completed (i) a rigorous impact evaluation study to assess the development effectiveness of rural electrification in Bhutan, and (ii) an evaluation knowledge brief on reducing carbon emissions from transport projects.

98. IED devoted resources to promote ECD and train IED staff, ADB staff, and personnel of DMCs through several initiatives (para. 6). Apart from strengthening accountability through evaluations, IED also promoted learning from evaluations.

99. In 2010, IED intensified knowledge management by enhancing the creation, storage, retrieval, and sharing of information, and ultimately disseminating evaluation findings, lessons, and recommendations to targeted audiences. Dissemination outreach was tailored by deploying various synthesis products and platforms (including the use of the IED website, multimedia, presentations, announcements, and external gateways) to improve readership and usage of evaluations internally in ADB, and to reach out to external stakeholders and the public through timely disclosure of evaluation products. Ultimately, more effective knowledge management will significantly contribute to making IED's evaluation products more influential.

100. IED was active in maintaining its external networks. It continued to provide secretariat support to the ECG, fostered harmonization of evaluation work, and collaborated in information dissemination and sharing with the OECD and other partners.

101. Since the establishment of the electronic MARS in 2008, several system enhancements have been incorporated into it in response to users' demands, to improve its functionality and user-friendliness. Users in ADB, including those in IED, have found the MARS a useful tool (with e-access through the ADB intranet portal) for tracking evaluation recommendations, the associated ADB Management responses, action plans, and the actions that have been taken on these recommendations. Further improvements to the electronic MARS are planned.

B. Findings, Issues, and Suggestions

102. **Declining performance in terms of success rates.** The long-term trend in success rates based on cumulative 5-year moving averages shows a declining trend starting in 2000. This trend can be partly explained by the sudden drop in success rates of sovereign operations in Group B countries. The poor performance of operations in Pakistan has reduced the aggregate success rate of Group B countries; the poor performance of operations in Pakistan has been caused by (i) overly ambitious and unsound designs owing to a complex menu of diverse interventions and implementation arrangements, (ii) weak institutional commitment and unclear mandate of the executing and implementing agencies, (iii) shifts in priorities and political impediments, and (iv) insufficient ADB supervision.

103. The long-term trend in success rates reveals that they have not reached 80%, although this is the ADB corporate target by 2012. After peaking at over 70%, performance began to decline in approval year 2000. Although the declining trend is supported by a limited sample size, the PPR system indicates that this trend will continue unless significant corrective measures are taken. Based on the new PPR system, about 25% of ongoing projects are facing implementation challenges and are at risk of not meeting their objectives, which confirms IED's previous findings that portfolio performance ratings were overrated in project and program performance reports. This is an important issue that needs to be addressed.

104. Based on self- and independent evaluation reports, factors that affect performance include continued government commitment, macroeconomic stability, strong ownership of reforms, close cooperation and coordination between and among development partners, adequacy and appropriateness of program design, provision of TA to help program implementation, enabled institutional capacity, and adequacy of supervision. In addition, sustainability has a significant influence on the success of projects/programs, and it is a fundamental challenge to ensure that outcomes are sustained through the economic life of projects.

105. IED raised sustainability issues through its evaluation report (footnote 47), and made several recommendations to (i) strengthen ADB's approach to identifying and mitigating risks to project sustainability during country and sector assistance programming; (ii) pay more attention to risks to sustainability of outputs and outcomes and their mitigation during project preparation and implementation; and (iii) undertake postcompletion monitoring of selected projects and programs with an emphasis on outcomes, sustainability, impact, and monitoring arrangements. ADB has agreed to these recommendations, and the corresponding action plans are being implemented (expected to be completed by the end of 2011) to strengthen development effectiveness.

106. **Acting on recommendations.** In its second year of full operation and with 95 (47%) of the 203 recommendation action plans validated by IED, the MARS has evolved to become more relevant and useful to ADB's Board, Management, IED, and other users. Most of the issues pertaining to its implementation (such as action plan formulation, tracking, and stocktaking) have been discussed and addressed. However, some remaining issues could be addressed to improve the implementation and effectiveness of the MARS, as follows:

- (i) **Downgrading of ratings by the Independent Evaluation Department.** Actions rated by ICDs were sometimes downgraded by IED because they did not comply with the spirit or context of the recommendations. This is indicative of the need for more contextual information and/or consultations between ADB Management and IED. While it is up to ADB Management to decide on the action plans and the details to be reflected in the MARS, Management or its designated departments/offices may consider consulting IED on the context of the intent of the recommendations and their timing, while ensuring that IED's independence is not compromised.
- (ii) **Validated partly adopted ratings.** A review of the nine recommendation action plans rated *partly adopted* by the ICDs and IED reveals that the completion of action targets was constricted by ambitious or unrealistic ACTDs. In formulating action plans and setting their ACTDs, ICDs should take into account the complexity, magnitude, expected impact, and nature (e.g., policy reforms or short-gestating activities) of the actions and their corresponding targets.

Likewise, external risk factors that could affect the implementation of the proposed actions should be assessed and properly mitigated.

- (iii) **Timely updating and reporting of management action records.** Significant improvements were observed in 2010 in entering the required data in the MARS. However, there is a need to ensure that information in the MARS is regularly updated so that it can be used as a source of information by Management for the development or management of current and future ADB projects and programs. To encourage the timely posting of information, staff incentives and recognition may be considered. This would uphold the usefulness of the MARS and lead to more robust real-time tracking, updating, and reporting of Management actions on recommendations.

EVALUATION REPORTS COMPLETED IN 2010

Reference Number	Title	Loan/TA Number	Country	Rating
A. Project/Program Performance Evaluation Reports				
PE-732	1. Road Rehabilitation Project, Second Road Rehabilitation Project, and Third Road Rehabilitation Project	1444(SF)/ 1630 (SF)/ 1853(SF)	KGZ	S
PE-733	2. Rural Infrastructure Sector Project	1564SF	VIE	S
PE-734	3. Financial Sector Intermediation Facility and Equity Investment in Bhutan National Bank	1565(SF), 1566(SF), EI 7139, TA 2902	BHU	PS
PE-735	4. Environment and Social Program	1867	LAO	S
PE-738	5. Railway Rehabilitation Project and Railway Modernization Project	1631 and 1773	UZB	S
PE-737	6. Emergency Infrastructure Rehabilitation Project, Phases 1 and 2	Grant 8181 / Grant 8198	TIM	PS
PE-736	7. Tianjin Wastewater Treatment and Water Resources Protection Project	1797	PRC	S
PE-739	8. Harbin Water Supply Project	1995	PRC	S
PE-740	9. Vientiane Urban Infrastructure and Services Project	1834(SF)	LAO	S
B. Impact Evaluation Study				
IE-73	1. Asian Development Bank's Assistance for Rural Electrification in Bhutan - Does Electrification Improve the Quality of Rural Life?		BHU	S
C. Special Evaluation Studies				
SS-104	1. Indonesia: Has the Multi-subsector Approach Been Effective for Urban Services Assistance?		INO	PS
SS-105	2. Asian Development Bank Support for Decentralization in Indonesia		INO	PS
SS-106	3. Asian Development Bank's Support to Fragile and Conflict-Affected Situations			PS
SS-107	4. Post-Completion Sustainability of Asian Development Bank-Assisted Projects			NR
SS-108	5. Water Policy and Related Operations			NR
SS-109	6. Financing Partnership Facilities			S
SS-110	7. Asian Development Bank Support for Gender and Development - Phase II: Results from Country Case Studies			NR
D. Country Assistance Program Evaluations				
CE-23	1. Country Assistance Program Evaluation for Bhutan		BHU	S
CE-24	2. Country Assistance Program Evaluation for Lao People's Democratic Republic: Sustainable Growth and Integration		LAO	S
E. Sector Assistance Program Evaluations				
SE-21	1. Sector Assistance Program Evaluation for the Bhutan Energy Sector		BHU	S
SE-22	2. Sector Assistance Program Evaluation on Education in Uzbekistan		UZB	S
SE-23	3. Transport Sector in the Lao People's Democratic Republic		LAO	S

Continued

Reference Number	Title	Loan/TA Number	Country	Rating
F.	Evaluation Knowledge Brief			
	1. Reducing Carbon Emissions from Transport Projects			NR
G.	Annual Evaluation Report			
	1. 2010 Annual Evaluation Review			NR
	2. 2009 Annual Report on Acting on Recommendations			NR
	3. Annual Report on 2009 Portfolio Performance			NR
H.	TA Performance Evaluation Reports			
TE-57	1. Evaluation of Environment Capacity Development in Indonesia and the Philippines	3252-INO 3837-INO 2623-PHI 3469-PHI		PS PS PS PS
TE-58	2. Environment Capacity Development Projects in Selected South Asian Countries	3423-IND/ 4496-IND 2765-SRI 4736-SRI		U PS PS S
I.	Synthesis of Evaluation Findings			
	1. Performance of ADB Assistance to Agriculture and Natural Resources-Evidence from Post-Completion Evaluations			NR
J.	Country/Regional Partnership Strategy Completion Report			
VR-2	1. South Asia Regional Cooperation Partnership Strategy (2006-2008) Completion Report		South Asia	PS
K.	Guidelines			
	1. Revised Guidelines for the Preparation of Country Assistance Program Evaluations			
L.	PCR Validation Reports			
	1. Gansu Clean Energy Development Project	2032	PRC	HS
	2. Shanxi Road Development II Project	1967	PRC	S
	3. Cyclone Emergency Assistance Project	2174	COO	S
	4. Smallholder Support Services Pilot Project	1652	PNG	S
	5. Microfinance Development Program	2199	PHI	S
	6. Industrial Competitiveness and Small and Medium Enterprise Development Program	1738	INO	PS
	7. Rural Finance Project	1848(SF)	MON	U
	8. Road Sector Development Program	1891	PAK	S
	9. Emergency Rehabilitation Project	2045(SF)	KGZ	S
	10. Small and Medium Enterprise Development Program	2129(SF)	CAM	S
	11. Reproductive Health Project	1900(SF)	PAK	U
	12. Forestry Sector Project	1403(SF)	PAK	PS
	13. Postsecondary Education Development Project	1637(SF)	MLD	S
	14. Road Rehabilitation Project	1657	UZB	U
	15. Small and Medium Enterprise Sector Development Program	2066/2067	PAK	PS
	16. Microfinance Systems Development Program	2000/2001	TAJ	HS
	17. Improving Access to Financial Services (Phase I) Program	2291/2292	PAK	PS
	18. Rural Finance Sector Development Program	1987/1988	PAK	U
	19. Agriculture Sector Program	2083(SF)	AFG	PS
	20. Sindh Rural Development Project	1934SF)	PAK	U

Continued

Reference Number	Title	Loan/TA Number	Country	Rating
21.	Road Sector Development Project	1986	SRI	PS
22.	Punjab Resource Management Program (Subprogram 2)	2216	PAK	PS
23.	Acid Rain Control and Environmental Improvement Project	1890	PRC	S
24.	Water Supply and Sanitation Sector Project	1710(SF)	LAO	PS
25.	Sindh Devolved Social Services Project	2049(SF)	PAK	PS
26.	Flood Mitigation Project	2068(SF)	AZE	S
27.	Grain Productivity Improvement Project	2017	UZB	S
28.	Decentralized Elementary Education Project (Sindh)	1916(SF)	PAK	U
29.	North East Community Restoration and Development Project	1846(SF)	SRI	S
30.	Balochistan Resource Management Program	2107/2108(SF)	PAK	U
31.	Multisector Rehabilitation and Improvement Project for Azad Jammu and Kashmir	2153(SF)	PAK	PS
32.	Supporting Public Resource Management Reforms in Balochistan	2109(SF)	PAK	U
33.	Agriculture Sector Program II	1877(SF)/1878/ 1879(SF)	PAK	U
34.	Crop Diversification Project	1778(SF)	NEP	S
35.	Road Maintenance and Improvement Project	1789/1790	BAN	S
36.	Road Network Improvement Project	1649	SRI	S
37.	Gujarat Earthquake Rehabilitation and Reconstruction Project	1826	IND	S
38.	Coastal Fisheries Management and Development Project	1925(SF)	PNG	PS
39.	Road Rehabilitation (Sector) Project	1798	INO	PS
40.	Sindh Devolved Social Services Program	2047/2048(SF)	PAK	PS
41.	Governance Reform Program	1861	NEP	PS
42.	Microfinance Sector Development Program (Program Loan)	1805(SF)	PAK	PS
43.	Microfinance Sector Development Program (Investment Loan)	1806(SF)	PAK	PS
44.	Harbin Water Supply Project	1995	PRC	S
45.	Chongqing-Guizhou Roads Development Project (Chongzun Expressway)	1784	PRC	S
M. Extended Annual Review Report Validations				
46.	Kula Fund Limited (formerly Pacific Investment Capital Fund)	7136		PS
47.	Private Sector Housing Finance Project (Dewan Finance Corporation Limited) India	7189/2057	IND	S
48.	The Trade and Development Bank of Mongolia	7197/2081	MON	S
49.	Central Depository Bangladesh Limited	7177	BAN	HS
50.	China Everbright Bank	7127	PRC	PS

ADB = Asian Development Bank, AFG = Afghanistan, AZE = Azerbaijan, BAN = Bangladesh, BHU = Bhutan, CAM = Cambodia, CE = country assistance program evaluation, COO = Cook Islands, EI = equity investment, HS = highly successful, IE = impact evaluation study, IND = India, INO = Indonesia, KGZ = Kyrgyz Republic, LAO = Lao People's Democratic Republic, MLD = Maldives, MON = Mongolia, NEP = Nepal, NR = no rating, PAK = Pakistan, PHI = Philippines, PNG = Papua New Guinea, PRC = People's Republic of China, PS = partly successful, S = successful, SE = sector assistance program evaluation, SF = Special Fund, SRI = Sri Lanka, SS = special evaluation study, TA = technical assistance, TAJ = Tajikistan, TE = technical assistance performance evaluation report, TIM = Timor Leste, US = unsuccessful, UZB = Uzbekistan, VIE = Viet Nam, VR = validation report on country or regional partnership strategy completion report.

Source: Independent Evaluation Department database.

EVALUATION CRITERIA USED FOR EVALUATING SOVEREIGN PROJECTS AND PROGRAMS AND NONSOVEREIGN OPERATIONS

A. Sovereign Operations

1. The performance of Asian Development Bank (ADB) sovereign lending and grant operations is assessed through the rating of project/program completion reports (PCRs) prepared by the regional departments, and through PCR validation reports and project/program performance evaluation report (PPERs) prepared by the Independent Evaluation Department (IED).¹ PCRs are prepared for all sovereign projects and programs 1–2 years after their completion,² but have contained ratings only since 1995. The PCR validation report, which IED initiated in 2007, is usually prepared after a PCR's circulation. PPERs are typically prepared 3 years after project/program completion. A three-category rating system—*generally successful*, *partly successful*, *unsuccessful*—was used to assess performance before 2000. To closely harmonize ADB's evaluation methodology with the methodology of other Evaluation Cooperation Group (ECG) members,³ a four-category system has been used from 2000.

2. The overall project rating is derived on the basis of four evaluation criteria: relevance, effectiveness, efficiency, and sustainability. Each of the four core evaluation criteria is assigned a whole number rating from 0 to 3. Relevance is defined as the consistency of a project's impact and outcome with the government's development strategy, the ADB lending strategy for the country, ADB's strategic objectives at the time of approval and evaluation, and the adequacy of project design. Effectiveness is the extent to which the outcome (as specified in the design and monitoring framework as agreed upon at approval or as subsequently modified) has been attained. Efficiency measures how well the project used resources in achieving the outcome, using such measures as the economic internal rate of return or cost-effectiveness. Sustainability is the likelihood that human, institutional, and financial resources are sufficient to maintain the outcome over the economic life of the project.

3. The overall performance rating is the sum of weighted ratings, calculated from assessment rating values (from 0 to 3) multiplied by the weight assigned to each of the four criteria of relevance (20%), effectiveness (30%), efficiency (30%), and sustainability (20%). The overall rating could be *highly successful*, *successful*, *partly successful*, or *unsuccessful*, as follows:

- (i) *Highly successful*: The overall weighted average is greater than or equal to 2.7. This rating is given to projects whose achievements exceed expectations and have a high probability that the outcome and impacts will be achieved sustainably and efficiently over the project life; that the project remains relevant; and that no significant, unintended, negative impacts will occur.
- (ii) *Successful*: The overall weighted average is greater than or equal to 1.6 and less than 2.7. While the outcome may not have been completely achieved or some negative results may have occurred that preclude a highly successful rating, no

¹ PCRs, PCR validation reports, and PPERs follow the same rating methodology specified in the PPER guidelines (ADB. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations*. Manila). <http://www.adb.org/Documents/Guidelines/Evaluation/PPER-PSO/default.asp>

² For nonsovereign operations, extended annual review reports are prepared by the Private Sector Operations Department or relevant regional department once they have reached early operating maturity.

³ The ECG was established by the heads of evaluation in the multilateral development banks in February 1996. Members comprise evaluation departments or offices of the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Fund for Agricultural Development, International Monetary Fund, Islamic Development Bank Group, and World Bank Group. The Organisation for Economic Co-operation and Development's Development Assistance Committee Evaluation Network and the United Nations Evaluation Group are permanent observers.

major shortfall has taken place, and the expected outcome and impact will be mostly achieved sustainably over the project's life. The project remains relevant, its implementation and operations are efficient, and any negative impacts are small relative to the gains.

- (iii) *Partly successful*: The overall weighted average is greater than or equal to 0.8 and less than 1.6. Although the evaluation anticipates a significant shortfall in achieving the outcome and impact, and may consider full sustainability unlikely, it expects that some components will achieve major benefits.
- (iv) *Unsuccessful*: The weighted average is less than 0.8. The evaluation considers the project as a technical (minimal achievement of outcome) and/or economic failure. Any facilities are expected to operate at a low level of installed capacity or at a high cost, requiring a large subsidy. There may also be negative impacts.

B. Nonsovereign Operations

4. Before mid-2006, sovereign projects and programs and nonsovereign operations (NSOs) were assessed in the same way. In 2006, following broadly the ECG's good practice standards for evaluation of private sector investment operations,⁴ ADB changed the evaluation criteria for nonsovereign operations, focusing on development impacts and outcomes, ADB investment profitability, ADB work quality, and ADB additionality. ADB also changed the name of the self-evaluation reports from NSO PCRs to extended annual review reports and required that all NSO projects reaching early operating maturity be subjected to self-evaluation and IED validation starting in August 2007.

5. The overall rating of an NSO is based on the underlying ratings of development impact, ADB investment profitability, ADB work quality, and ADB additionality.⁵ No fixed weights are used to derive the overall rating, as it depends on the particular project and investment environment context, and the importance of project objectives in the light of ADB strategies and priorities. A ratings matrix that provides guidance on how the four NSO evaluation dimensions are aggregated to derive an overall result is presented in the table below.

Indicative Ratings Matrix for Overall Ratings in Evaluation of Nonsovereign Operations

Rating	Development Impact	ADB Investment Profitability	ADB Additionality	ADB Work Quality	Remarks
Highly successful	Excellent	Satisfactory	Satisfactory	Satisfactory	Requires excellent DI and minimum satisfactory for IP, ADD, and WQ
Successful	Satisfactory	Partly satisfactory	Partly satisfactory		Requires minimum satisfactory for DI and minimum partly satisfactory for IP and ADD
Partly successful	Partly satisfactory	Partly satisfactory	Partly satisfactory		Requires minimum partly satisfactory for DI, IP, and ADD
Unsuccessful	Unsatisfactory		Unsatisfactory		Unsatisfactory DI and/or ADD

ADB = Asian Development Bank, ADD = ADB additionality, DI = development impact, IP = ADB Investment profitability, WQ = ADB work quality.

Source: ADB. 2007. *Guidelines for Preparing Performance Evaluation Reports on Nonsovereign Operations*. Manila.

⁴ Following the release of the third edition of *Good Practice Standards for Evaluation of Private Sector Investment Operations* by the ECG in April 2006, IED released its *Guidelines for Preparing Performance Evaluation Reports on Nonsovereign Operations* in February 2007. Subsequently, IED issued the *Revised Guidelines for the Validation of Project Completion Reports and Extended Annual Review Reports* on 27 March 2008.

⁵ Descriptions of the rating criteria and benchmarks are available in ADB. 2007. *Guidelines for Preparing Performance Evaluation Reports on Nonsovereign Operations*. Manila.

. <http://www.adb.org/Documents/Guidelines/Evaluation/PPER-NSO/default.asp>

DETAILED PERFORMANCE INDICATORS

Table A3.1. Scoring of Projects Evaluated in 2010 by Key Performance Criteria Based on Project Performance Evaluation Reports

Score	Relevance		Effectiveness		Efficiency		Sustainability		Impacts	
	No.	%	No.	%	No.	%	No.	%	No.	%
3 (highest)	1	8	0	-	1	8	1	8	0	-
2	10	77	12	92	8	61	7	54	4	31
1	2	15	1	8	4	31	3	23	7	54
0 (lowest)	0		0		0	-	2	15	0	
No scores	0		0		0	-	0		2	15
Total	13	100	13	100	13	100	13	100	13	100

Note: A total of 13 projects were evaluated in 9 project performance evaluation reports.
Source: Independent Evaluation Department database as of 31 December 2010.

Table A3.2. Scoring of Projects Evaluated in 2010 by Key Performance Criteria Based on PCR Validation Reports

Score	Relevance		Effectiveness		Efficiency		Sustainability		Impacts	
	No.	%	No.	%	No.	%	No.	%	No.	%
3 (highest)	9	20	2	4	2	4	3	7	3	7
2	24	53	18	40	15	33	12	27	12	27
1	12	27	18	40	18	40	19	42	17	38
0 (lowest)	0		7	16	8	18	10	22	11	24
No scores	0		0		2	4	1	2	2	4
Total	45	100	45	100	45	100	45	100	45	100

Source: Independent Evaluation Department database as of 31 December 2010.

Table A3.3. Sustainability Rating of Evaluated Projects Based on 2010 Project Performance Evaluation Reports

Sustainability Rating	Project Performance Rating				
	Highly Successful	Successful	Partly Successful	Unsuccessful	Total
Most likely	0	1	0	0	1
Likely	0	7	0	0	7
Less likely	0	2	1	0	3
Unlikely	0	0	2	0	2
Total	0	10	3	0	13

Source: Independent Evaluation Department database as of 31 December 2010.

Table A3.4. Sustainability Rating of Evaluated Projects Based on 2010 Project Completion Report Validation Reports

Sustainability Rating	Project Performance Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
Most likely	2	1	0	0	3
Likely	0	9	3	0	12
Less likely	0	8	10	1	19
Unlikely	0	0	3	7	10
No rating	0	0	0	1	1
Total	2	18	16	9	45

PCR = project completion report.

Note: Excludes nonsovereign operations.

Source: Independent Evaluation Department database as of 31 December 2010.

Table A3.5. ADB and Borrower Performance Based on 2010 Project Performance Evaluation Reports

Performance Rating	Project Performance Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
ADB					
Highly satisfactory	0	2	0	0	2
Satisfactory	0	5	3	0	8
Partly satisfactory	0	3	0	0	3
Unsatisfactory	0	0	0	0	0
Borrower					
Highly satisfactory	0	2	0	0	2
Satisfactory	0	5	2	0	7
Partly satisfactory	0	3	0	0	3
Unsatisfactory	0	0	0	0	0
No rating	0	0	1	0	1

ADB = Asian Development Bank.

Notes:

1. Borrower performance refers to the processes that underlie the performance of the borrower or the executing agency as an institution in discharging its responsibilities as the key development partner.

2. Excludes nonsovereign operations.

Source: Independent Evaluation Department database as of 31 December 2010.

Table A3.6. ADB and Borrower Performance Based on 2010 Project Completion Report Validation Reports

Performance Rating	Project Performance Rating				Total
	Highly Successful	Successful	Partly Successful	Unsuccessful	
ADB					
Highly satisfactory	0	1	0	0	1
Satisfactory	2	16	3	0	21
Partly satisfactory	0	1	13	5	19
Unsatisfactory	0	0	0	4	4
Borrower					
Highly satisfactory	1	2	0	0	3
Satisfactory	1	14	3	0	18
Partly satisfactory	0	2	13	4	19
Unsatisfactory	0	0	0	5	5

ADB = Asian Development Bank

Notes:

1. Borrower performance refers to the processes that underlie the performance of the borrower or the executing agency as an institution in discharging its responsibilities as the key development partner.

2. Excludes nonsovereign operations.

Source: Independent Evaluation Department database as of 31 December 2010.

**PERFORMANCE OF EVALUATED PROJECTS AND PROGRAMS
BY APPROVAL PERIOD**

Table A4.1. Performance of Evaluated Projects

Approval Period	Number of Rated Projects	Number			Proportion (%)			Total
		HS/GS/S	PS	US	HS/GS/S	PS	US	
1968-1980	334	204	94	36	61.1	28.1	10.8	100.0
1981-1991	390	225	126	39	57.7	32.3	10.0	100.0
1992-2000	464	333	106	25	71.8	22.8	5.4	100.0
2001-2006 ^a	87	58	16	13	66.7	18.4	14.9	100.0
Total	1,275	820	342	113	64.3	26.8	8.9	100.0

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, US = unsuccessful.

^a Success rates may change as more projects approved from 2001 to 2006 are completed and evaluated.

Source: Independent Evaluation Department database as of 31 December 2010.

Table A4.2. Performance of Evaluated Programs

Approval Period	Number of Rated Programs	Number			Proportion (%)			Total
		HS/GS/S	PS	US	HS/GS/S	PS	US	
1978-1980	6	3	3	0	50.0	50.0	-	100.0
1981-1991	31	6	24	1	19.4	77.4	3.2	100.0
1992-2000	61	35	23	3	57.4	37.7	4.9	100.0
2001-2009 ^a	59	40	16	3	67.8	27.1	5.1	100.0
Total	157	84	66	7	53.5	42.0	4.5	100.0

GS = generally successful, HS = highly successful, PS = partly successful, S = successful, US = unsuccessful.

^a Success rates may change as more programs approved from 2001 to 2009 are completed and evaluated.

Source: Independent Evaluation Department database as of 31 December 2010.

EVALUATION RESULTS BY COUNTRY AND COUNTRY GROUPING, MODALITY, AND APPROVAL PERIOD IN TERMS OF NUMBER AND NET LOAN AMOUNT

Table A5.1. Proportion of Sovereign Operations (Projects and Programs) Rated Successful

Country Group	Approval Period																Overall			
	1968-1980				1981-1991				1992-2000				2001-2009 ^a							
	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)
Group A																				
Afghanistan													4	75.0	420	87.4	4	75.0	420	87.4
Bhutan					5	60.0	26	74.8	7	85.7	55	86.0	2	100.0	17	100.0	14	78.6	98	85.4
Cambodia									16	81.3	441	92.7	7	100.0	165	100.0	23	87.0	606	94.7
Kiribati					3	33.3	2	32.8	1	0.0	10	0.0					4	25.0	12	6.3
Kyrgyz Republic									14	71.4	377	75.0	6	83.3	130	87.1	20	75.0	507	78.1
Lao People's Democratic Rep	5	40.0	29	31.4	12	66.7	231	72.6	25	76.0	598	79.3	5	80.0	120	85.8	47	70.2	979	77.1
Maldives					5	80.0	26	96.8	4	75.0	27	75.8	1	100.0	2	100.0	10	80.0	55	86.5
Mongolia					1	100.0	31	100.0	19	63.2	416	69.2	7	57.1	70	73.6	27	63.0	518	71.7
Myanmar	7	57.1	88	58.3	4	75.0	73	74.6									11	63.6	161	65.7
Nauru									1	0.0	2	0.0					1	0.0	2	0.0
Nepal	19	78.9	210	66.5	35	40.0	626	47.6	21	71.4	465	87.6	2	0.0	42	0.0	77	57.1	1,342	62.9
Samoa	10	40.0	25	44.5	5	40.0	42	38.4	4	25.0	27	27.3	1	0.0	1	0.0	20	35.0	94	36.6
Solomon Islands	6	16.7	13	15.1	2	50.0	9	50.6	3	66.7	28	43.5					11	36.4	50	37.2
Tajikistan									5	80.0	104	81.7	9	100.0	136	100.0	14	92.9	240	92.1
Timor Leste									3	0.0	43	0.0	3	66.7	20	54.7	6	33.3	63	17.4
Tonga	4	75.0	4	66.5	8	75.0	22	67.7	2	50.0	13	74.3	1	0.0	11	0.0	15	66.7	50	54.2
Tuvalu									1	100.0	4	100.0					1	100.0	4	100.0
Vanuatu					5	20.0	18	50.4	3	66.7	31	35.4					8	37.5	49	40.9
Subtotal	51	56.9	369	58.5	85	51.8	1,106	58.0	129	69.0	2,641	77.9	48	77.1	1,135	85.2	313	63.6	5,251	73.9
Group B																				
Armenia													1	100.0	81	100.0	1	100.0	81	100.0
Azerbaijan													1	100.0	23	100.0	1	100.0	23	100.0
Bangladesh	28	32.1	405	29.7	42	57.1	2,050	62.0	38	78.9	2,077	86.4	2	100.0	195	100.0	110	59.1	4,727	71.5
Micronesia, Fed. States of									4	50.0	36	74.5	1	100.0	10	100.0	5	60.0	46	80.1
Georgia									2	100.0	150	100.0					2	100.0	150	100.0
India					17	58.8	2,177	65.6	22	72.7	4,086	77.1	6	50.0	1,166	76.7	45	64.4	7,429	73.6
Marshall Islands					1	0.0	4	0.0	6	33.3	46	36.0	2	0.0	13	0.0	9	22.2	63	26.6
Pakistan	31	61.3	861	70.9	61	54.1	4,541	53.5	34	61.8	2,629	72.2	25	20.0	3,189	24.8	151	51.7	11,220	51.1
Papua New Guinea	9	44.4	89	60.0	16	25.0	309	19.2	12	41.7	204	20.1	3	0.0	40	0.0	40	32.5	642	24.0
Sri Lanka	16	43.8	199	27.5	30	46.7	837	40.0	29	75.9	1,086	84.0	5	60.0	214	34.1	80	57.5	2,335	58.9
Uzbekistan									7	42.9	302	56.5	6	66.7	186	74.7	13	53.8	489	63.5
Viet Nam	5	0.0	23	0.0					27	92.59	1,623	98.3	10	100.00	382	100.0	42	83.3	2,028	97.5
Subtotal	89	43.8	1,577	53.2	167	50.9	9,917	55.7	179	70.4	12,088	79.5	64	50.0	5,650	48.5	499	56.5	29,232	64.0

continued

Country Group	Approval Period																Overall			
	1968-1980				1981-1991				1992-2000				2001-2009 ^a							
	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)
Group C																				
China, People's Rep. of					12	75.0	860	78.0	63	87.3	7,616	88.7	12	100.0	1,266	100.0	87	87.4	9,742	89.2
Cook Islands					3	33.3	9	53.9	6	66.7	12	84.8	2	100.0	5	100.0	11	63.6	26	76.7
Fiji Islands	4	100.0	30	100.0	6	33.3	64	44.3	1	100.0	18	100.0	2	50.0	17	97.0	13	61.5	129	71.8
Indonesia	49	57.1	916	59.1	63	65.1	4,655	68.4	72	62.5	7,267	75.1	8	75.0	1,408	92.4	192	62.5	14,245	73.6
Kazakhstan									8	62.5	427	75.0	2	50.0	553	90.5	10	60.0	980	83.7
Malaysia	29	65.5	439	59.7	22	59.1	496	70.7	6	83.3	236	86.1					57	64.9	1,172	69.7
Philippines	37	48.6	740	54.6	43	41.9	2,261	39.2	37	43.2	2,085	46.8	8	87.5	1,121	98.3	125	47.2	6,205	54.3
Thailand	28	85.7	746	92.5	13	92.3	475	90.1	23	91.3	2,373	72.6					64	89.1	3,594	79.0
Subtotal	147	63.3	2,870	67.1	162	59.3	8,821	63.0	216	70.4	20,034	77.2	34	85.3	4,368	95.9	559	66.2	36,093	75.2
Graduate Economies	53	86.8	1,081	87.7	7	85.7	204	75.4	1	100.0	3,700	100.0					61	86.9	4,985	96.3
Total	340	60.9	5,897	66.6	421	54.9	20,049	59.2	525	70.1	38,463	80.1	146*	67.1	11,153	70.8	1,432	63.1	75,561	72.2
^a The results represent only about 22% of total projects and programs approved during this period; hence, success rate may change as more projects/programs are completed and evaluated.																				
Note: ADB usually reports success rates in terms of number of sovereign operations. However, success rates by net loan amount are included for completeness and generally show even better results.																				
Source: Independent Evaluation Department database as of 31 December 2010.																				

Table A5.2. Proportion of Successful Projects

Country Group	Approval Period																Overall			
	1968-1980				1981-1991				1992-2000				2001-2006 ^a							
	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rates (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)
Group A																				
Afghanistan																				
Bhutan					5	60.0	26	74.8	5	100.0	37	100.0	2	100.0	202	100.0	2	100.0	202	100.0
Cambodia									15	80.0	412	92.2	4	100.0	73	100.0	19	84.2	485	93.4
Kiribati					3	0.3	2	32.8	1	0.0	10	0.0					4	0.3	12	6.3
Kyrgyz Republic									10	70.0	236	76.6	3	100.0	60	100.0	13	76.9	296	81.4
Lao People's Democratic Rep	5	40.0	29	31.4	10	80.0	184	91.0	23	82.6	546	86.9	3	100.0	81	100.0	41	78.0	841	87.2
Maldives					5	80.0	26	96.8	4	75.0	27	75.8	1	100.0	2	100.0	10	80.0	55	86.5
Mongolia					1	100.0	31	100.0	11	72.7	231	90.8	6	50.0	66	71.9	18	66.7	328	87.9
Myanmar	5	60.0	78	59.3	3	66.7	68	72.8									8	62.5	146	65.5
Nauru																				
Nepal	19	78.9	210	66.5	31	41.9	531	55.4	19	68.4	395	85.4					69	59.4	1,136	67.9
Samoa	10	40.0	25	44.5	4	50.0	26	62.5	3	0.0	19	0.0	1	0.0	1	0.0	18	33.3	71	38.6
Solomon Islands	6	16.7	13	15.1	2	50.0	9	50.6	2	100.0	12	100.0					10	40.0	35	54.1
Tajikistan									4	100.0	85	100.0	6	100.0	77	100.0	10	100.0	162	100.0
Timor Leste									3	0.0	43	0.0	3	66.7	20	54.7	6	33.3	63	17.4
Tonga																				
Tuvalu	4	75.0	4	66.5	8	75.0	22	67.7	2	50.0	13	74.3					14	71.4	39	69.8
Vanuatu					5	20.0	18	50.4	2	100.0	11	100.0					7	42.9	29	69.0
Subtotal	49	57.1	359	58.7	77	54.5	944	67.1	104	73.1	2,078	84.6	31	83.9	598	95.3	261	65.9	3,979	79.7
Group B																				
Armenia																				
Azerbaijan													1	100.0	23	100.0	1	100.0	23	100.0
Bangladesh	25	32.0	380	30.2	35	65.7	1,603	78.8	36	83.3	1,914	93.8	2	100.0	195	100.0	98	64.3	4,092	82.3
Georgia																				
India					16	62.5	2,052	69.6	17	70.6	2,777	75.2	3	33.3	387	81.4	36	63.9	5,215	73.5
Marshall Islands					1	0.0	4	0.0	5	40.0	35	47.6	1	0.0	1	0.0	7	28.6	39	42.7
Micronesia, Fed. States of									3	33.3	18	49.8					3	33.3	18	49.8
Pakistan	30	60.0	849	70.5	58	55.2	3,990	55.8	30	60.0	1,711	66.5	13	15.4	467	32.5	131	53.4	7,016	58.7
Papua New Guinea	9	44.4	89	60.0	15	26.7	226	26.3	11	45.5	147	27.8	2	0.0	5	0.0	37	35.1	468	32.9
Sri Lanka	16	43.8	199	27.5	26	53.8	610	54.9	28	75.0	981	82.2	5	60.0	214	34.1	75	60.0	2,004	63.3
Uzbekistan									7	42.9	302	56.5	5	60.0	116	59.4	12	50.0	419	57.3
Viet Nam	5	0.0	23	0.0					24	91.67	1,360	98.0	2	100.00	57	100.0	31	77.42	1,440	96.5
Subtotal	85	43.5	1,539	53.4	151	55.0	8,484	62.6	161	70.8	9,246	80.0	34	41.2	1,466	60.3	431	57.5	20,735	69.5

Continued

Note: ADB usually reports success rates in terms of number of sovereign operations. However, success rates by net loan amount are included for completeness and generally show even better results.
Source: Independent Evaluation Department database as of 31 December 2010.

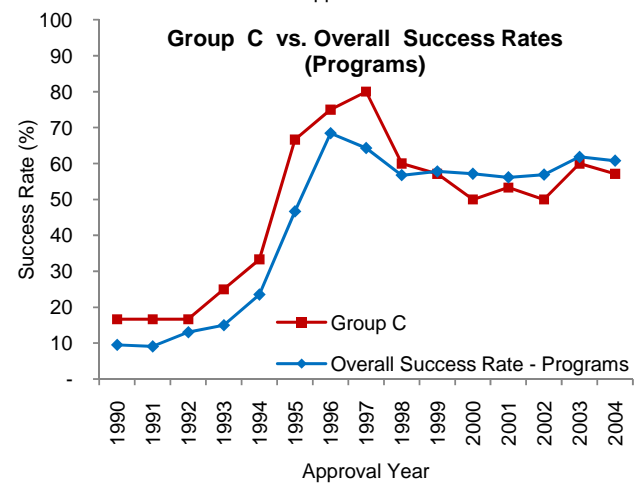
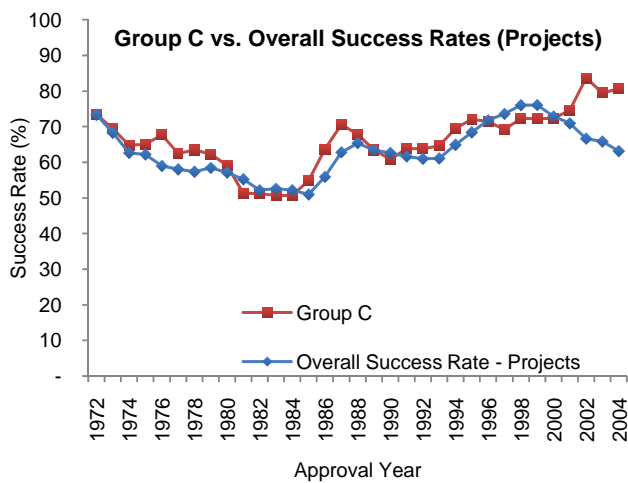
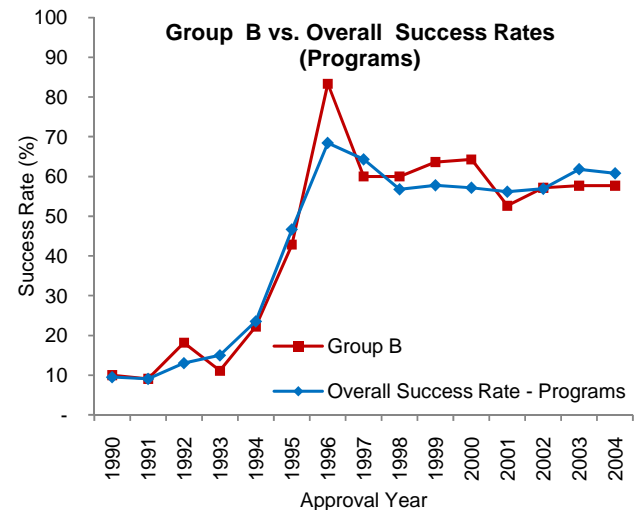
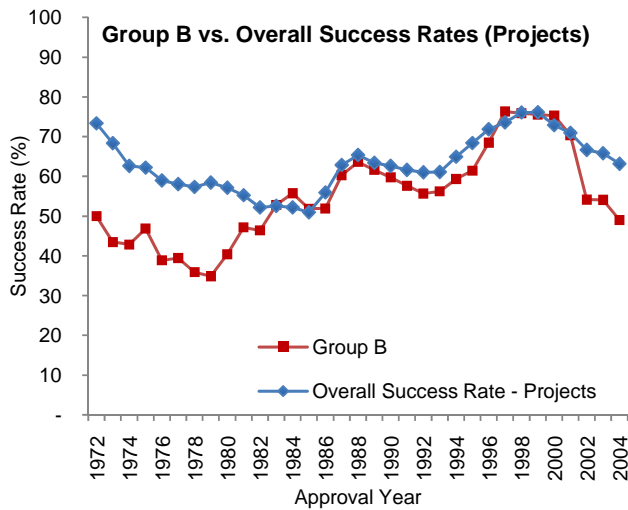
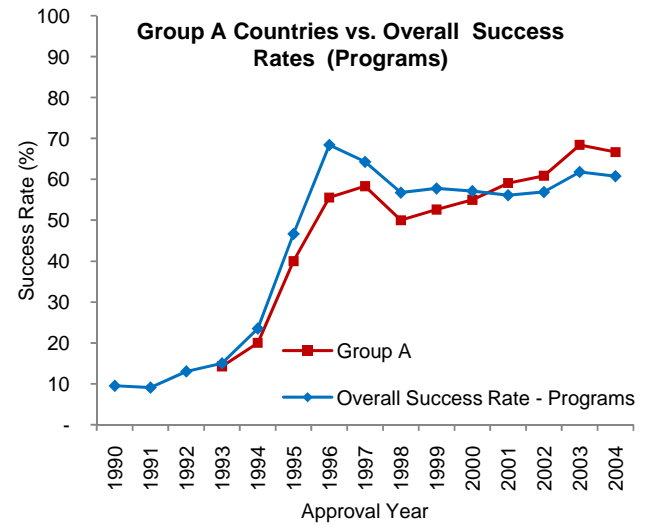
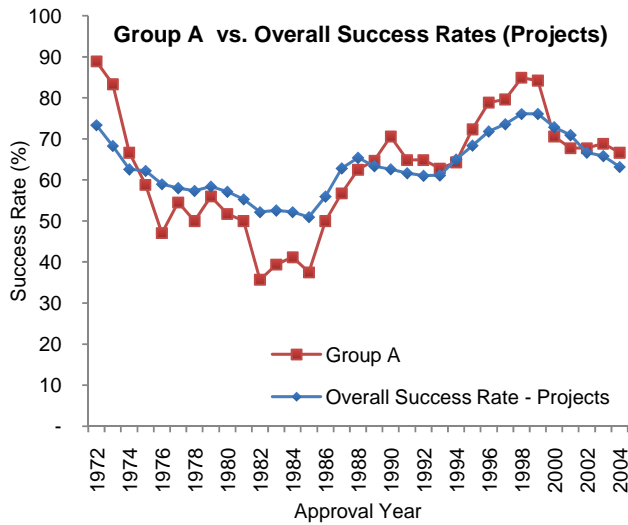
Table A5.3. Proportion of Successful Programs

Country Group	Approval Period																Overall			
	1978-1980				1981-1991				1992-2000				2001-2009 ^a							
	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)
Group A																				
Afghanistan													2	50.0	218	75.7	2	50.0	218	75.7
Bhutan									2	50.0	18	56.2					2	50.0	18	56.2
Cambodia									1	100.0	28	100.0	3	100.0	93	100.0	4	100.0	121	100.0
Kiribati																				
Kyrgyz Republic									4	75.0	141	72.4	3	66.7	70	76.1	7	71.4	211	73.6
Lao People's Democratic Rep					2	0.0	47	0.0	2	0.0	52	0.0	2	50.0	39	56.3	6	16.7	138	15.9
Maldives																				
Mongolia									8	50.0	185	42.2	1	100.0	4	100.0	9	55.6	189	43.6
Myanmar	2	50.0	10.2	51.1	1	100.0	5	100.0									3	66.7	15	66.8
Nauru									1	0.0	2	0.0					1	0.0	2	0.0
Nepal					4	25.0	95	4.0	2	100.0	70	100.0	2	0.0	42	0.0	8	37.5	207	35.5
Samoa					1	0.0	16	0.0	1	100.0	7	100.0					2	50.0	24	30.9
Solomon Islands									1	0.0	16	0.0					1	0.0	16	0.0
Tajikistan									1	0.0	19	0.0	3	100.0	59	100.0	4	75.0	78	75.5
Timor Leste																				
Tonga													1	0.0	11	0.0	1	0.0	11	0.0
Tuvalu									1	100.0	4	100.0					1	100.0	4	100.0
Vanuatu									1	0.0	20	0.0					1	0.0	20	0.0
Subtotal	2	50.0	10.2	51.1	8	25.0	163	5.3	25	52.0	563	53.3	17	64.7	536	73.9	52	51.9	1,272	55.8
Group B																				
Armenia													1	100.0	81	100.0	1	100.0	81	100.0
Azerbaijan																				
Bangladesh	3	33.3	25.8	22.2	7	14.3	446	1.6	2	0.0	163	0.0					12	16.7	635	2.0
Georgia													2	100.0	150	100.0	2	100.0	150	100.0
India					1	0.0	125	0.0	5	80.0	1,309	80.9	3	66.7	779	74.3	9	66.7	2,213	74.0
Marshall Islands									1	0.0	11	0.0	1	0.0	12	0.0	2	0.0	24	0.0
Micronesia, Fed. States of									1	100.0	18	100.0	1	100.0	10	100.0	2	100.0	28	100.0
Pakistan	1	100.0	12.6	100.0	3	33.3	551	36.4	4	75.0	918	83.0	12	25.0	2,722	23.5	20	40.0	4,203	38.4
Papua New Guinea					1	0.0	83	0.0	1	0.0	56	0.0	1	0.0	35	0.0	3	0.0	175	0.0
Sri Lanka					4	0.0	226	0.0	1	100.0	105	100.0					5	20.0	332	31.7
Uzbekistan													1	100.0	70	100.0	1	100.0	70	100.0
Viet Nam									3	100.0	262	100.0	8	100.0	325	100.0	11	100.0	587	100.0
Subtotal	4	50.0	38.4	47.7	16	12.5	1,432	14.5	18	66.7	2,842	77.6	30	60.0	4,184	44.3	68	50.0	8,497	50.4

continued

^a The results represent only about 44% of total programs approved during this period; hence, success rate may change as more programs are completed and evaluated. Note: ADB usually reports success rates in terms of number of sovereign operations. However, success rates by net loan amount are included for completeness and generally show even better results. Source: Independent Evaluation Department database as of 31 December 2010.

COMPARISON OF SUCCESS RATES BY MODALITY AND BY COUNTRY GROUPING BASED ON CUMULATIVE 5-YEAR MOVING AVERAGES



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Appendix 7

ICT = information and communication technology.

^a The results represent only about 22% of total projects and programs approved during this period; hence, success rate may change as more projects/programs are completed and evaluated.

Note: ADB usually reports success rates in terms of number of sovereign operations. However, success rates by net loan amount are included for completeness and generally show even better results.

Source: Independent Evaluation Department database as of 31 December 2010.

Table A7.2. Proportion of Successful Projects

SECTOR / SUBSECTOR	Approval Period																				Overall			
	1968-1980				1981-1991				1992-2000				2001-2006 ^a											
	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)				
Agriculture and Natural Resources																								
Agricultural Production and Markets	22	36.4	197	21.1	30	33.3	776	57.9	18	72.2	643	76.0	5	40.0	61	55.5	75	44.0	1,678	60.4				
Agriculture and Rural Sector Development	6	33.3	122	24.0	11	45.5	279	33.8	9	66.7	253	87.5	5	80.0	152	98.6	31	54.8	806	61.4				
Fishery	18	22.2	135	20.0	17	41.2	252	39.4	6	16.7	80	7.6	1	0.0	4	0.0	42	28.6	471	28.1				
Forestry	4	50.0	36	73.6	13	46.2	196	34.4	9	44.4	233	37.2					26	46.2	465	38.9				
Irrigation, Drainage, and Flood Protection	26	46.2	458	38.1	36	66.7	2,171	67.7	22	54.5	788	64.4	2	100.0	212	100.0	86	58.1	3,629	65.2				
Land-based Natural Resources Management	7	57.1	72	52.6	12	33.3	274	34.9	12	58.3	362	77.1	1	100.0	1	100.0	32	50.0	708	58.3				
Livestock	7	0.0	52	0.0	7	28.6	111	48.5	2	100.0	19	100.0					16	25.0	182	40.1				
Water-based Natural Resources Management	3	33.3	110	40.3	1	100.0	29	100.0	14	64.3	325	78.2	3	100.0	37	100.0	21	66.7	501	72.8				
Subtotal	93	35.5	1,182	32.3	127	46.5	4,089	57.7	92	58.7	2,703	68.9	17	70.6	466	92.9	329	48.0	8,440	59.7				
Education																								
Education Sector Development	1	0.0	4	0.0	2	50.0	52	28.0	2	50.0	35	39.4	2	50.0	38	41.3	7	42.9	129	34.1				
Non-formal Education					2	50.0	16	63.6	4	50.0	59	38.5					6	50.0	75	44.0				
Pre-primary and Basic Education					7	28.6	213	31.4	23	87.0	919	94.9	3	66.7	35	74.7	33	72.7	1,166	82.7				
Technical Education and Vocational Skills Training	10	90.0	146	87.2	11	63.6	420	82.0	11	81.8	518	92.7	2	50.0	9	79.0	34	76.5	1,093	87.7				
Tertiary and Higher Education	5	80.0	91	82.8	4	75.0	258	60.8	7	100.0	301	100.0					16	87.5	649	82.0				
Upper Secondary Education					1	0.0	37	0.0	5	60.0	263	66.7					6	50.0	299	58.5				
Subtotal	16	81.3	241	84.0	27	51.9	995	59.6	52	80.8	2,094	89.0	7	57.1	82	59.8	102	71.6	3,411	79.4				
Finance																								
Banking Systems	46	47.8	696	62.6	24	29.2	1,357	39.0	10	60.0	450	55.3					80	43.8	2,503	48.5				
Finance Sector Development									3	66.7	43	93.8					3	66.7	43	93.8				
Housing Finance					2	0.0	31	0.0	2	50.0	387	77.4	1	100.0	16	100.0	5	40.0	435	72.8				
Insurance and Contractual Savings																								
Investment Funds	1	0.0	7	0.0	2	50.0	89	97.5									3	33.3	97	90.0				
Microfinance					3	100.0	48	100.0	9	44.4	273	80.0	2	0.0	2	0.0	14	50.0	323	82.5				
Money and Capital Markets																								
SME Finance and Leasing	7	71.4	190	78.6	2	100.0	128	100.0	1	0.0	120	0.0					10	70.0	438	63.4				
Subtotal	54	50.0	893	65.5	33	39.4	1,654	47.9	25	52.0	1,274	63.4	3	33.3	18	89.4	115	47.0	3,838	57.4				
Health and Social Protection																								
Early Childhood Development									1	100.0	21	100.0	1	100.0	9	100.0	2	100.0	30	100.0				
Health Programs					6	16.7	141	5.1	8	75.0	224	84.7	1	0.0	6	0.0	15	46.7	371	53.0				
Health Systems	2	100.0	39	100.0	9	44.4	282	75.3	9	77.8	229	78.9	3	100.0	45	100.0	23	69.6	593	80.2				
Nutrition									1	0.0	32	0.0					1	0.0	32	0.0				
Social Protection									2	0.0	261	0.0					2	0.0	261	0.0				
Subtotal	2	100.0	39	100.0	15	33.3	423	51.9	21	66.7	765	51.1	5	80.0	60	90.2	43	58.1	1,286	54.6				

continued

SECTOR / SUBSECTOR	Approval Period																Overall			
	1968-1980				1981-1991				1992-2000				2001-2006 ^a							
	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)
Industry and Trade																				
Industry and Trade Sector Development																				
Large and Medium Industries	17	64.7	464	60.0	8	62.5	461	73.4	4	50.0	422	36.6					29	62.1	1,347	57.2
Small and Medium Enterprise Development	2	100.0	10	100.0	6	83.3	221	54.6	2	0.0	51	0.0	3	33.3	32	78.2	13	61.5	314	49.6
Trade and Services					1	100.0	31	100.0	4	25.0	72	69.8					5	40.0	103	78.9
Subtotal	19	68.4	474	60.8	15	73.3	713	68.7	10	30.0	545	37.5	3	33.3	32	78.2	47	59.6	1,764	57.1
Infrastructure																				
Energy																				
Conventional Energy	11	90.9	334	95.5	22	90.9	1,788	90.3	6	100.0	903	100.0					39	92.3	3,025	93.8
Electricity Transmission and Distribution	29	79.3	517	89.5	26	76.9	1,702	76.6	30	86.7	2,516	87.5	2	100.0	73	100.0	87	81.6	4,808	84.1
Energy Efficiency and Conservation									6	50.0	552	57.4	1	100.0	34	100.0	7	57.1	586	59.9
Energy Sector Development	4	75.0	136	83.3	5	40.0	476	42.7	5	80.0	466	98.3	2	0.0	102	0.0	16	56.3	1,180	65.6
Energy Utility Services									2	100.0	68	100.0					2	100.0	68	100.0
Large Hydropower	13	76.9	371	76.6	5	80.0	288	20.7	9	88.9	1,011	82.7	1	0.0	1	0.0	28	78.6	1,671	70.6
Pipelines	2	100.0	24	100.0	3	66.7	94	68.7	4	100.0	434	100.0					9	88.9	552	94.7
Renewable Energy					2	0.0	11	0.0	1	100.0	100	100.0					3	33.3	111	90.5
Subtotal	59	81.4	1,383	87.1	63	76.2	4,359	74.5	63	85.7	6,050	87.9	6	50.0	210	50.9	191	80.1	12,002	82.3
Transport and ICT																				
Air Transport	5	100.0	79	100.0					8	50.0	261	66.4					13	69.2	340	74.3
ICT	3	100.0	9	100.0	9	77.8	424	63.2	7	100.0	442	100.0					19	89.5	875	82.2
Rail Transport	2	0.0	45	0.0	4	25.0	372	47.8	10	90.0	1,365	91.9	1	100.0	199	100.0	17	64.7	1,982	82.4
Road Transport	25	92.0	549	93.3	33	81.8	2,297	73.8	70	90.0	6,327	94.1	14	71.4	1042	73.6	142	86.6	10,216	87.4
Water Transport	20	80.0	265	66.6	14	71.4	520	80.5	7	85.7	417	44.0	3	66.7	18	97.1	44	77.3	1,220	65.2
Urban Transport																				
Subtotal	55	85.5	948	82.0	60	75.0	3,613	70.9	102	87.3	8,812	90.9	18	72.2	1259	78.1	235	82.6	14,632	84.3
Multisector	1	100.0	1	100.0	15	66.7	202	86.9	32	75.0	1,429	89.2	13	76.9	952	85.8	61	73.8	2,584	87.8
Public Sector Management																				
Decentralization									1	0.0	0.3	0.0	1	100.0	10	100.0	2	50.0	10	96.9
Economic and Public Affairs Management									1	100.0	3	100.0					1	100.0	3	100.0
Law and Judiciary																				
Public Administration																				
Public Expenditures and Fiscal Management									2	0.0	37	0.0					2	0.0	37	0.0
Subtotal									4	25.0	40	8.2	1	100.0	10	100.0	5	40.0	50	26.7
Water and Other Municipal Infrastructure and Services																				
Housing and Slum Upgrading	2	100.0	46	100.0	2	100.0	42	100.0									4	100.0	88	100.0
Urban Sector Development	4	50.0	80	57.4	12	75.0	899	77.3	27	51.9	1,184	51.8	6	33.3	89	53.3	49	55.1	2,252	62.2
Waste Management and Sewage	1	100.0	16	100.0	3	33.3	147	11.3	4	50.0	460	63.0	2	100.0	84	100.0	10	60.0	707	57.5
Water Supply and Sanitation	28	53.6	547	58.7	18	44.4	471	40.7	32	71.9	1,192	83.6	6	83.3	246	78.6	84	60.7	2,455	69.3
Subtotal	35	57.1	688	62.2	35	57.1	1,560	60.6	63	61.9	2,836	67.0	14	64.3	419	77.5	147	59.9	5,502	65.4
Total	334	61.1	5,848	66.8	390	57.7	17,607	64.6	464	71.8	26,547	81.5	87	66.7	3,507	80.4	1,275	64.3	53,510	74.3
ICT = information and communication technology.																				
^a The results represent only about 17% of total projects approved during this period; hence, success rate may change as more projects are completed and evaluated.																				
Note: ADB usually reports success rates in terms of number of sovereign operations. However, success rates by net loan amount are included for completeness and generally show even better results.																				
Source: Independent Evaluation Department database as of 31 December 2010.																				

Table A7.3. Proportion of Successful Programs

SECTOR / SUBSECTOR	Approval Period																		Overall			
	1978-1980				1981-1991				1992-2000				2001-2009 ^a									
	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)	Total No.	Success Rate (%)	Total Amount (\$ million)	Success Rate (%)		
Agriculture and Natural Resources	3	66.7	26	69.2	23	17.4	1,633	8.1	10	50.0	559	52.6	3	33.3	520	19.4	39	30.8	2,739	19.9		
Education									2	100.0	45	100.0	2	100.0	111	100.0	4	100.0	156	100.0		
Finance					2	0.0	105	0.0	19	68.4	7,072	95.2	12	58.3	1,420	50.8	33	60.6	8,596	86.7		
Health and Social Protection	1	0.0	12	0.0					6	66.7	1,129	50.7	1	100.0	4	100.0	8	62.5	1,145	50.4		
Industry and Trade	2	50.0	10	51.1	4	50.0	477	74.3	4	50.0	508	64.1	6	83.3	283	45.4	16	62.5	1,277	63.7		
Infrastructure					2	0.0	227	0.0	6	33.3	1,462	31.6	4	100.0	1,080	100.00	12	50.0	2,768	55.7		
Energy					1	0.0	125	0.0	4	50.0	1,142	40.5	3	100.0	1,029	100.0	8	62.5	2,296	64.9		
Transport and ICT					1	0.0	102	0.0	2	0.0	320	0.0	1	100.0	51	100.0	4	25.0	472	10.8		
Multisector									1	0.0	19	0.0	9	88.9	702	69.6	10	80.0	721	67.8		
Public Sector Management									13	53.8	1,122	67.9	22	54.5	3,525	69.2	35	54.3	4,647	68.9		
Total	6	50.0	49	48.4	31	19.4	2,441	19.9	61	57.4	11,915	77.1	59*	67.8	7,645	66.4	157	53.5	22,050	67.0		
ICT = information and communication technology.																						
Note: ADB usually reports success rates in terms of number of sovereign operations. However, success rates by net loan amount are included for completeness and generally show even better results.																						
Source: Independent Evaluation Department database as of 31 December 2010.																						

DISTRIBUTION OF RECOMMENDATIONS BY STRATEGY 2020 RESULTS AND INDEPENDENT EVALUATION DEPARTMENT CLASSIFICATION

Strategy 2020 Results Classification	IED Classification	2008				2009				2010				Total			
		Agreed		Not Agreed		Agreed		Not Agreed		Agreed		Not Agreed		Agreed		Not Agreed	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Strategy and Policy: Contributes to Poverty Reduction and Human Development (Level 1)	Country Partnership Strategy/ Country Programming Strategies, Policies, Guidelines	9	81.8	2	18.2	12	92.3	1	7.7	1	50.0	1	50.0	22	84.6	4	15.4
		4	80.0	1	20.0	1	100.0			1	100.0			6	85.7	1	14.3
	Subtotal	13	81.2	3	18.8	13	92.9	1	7.1	2	66.7	1	33.3	28	84.8	5	15.2
Sector/ Thematic Contributions (Level 2)	Strategy 2020 Core Areas of Operations	18	94.7	1	5.3	26	100.0			13	100.0			57	98.3	1	1.7
	Strategy 2020 Drivers of Change	25	83.3	5	16.7	24	100.0			20	100.0			69	93.2	5	6.8
	Noncore Areas of Operations	1	50.0	1	50.0									1	50.0	1	50.0
	Subtotal	44	86.3	7	13.7	50	100.0	0	0.0	33	100.0	0	0.0	127	94.8	7	5.2
Operational Effectiveness (Level 3)	Approaches/ Methodologies	3	100.0											3	100.0		
	Financing Instruments, Arrangements, Modalities	6	85.7	1	14.3	1	100.0			4	100.0			11	91.7	1	8.3
	Loan/ TA Processing	4	100.0			4	100.0			1	100.0			9	100.0		
	Monitoring and Evaluation	8	80.0	2	20.0	11	91.7	1	8.3	4	100.0			23	88.5	3	11.5
	Project Management	5	83.3	1	16.7	1	50.0	1	50.0	4	80.0	1	20.0	10	76.9	3	23.1
	TA Management			1	100.0											1	100.0
	Subtotal	26	83.9	5	16.1	17	89.5	2	10.5	13	92.9	1	7.1	56	87.5	8	12.5
Organizational Effectiveness (Level 4)	Human Resource Policy/Staff Issues	3	60.0	2	40.0	3	100.0							6	75.0	2	25.0
	Subtotal	3	60.0	2	40.0	3	100.0	0	0.0	0	0.0	0	0.0	6	75.0	2	25.0
Total		86	3.5	17	6.5	83	6.5	3	.5	48	6.0	2	.0	217	0.8	22	.2

IED = Independent Evaluation Department, TA = technical assistance.

Source: Management Action Record System.

PROGRESS ON FOLLOW-UP ACTIONS AND RECOMMENDATIONS BY DUE DATE
(as of 31 December 2010)

Year Due	Status Ratings by ICDs												Action Not Yet Due with No Status Rating		Action Already Due with No Status Rating		Total FAARs Due
	Fully Adopted		Largely Adopted		Partly Adopted		Not Adopted		Ongoing		Planned						
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Due																	
2009	13	61.9	5	23.8			2	9.5	1	4.8							21
2010	32	43.2	31	41.9	11	14.9											74
Subtotal	45	47.4	36	37.9	11	11.6	2	2.1	1	1.1	0	0.0	0	0.0	0	0.0	95
Not Due																	
2011			3	6.5	3	6.5			22	47.8	1	2.2	16	34.8	1	2.2	46
2012	3	10.7			1	3.6			22	78.6			2	7.1			28
2013					1	9.1			6	54.5			4	36.4			11
2014									2	100.0							2
2015	1	4.8							17	81.0	3	14.3					21
Subtotal	4	3.7	3	2.8	5	4.6	0	0.0	69	63.9	4	3.7	22	20.4	1	0.9	108
Total	49	24.1	39	19.2	16	7.9	2	1.0	70	34.5	4	2.0	22	10.8	1	0.5	203
FAAR = follow-up actions and recommendations, ICDs = implementing or coordinating departments.																	
Source: Management Action Record System.																	

HIGHLIGHTS OF VALIDATED FULLY AND LARGELY ADOPTED RECOMMENDATIONS IN 2010

Recommendations Agreed To by Management/Region/Country	Actions Taken by Management	Rating		Expected Outputs/Results
		ICD	IED	
ADB-wide				
<ul style="list-style-type: none"> Seven recommendations focused on enhancing ADB-wide M&E by strengthening results M&E in rural road-associated projects, review and revision of the TCR, CPSCR, and CAPE formats/templates, revamp of the PPR system, training of staff on self-evaluation, and systematic monitoring of quality of ICD interventions 	a) Strengthened results M&E systems by including baseline, midterm and final surveys in project designs and benefits measurement as well as improving the quality of DMFs for rural road projects.	FA	FA	Actions will enhance management of ADB operations.
	b) Improved the CAPE reporting template by avoiding repetitive information, focusing on a few topics with in-depth analysis, simplifying the rating system, quantifying selected key outcomes and impacts, and harmonizing CAPE methods and approaches with ECG good practices.	FA	FA	
	c) Revised the TCR format to address the need to clarify TA outputs and outcomes under different sections, define and assess sustainability prospects, and identify relevant lessons and recommendations.	LA	LA	
	d) Revised the CPSCR format to address the need to assess bottom-up outcomes by sector, link the report to CPS outcomes or pillars, and assess assistance approved before the current CPS but implemented during the current CPS period.	LA	LA	
	e) Revamped the PPR system (and linked it to the revised eOperations system) and refined/supplemented the performance indicators.	LA	LA	
	f) Conducted training sessions and mentorship practices on self-evaluation (for PCRs, TCRs, and CPSCRs).	LA	LA	
	g) Enabled systematic monitoring of the quality of the CD action plan by revising the CD action plan as well as conducting various training sessions, briefings and consultations on GACAP II and on the plan.	LA	LA	
Central and West Asia				
Pakistan				
<ul style="list-style-type: none"> Two recommendations centered on addressing and incorporating waste management in WSS projects and 	a) Incorporated and will continue to incorporate waste management in project/program designs such as the Sindh Cities Improvement Investment Program, Punjab Cities Improvement Investment	FA	FA	Actions strengthened WSS management and operations in Georgia, Kyrgyz Republic, and Pakistan.

Recommendations Agreed To by Management/Region/Country	Actions Taken by Management	Rating		Expected Outputs/Results
		ICD	IED	
improving quality and delivery of safe water in Pakistan as well as in various DMCs.	Program and the approved WSS projects in Georgia and Kyrgyz Republic.			
	b) Worked closely with USAID, WB, UNDP, UNICEF, Japan, and Sweden to gain support for WSS investments and other initiatives such as the drafting by Punjab Province of the Municipal Water Act and Regulatory Framework.	FA	FA	
<ul style="list-style-type: none"> A recommendation focused on strengthening results M&E in Pakistan as well as in other Central and West Asia DMCs. 	Has started to establish and will continue to establish WSS baseline data for results M&E in Pakistan and other Central and West Asia DMCs by using the result framework indicators.	FA	FA	Actions strengthened results M&E of WSS programs and projects in Pakistan and other Central and West Asia DMCs.
East Asia				
Mongolia				
<ul style="list-style-type: none"> Two recommendations suggested the facilitation of dialogue between Mongolia and its neighbors—such as the PRC—regarding the harmonization of customs and product inspection standards as well as addressing physical constraints related to rail, storage, road, and port infrastructure. 	a) Pilot-tested the MON-PRC JCC through RETA 6370 and ensured continued support via a new TA (RETA 7618).	FA	FA	Actions contributed to the facilitation of customs harmonization and border formalities between Mongolia and PRC as well as to the improvement of transport and trade logistics in Mongolia.
	b) Formulated and obtained approval for the Regional Logistics Development Project in order to establish a regional logistic center at Zamyn Uud.	FA	LA	
<ul style="list-style-type: none"> A recommendation called for partnership with the Government of Mongolia in adopting a stepped approach in instituting changes to strengthen key institutions concerned with transport and trade facilitation in Mongolia. 	Developed a draft rolling investment plan, which was based on the assessed development and economic needs of the country and in line with ADB's planned action.	FA	LA	Action contributed to the strengthening of the Ministry of Road, Transport, Construction and Urban Development in Mongolia.
Pacific				
Cook Islands, Marshall Islands, Samoa, Solomon Islands, and Tonga				
<ul style="list-style-type: none"> Three recommendations concerning Pacific DMCs focused on strengthening government institutions by funding policy reform initiatives prioritized by the DMCs. 	a) Conducted policy reform dialogues on economic management, public service, and private sector reform agenda supplemented by economic, thematic, and sector work for selected Pacific DMCs (Cook Islands, Marshall Islands, Samoa, Solomon Islands, and Tonga).	FA	FA	Actions will likely enhance ownership and focus of reform initiatives as well as ensure continuity of ADB support in selected Pacific countries (Cook Islands, Marshall Islands, Samoa, Solomon Islands, and Tonga).
	b) Processed in 2009 and 2010 reform program loans focused on prioritized government reforms for the selected Pacific DMCs.	FA	FA	
	c) Processed in 2009 and 2010 reform program	FA	LA	

Recommendations Agreed To by Management/Region/Country	Actions Taken by Management	Rating		Expected Outputs/Results
		ICD	IED	
	loans that address removing binding constraints and economic and public resource management issues for the selected Pacific DMCs.			
South Asia				
Bangladesh				
<ul style="list-style-type: none"> In three recommendations for the education sector in Bangladesh, the development and strengthening of a results framework for the sector was emphasized. 	a) Developed a results framework including disbursement-linked indicators covering most critical areas of reforms.	FA	FA	Actions are expected to result in enhanced service delivery and program management in the sector, leading to improved education quality in Bangladesh.
	b) Formulated small-scale capacity development TA to support monitoring of results and fiduciary risk management.	LA	LA	
	c) Held efficient discussions in joint annual reviews, with a focus on reporting and a common results framework for all partners.	LA	LA	
<ul style="list-style-type: none"> A recommendation centered on strengthening institutional capacity in implementing the SWAp in Bangladesh. 	Implemented a TA to enhance the capacity of the executing agency in employing the SWAp.	LA	LA	Action will enhance the effectiveness of the SWAp modality in Bangladesh.
Nepal				
<ul style="list-style-type: none"> A recommendation suggested continued support to the transport, power, and water supply sectors to address infrastructure deficits that are hindering inclusive growth in Nepal, with special emphasis on policy and institutional reforms to achieve long-term effectiveness and sustainability. 	Supported various operations (loans, grants, and TA) in transport, power, and urban water supply and sanitation, and provided support for policy and institutional reforms.	FA	FA	Action will contribute to reduction of Nepal's large transport, power, and WSS infrastructure deficit.
Southeast Asia				
Cambodia				
<ul style="list-style-type: none"> Two recommendations promoted the use and refinement of the community-driven approach in the management of WSS projects in Cambodia. 	a) Conducted a sector assessment strategy and roadmap exercise, the results of which will be used in developing the 2011–2013 CPS for Cambodia.	LA	LA	Actions helped strengthen the institutional structure of water resources management in the country.
	b) Developed the Water Resources Management Sector Development Program, which was approved by the ADB Board in October 2010, and scheduled to process in 2012 the Agricultural Commercialization and Resource Management Program.	LA	LA	
<ul style="list-style-type: none"> Two recommendations called for (i) 	a) Implemented a small-scale policy advisory TA to prepare an assessment, strategy and roadmap for	FA	FA	Actions contributed to strengthening the institutional structure for water

Recommendations Agreed To by Management/Region/Country	Actions Taken by Management	Rating		Expected Outputs/Results
		ICD	IED	
strengthening the institutional structure for water resources management; and (ii) reinforcing core governance activities in project management, public financial management, decentralization and deconcentration, and anticorruption in Cambodia.	governance-related support from ADB. Support to the National Audit Authority was built into the design of the Public Financial Management for rural Development Project. Will develop TA support to the implementation of the newly adopted anti-corruption law as part of the 2011 nonlending pipeline.			resources management and to fostering good governance standards in the sectors supported by ADB in Cambodia.
	b) Developed the Water Resources Management Sector Development Program and will process in 2012 the Agricultural Commercialization and Resource Management Program.	LA	LA	
Greater Mekong Subregion				
<ul style="list-style-type: none"> Two recommendations centered on the expansion of cofinancing partnerships among ADB and development partners, the private sector, and GMS member countries to bridge the financing gap in the GMS program. 	a) Conducted consultations and partnership discussions with development partners on cofinancing opportunities, enhancing aid effectiveness, and enhancing knowledge promotion and coordination.	LA	LA	Actions are expected to effectively expand ADB's cofinancing (power transmission and development) and aid effectiveness partnerships with agencies/institutions such as Agence Francaise de Developpement, Korean Eximbank, Australian Agency for International Development, and GTZ.
	b) Leveraged ADF resources to mobilize financing from the private sector and other development partners on power transmission and power development projects.	LA	LA	
<ul style="list-style-type: none"> Two recommendations highlighted support for (i) implementation of policy and procedural reforms to facilitate regional cooperation initiatives; and (ii) strengthening coordination among various working groups and entities in the GMS. 	a) Supported ratification of the cross-border transport agreement by GMS countries and strengthening of the policy/institutional framework for power trading in the GMS.	LA	LA	Actions would likely (i) complement and maximize benefits from subregional infrastructure such as roads and power generation facilities; and (ii) strengthen coordination and linkages among power stakeholders in the GMS.
	b) Implemented RETA 6440, which includes joint activities in building capacity on power in the GMS, and envisaged a follow-up RETA to broaden the scope for power capacity building.	LA	LA	
Philippines				
<ul style="list-style-type: none"> Two recommendations sought to strengthen provincial and local institutions in the Philippines by improving their expenditure efficiency and planning and governance capacity. 	a) Implemented TA 7074 to strengthen provincial, local planning and expenditure management. Processed TA to support policy development on decentralization and local governance, and processed Local Government Finance and Budget Reform, Subprogram 2 to further strengthen public expenditure management, service delivery and performance measurement.	FA	FA	Actions contributed to deepened and improved local governance and decentralized service delivery in the Philippines.
	b) Prepared various publications (e.g., <i>Poverty in the Philippines: Causes, Constraints and Opportunities</i> ; <i>Philippines: Critical Development</i>	FA	FA	

Recommendations Agreed To by Management/Region/Country	Actions Taken by Management	Rating		Expected Outputs/Results
		ICD	IED	
	<i>Constraints</i>), sector assessments, strategies and roadmaps to input into the next CPS for the Philippines.			
<ul style="list-style-type: none"> Two recommendations focused on building synergies between local development and regional cooperation initiatives, particularly in the BIMP-EAGA as well as building development partner harmonization in operations in the Philippines. 	a) Used and supported the existing 3-year rolling program under BIMP-EAGA as the main instrument for ADB's poverty reduction and synergy-building initiatives in Mindanao.	FA	FA	Actions helped ADB to build synergies and regional cooperation among fellow development partners and guide current and future ADB engagement in the Philippines.
	b) Prepared or conducted sector assessments, strategies, and roadmaps that provided ADB with a systematic basis for aligning its initiatives with the government and other development partners.	FA	FA	
Viet Nam				
<ul style="list-style-type: none"> Three recommendations sought to improve the management and operation of WSS projects in Viet Nam by strengthening feasibility studies, adopting realistic contingency plans, increasing supervision, setting targets and developing indicators jointly with the government, and integrating wastewater treatment to supplement investments in water supply. 	a) Prepared a TA loan to assist with project preparation including feasibility study reports, detailed design, and bidding documents.	LA	LA	Actions are expected to reduce project start-up delays and improve portfolio performance as well as strengthen water supply and wastewater management in Viet Nam.
	b) Implemented or formulated for approval a policy and capacity development TA and program on equitization of water companies, tariff reforms, and institutional strengthening and on wastewater and water supply management.	LA	LA	
	c) Processed a capacity development TA on wastewater management to strengthen wastewater management in Viet Nam and to support the preparation of a large investment program in wastewater.	PA	LA	
<ul style="list-style-type: none"> Two recommendations highlighted the need to develop (i) a governance plan that will address institution building and organizational reform requirements as well as consider the activities of development partners brought about by expanding transport sector operations; and (ii) sector indicators (jointly with the government) for the institutional reform and financial performance of water supply companies and urban environment companies by undertaking better business planning, clarifying responsibilities, and establishing separate accounting systems in Viet Nam. 	a) Formulated and implemented policy advisory TA (PATA 6711) to strengthen the institutional and financial arrangements (by developing, among others, an assessment of the applicability of PPP arrangements), O&M, and governance of road transport in Viet Nam.	FA	FA	Actions would likely result in the strengthened institutional and financial arrangements, O&M, and governance of road transport as well as financial sustainability and institutional reforms of water supply and sanitation in Viet Nam.
	b) Implemented or formulated for approval policy and capacity development TA and a program on equitization of water companies, tariff reforms, institutional strengthening, and wastewater and water supply management in Viet Nam.	LA	LA	

Recommendations Agreed To by Management/Region/Country	Actions Taken by Management	Rating		Expected Outputs/Results
		ICD	IED	
<ul style="list-style-type: none"> A recommendation focused on improving the sustainability of road transport in Viet Nam by gaining the government's commitment to maintenance funding. 	Closely coordinated and cooperated with development partners to encourage the government to fund the O&M of road projects.	LA	LA	Action would contribute to the postcompletion sustainability of road transport in Viet Nam.

ADB = Asian Development Bank, ADF = Asian Development Fund, AFD = Agence Francaise de Developpement, ASEAN = Association of Southeast Asian Nations , BIMP-EAGA = Brunei Darusalam-Indonesia-Malaysia-Philippines East ASEAN Growths Area, CAPE = country assistance program evaluation, CPS = country partnership strategy, CPSCR = country partnership strategy completion report, DMC = developing member country, ECG = Evaluation Cooperation Group, FA = fully adopted, GACAP II = Second Governance and Anticorruption Action Plan, GMS = Greater Mekong Subregion, GTZ = German Technical Cooperation, ICD = implementing or coordinating department, JCC = joint customs cooperation, LA = largely adopted, M&E = monitoring ad evaluation, MON = Mongolia, MRTCUD = Ministry of Road, Transport, Construction and Urban Development, PA = partly adopted, PCR = project/program completion report, PFM = public financial management, PPP = public-private partnership, PPR = project performance report, PRC = People's Republic of China, RETA = regional TA, SWAp = subsectorwide approach, TA = technical assistance, TCR = TA completion report, UNDP = United Nations Development Programme, UNICEF = United Nations Children's Fund, USAID = United States Agency for International Development, WB = World Bank, WSS = water supply and sanitation.

Source: Management Action Record System.

**DISTRIBUTION OF VALIDATION RATINGS BY STRATEGY 2020 RESULTS AND
INDEPENDENT EVALUATION DEPARTMENT CLASSIFICATION
As of 31 December 2010**

Strategy 2020 Results Classification	IED Classification	Total Agreed-Upon Recommendations	Total Completed as of 31 December 2010	Validation Ratings by IED									
				Fully Adopted		Largely Adopted		Partly Adopted		Not Adopted		Deferred Rating	
				No.	%	No.	%	No.	%	No.	%	No.	%
Strategy and Policy: Contributes to Poverty Reduction and Human Development (Level 1)	Country Partnership Strategy/ Country Programming	22	14	5	35.7	4	28.6	4	28.6			1	7.1
	Strategies, Policies, Guidelines	6	1							1	100.0		
	Subtotal	28	15	5	33.3	4	26.7	4	26.7	1	6.7	1	6.7
Sector/ Thematic Contributions (Level 2)	Strategy 2020 Core Areas of Operations	57	20	5	25.0	12	60.0	3	15.0				
	Strategy 2020 Drivers of Change	69	28	11	39.3	7	25.0	10	35.7				
	Noncore Areas of Operations	1	0										
	Subtotal	127	48	16	33.3	19	39.6	13	27.1	0	0.0	0	0.0
Operational Effectiveness (Level 3)	Approaches/Methodologies	3	3			2	66.7	1	33.3				
	Financing Instruments, Arrangements and Modalities	11	7	2	28.6	2	28.6	3	42.9				
	Loan/TA Processing	9	5	1	20.0	3	60.0	1	20.0				
	Monitoring and Evaluation	23	10	3	30.0	7	70.0						
	Project Management	10	3	2	66.7			1	33.3				
	TA Management		0										
	Subtotal	56	28	8	28.6	14	50.0	6	21.4	0	0.0	0	0.0
Organizational Effectiveness (Level 4)	Human Resource Policy/Staff Issues	6	4	1	25.0	1	25.0	1	25.0	1	25.0		
	Subtotal	6	4	1	25.0	1	25.0	1	25.0	1	25.0	0	0.0
	Total	217	95	30	31.6	38	40.0	24	25.3	2	2.1	1	1.1

IED = Independent Evaluation Department, TA = technical assistance.

Source: Management Action Record System.

PROGRESS UPDATES ON ADDRESSING CHALLENGES, IMPLEMENTATION ISSUES AND IMPROVEMENTS RAISED IN THE 2009 ANNUAL REPORT ON ACTING ON RECOMMENDATIONS

Issues and Suggestions	Status/Response
<p>1. Communities of practice. In cases where ADB-wide actions (involving thematic and cross-cutting initiatives) are required for the agreed-upon recommendations, the assigned implementing or coordinating department (ICD) may seek the assistance of the relevant communities of practice to support the designated/assigned staff.</p>	<p>To facilitate communications, a chat forum maintained outside the MARS may be considered to accommodate discussions on each ADB-wide action plan.</p> <p>In the meantime, the assigned ICDs may wish to contact the communities of practice directly.</p>
<p>2. Review of existing action plans not yet past their due dates. Given the number of recommendation action plans that have not reached their action completion target dates, the assigned ICDs must carefully reexamine the proposed action plans and the recorded actions (including those arising from country assistance program evaluations [CAPEs], sector assistance program evaluations [SAPEs], and special evaluation studies [SESs]) to rationalize, streamline and consolidate these action plans. In some cases, stricter deadlines must be imposed on action plans, while in other cases, action plans may have to be replaced or retired when they have been superseded or rendered obsolete by certain events. This review will help the ICD avoid potential problems with the accumulation of a large number of unmanageable action plans.</p>	<p>In the DEC Chair's summary of the committee discussion on the ARAR 2009 on 16 April 2010, this point was raised: (For details see para. 4 of DEC Chair's Summary at http://www.adb.org/BOD/dec/DEC-Chair-Sum-16Apr2010.pdf).</p> <p>"Some DEC members were apprehensive about IED's suggestion for Management to request IED to retire recommendations that have been superseded or rendered obsolete due to changes in ADB-wide policies or business processes. DEC opined that the Committee should discuss first and endorse any proposed retirement of agreed recommendations. DEC members believed that there could be underlying issues that need to be addressed from the recommendations."</p> <p>In line with the above comments by the DEC, stocktaking or review of existing action plans may be pursued by ADB Management and ICDs, as these action plans have been prepared by the assigned ICDs. However, any proposal by ADB Management for retirement of "agreed recommendations" will require discussion with IED and the DEC, which may take place during the DEC discussion of the Annual Evaluation Review.</p>
<p>3. Action plan detail. There is a need to find a balance between the specificity of an action plan and the action plan detail. Focal points recognize the need to improve the formulation of actions plans, and that the accountability of the action plan formulation lies with the ICD. Focal points highlighted that the existing recommendations are already strategic. However, a certain degree of specificity is required in the formulation of the action plans, which sometimes undermine the strategic significance of the recommendations. It was suggested that action plans and their corresponding progress reports should not be too detailed. The ICDs should retain the flexibility to decide what details they want to reflect in their action plans and progress reports.</p>	<p>In the DEC Chair's summary of the committee discussion on the ARAR 2009 on 16 April 2010, this point was raised: (For details see para. 8 of DEC Chair's Summary at http://www.adb.org/BOD/dec/DEC-Chair-Sum-16Apr2010.pdf)</p> <p>"Director General, SERD, mentioned Management's agreement to the ARAR's suggestion for a consultation between the regional department concerned and IED during the formulation of the action plans. However, Management was concerned that such involvement by IED might compromise its independence. Management, instead, suggested a more detailed discussion at the drafting stage of IED recommendations."</p> <p>It is up to ADB Management to decide on the action plans and the details that the ICDs would want to reflect in their action plans and progress reports. IED will not</p>

Issues and Suggestions	Status/Response
	be involved in the preparation of action plans. However, upon request, the concerned IED staff (principal author of the evaluation report) will be available for consultation in the context of the intent of the recommendations and their timing.
<p>4. Tracking recommendations of CAPEs and SAPEs, associated action plans, and actions taken. In the case of CAPEs and SAPEs, tracking recommendation action plans may be streamlined by linking them into the preparation of new country and partnership strategies (CPSs), respectively. Upon approval of the relevant new CPS, the action plans and the actions taken could be self-assessed by the ICD, validated and rated by IED, and subsequently recorded as completed or closed. Parallel to this, focal points suggested that IED consider keeping CAPE and SAPE recommendations in one set by not tracking separate recommendations for each report. It was confirmed that ICDs had in some cases stated in the action plans that the incorporation or consideration of recommendations would be undertaken during the preparation of the next CPS. However, not all recommendations of CAPEs and SAPEs need to wait for the next CPS to be acted on. Recommendations related to country assistance portfolio, program implementation, and other operational matters can be acted on in the context of conducting ADB's day-to-day business in the country.</p>	<p>Implementation of this suggestion will be on a case-to-case basis:</p> <ul style="list-style-type: none"> • Recommendations (and their action plans) that are not tied to the formulation of the next CPS will be tracked using the standard MARS system tracking procedure. • Recommendations (and their action plans) that are tied to the formulation of the next CPS will be tracked when that CPS has been completed. However, this should be explicitly noted, and the indicative due date of the new CPS must still be posted in the MARS so these can still be tracked by the MARS. • IED has already started incorporating most SAPE-level recommendations into the related CAPE reports to avoid repetitions, for example, in the CAPEs for Bhutan and Lao PDR.

Possible Improvements in the MARS	Actions Taken or Being Taken
1. Search performance. The server response time for processing search requests and generating management action records should be shortened. When a search is in progress or a management action record is being generated, a visual prompt should be enabled to indicate to users that their request is being processed. This can prevent users from making the same request twice and inadvertently lengthening the server response time.	Done. The visual prompt (or loading message) in processing search requests is already in effect in the MARS. Other features (such as the search and generation of management action records classified by year and by their due dates) are now being introduced in the system.
2. E-mail alerts to notify assigned staff. Users have expressed the need to enable (and disable) e-mail alerts capable of designating the recipients of alerts for a particular management action record.	Done. With IT enhancement, authorized ICD staff can now designate approving officers (or recipients) for a particular management action record without the need for IED intervention.
3. Workflow and approval. Assigned staff develop action plans; determine action completion target dates; and track, monitor, and report progress in action plan implementation. This process requires the approval of their supervisors. Each department or division handles several recommendations. An electronic workflow with batch approval capability may therefore make MARS more effective.	Done. With IT enhancement, this is already in effect in the MARS.
4. Reporting facility. Users have called for a more robust data export facility for reporting, which will allow users to select particular fields to include in a particular file type (Excel or Word version) of the management action record. More report options have been requested by users, with filtering capability for summary report generation (for example, by department and report type).	Done. Report generation of recommendations, action plans, and corresponding action plan progress reports in the MARS has been improved/ upgraded, as it now allows users to generate relevant statistics by due date or report date or by department. This feature also allows users to generate the management action records of the relevant statistics. These generated records can be filtered by report title and department or sorted by report date, title, department, or action target date.
5. Classification of recommendations. Tagging each recommendation by its primary classification can help sort the recommendations by classification group. All recommendations, including those with multiple secondary classifications, may be tagged.	Done. Already in effect in the MARS. Each recommendation in the MARS has now been tagged by its primary and secondary classifications.
6. MARS user guidelines and learning opportunities. There is a need for improved user guidelines for MARS that provide a step-by-step guide in classifying recommendations. This can help ensure the consistent classification of recommendations by different staff. Understanding of the requirements of MARS and the processes involved in making its use more effective is still uneven among staff of departments (including IED). Thus, efforts to improve the processes, coordination, and use of MARS will be further explored through (i) feedback from MARS users and implementers, (ii) orientation and tutorials on review and validation, and (iii) incentives and motivation for staff from ADB Management and further cooperation with heads of departments.	In progress. User guidelines for classifying recommendations under the MARS are currently being improved.

ADB = Asian Development Bank, CAPE = country assistance program evaluation, CPS = country partnership strategy, DEC = Development Effectiveness Committee, ICD = implementing or coordinating department, IED = Independent Evaluation Department, IT = information technology, MARS = management action record system, SAPE = sector assistance program evaluation.

Source: Management Action Record System.

MANAGEMENT RESPONSE TO THE 2011 ANNUAL EVALUATION REVIEW

On 10 June 2011, the Officer-in-Charge, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. Management appreciates this comprehensive report on the accomplishments of the Independent Evaluation Department (IED) in 2010. The 2011 Annual Evaluation Review (the Review) contains useful findings and lessons on trends in sovereign and nonsovereign operations, highlights of IED's higher level evaluations, and a valuable review of ADB Management actions in response to IED's reports and recommendations. The Review also describes IED's initiatives in 2010 to promote evaluation capacity development and to train IED staff, other ADB staff, and personnel of ADB's developing member countries.

II. Specific Comments

2. The Report does not present recommendations, but provides findings and issues on the following two areas. We would like to comment on these findings and issues as follows.

3. **Declining Performance in terms of Success Rates.** We have noted IED's findings on the declining trend in sovereign operations ratings, and agree that this trend has been heavily influenced by a decline in the performance of projects and programs in ADB's Group B countries, notably Pakistan where portfolio restructuring was undertaken in 2007. As was the experience with other countries where portfolio restructuring was undertaken (Philippines and Indonesia in 2003–2004, India in 2005, Nepal in 2006, and Bangladesh in 2007), it takes two to three years for the subsequent cancellations to be processed and reflected in project completion reports (PCR). Portfolio restructuring paves the way for a better quality portfolio over time, and future PCR ratings to reflect the stronger portfolio.

4. The findings in the Review are generally consistent with those under our annual corporate scorecard, the Development Effectiveness Review 2010 Report (DEfR 2010). We are concerned about the declining trend, and are taking concerted actions to reverse this trend, including introduction of a new project performance reporting system based on the design and monitoring framework since January 2011. This new system includes five new portfolio performance indicators—technical, procurement, disbursement, financial management and safeguards—to derive ratings for a project and the portfolio. It uses a more stringent methodology that will enable ADB and borrowers to identify and solve project implementation problems in a more timely fashion. The new system will also help eliminate or reduce long-standing inconsistencies between the portfolio performance ratings and PCR ratings. We will continue to monitor these operations to enable implementation problems to be resolved as they arise.

5. **Acting on Recommendations.** We are fully supportive of the Management Action Record System (MARS), which IED established in 2008.

MARS has enabled systematic tracking of implementation of recommendations agreed to by Management. We have noted and agree with IED's recommendation to continue consultations between Management and/or departments and IED on the context of the recommendations and their timing, including setting more realistic action plans and less ambitious action completion target dates, all while ensuring that IED's independence is not compromised. Finally, we will find means to encourage more robust real-time tracking, updating and reporting of Management actions on recommendations.

DEVELOPMENT EFFECTIVENESS COMMITTEE

Chair Summary of the Committee's Discussion on 15 June 2011

2011 Annual Evaluation Review

Discussion Highlights

I. Declining success rate in portfolio performance

1. The Development Effectiveness Committee (DEC) noted the declining success rate of the Asian Development Bank's (ADB's) performance and noted that significant corrective measures need to be taken to reverse the declining trend. The DEC Chair inquired as to whether the 80 per cent target for 2012 should be adjusted to reflect the decline. In particular, concerns were raised about the sharp decline in the education sector, in some subsectors of agricultural and natural resources, and in finance and public sector management sectors. Likewise, DEC noted that the success rate in agriculture particularly livestock and fisheries, remains low. DEC further noted that the decline in the success rate is driven by two factors, that of sustainability and efficiency. Independent Evaluation Department (IED) concurred with this observation.

2. Attention was drawn towards the performance of Pakistan where the portfolio was restructured (in fact staff indicated that it was still ongoing) but where benefits still had to materialize in the next 2-3 years, unlike that of other countries such as Bangladesh, India, Nepal and the Philippines, where performance improved after restructuring. In a similar vein, DEC noted that poor performance of a conflict-affected country may reflect poor project design, and should not be blamed necessarily on the conflict itself. DEC asserts that operations should be sensitive to country circumstances and should factor this consideration in its design. DEC also noted the low approval and completion rate of regional investment projects in 2009. DEC highlighted the importance of understanding sentiments of member countries in order to achieve progress in regional cooperation and integration.

3. Principal Director, Central Operations Services Office (COSO) explained that Pakistan's case is not exceptional in the sense that it follows the experience of other countries where restructuring has taken place. When restructuring happens, (i) projects are closed before the money is used up thereby increasing the likelihood of projects being unsuccessful or partially successful; and (ii) the number of project completion reports (PCRs) is expected to increase. He asserted that nevertheless restructuring remains a powerful tool which should be encouraged in appropriate cases. In the case of Pakistan, ground realities changed in the aftermath of 9/11 and the 2002 elections. Projects, which were earlier premised on decentralization, did not work as a result, and the restructuring in 2007, done with the full consent of the government, was the correct move. He also opined that important lessons, particularly the need for simpler project designs which are better implementable, were learned from this experience.

4. On the suggestion to strengthen the technical and management capacity of parallel project implementation units, DEC inquired whether these were aligned with the Paris Declaration in regard to supporting country systems. Members also inquired whether IED's recommendation to strengthen proactive supervision by resident mission staff to increase the likelihood of project success was consistent with the "One ADB" approach. Management agreed with IED's recommendation and opined that it was an efficient use of staff resources. Staff also remarked that while the Paris Declaration principles on country systems were widely read as an

all or nothing approach, perception on these principles may have been shifting of late. ADB's approach was to follow its guidelines while actively engaging countries who were willing to dialogue towards procurement reform. While ADB may not be using country systems as yet, it was on its way to improving country systems and was moving strongly towards that direction.

5. With regard to the DEC Chair's inquiry on adjusting the 80% success rate goal, the Managing Director General opined that the target should be kept in order to motivate departments to improve performance. It was also noted that the shortfall in achieving the target had prompted a review of the project cycle and led to improvements in business processes. Improvements on quality at entry, risk-based categorization, peer review, early planning for implementation was a response to earlier DEfR, and some of the indicators were positive.

II. Management Action Record System (MARS)

6. DEC was pleased about the implementation of MARS and found the system very useful. One of the concerns raised about MARS pertained to the frequency of system update. Another concern was the extent to which Management used MARS as a tool, particularly when it agreed to a set of recommendations and was implementing them. Sometimes the IED found that recommendations accepted by Management were only partially adopted. While the 9 per cent disagreement rate on average between IED and management on IED recommendations over the last three years was viewed as reasonable, DEC requested IED to distinguish between cases on the basis of reasons of an operational nature and reasons of substance.

7. IED pointed out that Management's performance in MARS was improving, and the system was only in its second year. Furthermore, ADB was the first among MDBs to adopt such a system online. IED cautioned that actions taken on the recommendations were usually output-related, and it did not automatically follow that the outcome would occur once the action is taken. While assuring DEC that it would make a distinction between operational and substantive recommendations in the next round, IED noted that in this review period, only one out of 22 disagreements related to the substance of the recommendation.

8. Management underscored its commitment to MARS and remarked that the delay in acting on some recommendations was due to exogenous factors. Southeast Asia Department (SERD) elaborated the context in which MARS figured in its operations and opined that it assisted the department in organizing recommendations and ensuring transparency. But it pointed out that the volume and nature of recommendations eventually took a toll because they had to be processed manually before being uploaded onto MARS. While SERD hoped that IED recommendations would be more specific or prescriptive to solve this problem, DEC expressed its preference for IED not to be too specific or prescriptive in its recommendations and not to infringe on Management's role to decide about the corrective course of action.

III. Nonsovereign operations

9. DEC noted the key lessons IED derived from evaluating non-sovereign operations and inquired whether Management agreed with the findings. They also noted that the greatest proportion and number of unsatisfactory and partly satisfactory ratings were on investment profitability and inquired the reasons thereof. Private Sector Operations Department (PSOD) indicated that it was receptive to all the recommendations and observations made particularly on the commercial viability of mortgage finance for lower and middle income customers. PSOD staff sought clarification from IED with regard to relying on government regulators as funding source as they perceived this as a source of potential conflict of interest.

10. PSOD staff also clarified a number of issues related to equity investments, stressing that PSOD's objectives were: (i) to ensure a potential or a practical exit from those investments; (ii) to partner some equity investments with work undertaken by regional departments in policy reform; (iii) to ensure that appropriate incentives and safeguards for contractual arrangements were in place for private partners; (iv) to put in place some form of self-liquidating procedures in high risk environments; (v) to ensure value addition in terms of corporate governance environment, specifically in Pacific markets; and (vi) to implement well-designed and properly sequenced technical assistance for non-sovereign projects.

11. With regard to a DEC member's inquiry on the profitability of the two private equity funds, PSOD staff stressed that it would be difficult to draw conclusions for the overall portfolio on the basis of the two equity funds. They stressed that while investment profitability was a very important criterion in evaluating the transactions, they must also take into account two other criteria, namely development impact and bankability, as the latter criterion was the key to replicating success. PSOD staff assured DEC that the department was a profit centre and made \$175 million profit on its investments last year.

12. Noting that a significant part of PSOD's work is in so-called frontier markets or countries, DEC inquired on the reasonable benchmark to expect from PSOD's experience. PSOD staff asserted that it would be difficult to benchmark its performance against any established indices because these other indices covered investments that were far different from the type of investments PSOD was engaged in.

IV. Evaluation performance and capacity development

13. DEC inquired about IED's assessment of its own performance and sought clarification about: (i) how it addressed subjectivity in its evaluation findings; (ii) whether it would consider using randomized evaluation; and (iii) the extent to which the principles of the Paris Declaration had been mainstreamed. IED opined that while it could not evaluate its own performance, past donor evaluations conducted by Department for International Development (DFID) of the United Kingdom and the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) showed that IED was rigorous and well-balanced among the Multilateral Development Banks (MDB) Evaluation Cooperation Group. IED also clarified that subjectivity was minimized by following good practice standards prescribed by the MDB Evaluation Cooperation Group and DAC. On randomized evaluation, IED explained that it had not yet applied randomized evaluation technique because it required IED to be involved in the beginning of the project as well, apart from addressing the difficulty of establishing a control group. However, IED assured DEC that it was strengthening its impact evaluation capacity. IED also stressed the need to build capacity first before undergoing joint evaluations with developing member countries (DMCs). At present, joint evaluations are conducted with donor agencies.

14. Referring to the capacity of operational staff to conduct good quality midterm review, DEC inquired about IED's efforts to develop such capacity. DEC also noted that IED should balance its involvement in actual evaluation activity and in training staff. IED assured DEC that staff were trained on evaluation concepts of relevance, effectiveness and efficiency. While the said training for operational staff was focused on preparing PCRs, the concepts were likewise applicable to project design and midterm review stages. With regard to balancing evaluation activity and evaluation training, IED noted that the budget allocation was balanced. Country assistance program evaluations (CAPEs), sector assistance program evaluations (SAPEs), and validation reports accounted for about 39 per cent of the budget; knowledge products for 32 per cent; and evaluation capacity building and dissemination activities for the residual 29 per cent.

Conclusion

DEC welcomed the 2011 Annual Evaluation Review. It provided members an opportunity to take stock of the evaluation work done by the IED, the recommendations, the action taken by Management, and the overall state of affairs in ADB's development work. Members expressed concern about the declining success rate of projects and noted that efforts were needed to meet the corporate target of 80 per cent success rate by 2012. This concern was heightened by the portfolio restructuring undertaken in the context of conflict in some countries. The declining success rate in education and regional cooperation needed particular attention. The degree of disagreement between Management and IED on recommended actions (at an average of 9% over 2008-2010) was deemed reasonable and acceptable. With regard to the Management Action Review System, which was performing satisfactorily, DEC encouraged Management and staff to improve it further by enabling real time updates in the system through appropriate data capture.

Ashok K. Lahiri

Chair, Development Effectiveness Committee