

## 2020 Annual Evaluation Review

The 2020 Annual Evaluation Review (AER) provides an independent update of the Asian Development Bank's (ADB) operational performance and consider all sovereign and nonsovereign operations and country assistance programs and strategies evaluated in 2019. The Independent Evaluation Department (IED) follows the Evaluation Cooperation Group's Good Practice Standards and brings greater credibility to corporate reporting of operational performance. The AER also provides an update on the implementation status of actions taken in response to evaluation recommendations and comments on the quality of action plan formulation and implementation. Each year the AER focuses on a special theme for deeper analysis, and this year's theme is ADB's project self-evaluation system. The report assesses the robustness and credibility of the system by checking its reliability, timeliness and usefulness, and identifies areas for improvement.

### RECOMMENDATIONS

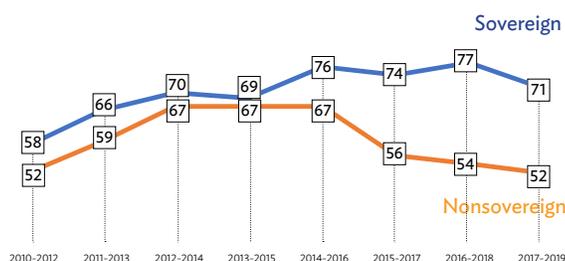
1. Ramp up efforts to address the issues causing weak sustainability of project outcomes.
2. Prioritize further efforts and resources to ensure a rigorous project monitoring and evaluation (M&E) system throughout the project cycle, including allocation of appropriate budget resources for M&E, enhanced capacity training for ADB staff and developing member countries counterparts, as well as effective integration of tacit knowledge.
3. Enhance the current monitoring and evaluation system for nonsovereign operations, including both development and financial indicators.
4. Revise the business processes for action plans.

### ROBUSTNESS AND CREDIBILITY OF ADB'S PROJECT SELF-EVALUATION SYSTEM

The AER assessed the robustness and credibility of ADB's project self-evaluation system as determined by the extent to which it generates reliable, timely and useable information for decision making, learning and accountability. Self-evaluation refers to monitoring and evaluation conducted by the department in charge of the operations as opposed to evaluation by the Independent Evaluation Department. The project self-evaluation system is a combination of processes and products for the systematic, empirical, and transparent monitoring and evaluation of an ongoing or completed project. The following are main findings from the assessment:

- The overall architecture of ADB's project self-evaluation system is robust and credible, and is aligned with international good practice, serving both accountability and learning objectives.
- Significant progress was made over the evaluation period on reporting of baseline and end-of-project data in completion reports. Recent improvements to the Project Performance Rating system and the forthcoming design and monitoring framework guidelines are likely to further enhance the performance tracking potential.
- However, the perceived reliability of the data contributing to the project completion and extended annual review reports is mixed. Staff perception survey results and focus groups discussions indicate that data generated by project M&E systems are not always considered reliable. A review of closed projects indicates that 20% of project M&E systems were not implemented well, and beneficiary surveys were often not conducted even when stipulated at appraisal.
- Suboptimal project and central-level databases, low country level technical and institutional capacities, a lack of integrated and user-friendly guidelines, and not enough targeted resources devoted to M&E, affect the reliability of M&E systems.
- A formal and comprehensive M&E system for the systematic tracking of private sector operations performance and results and for learning is not yet in place.
- It takes an average of nearly 15 months for the circulation of completions reports from the date of project financial closure. Recently, ADB stipulated a 12-month delivery standard from financial closing to project completion report (PCR) circulation.
- ADB's system generates information that fosters usage, learning and knowledge, but it is not fully optimized because tacit knowledge is largely untapped.

**Performance of ADB Operations, 2010–2019**  
(3-year moving average)



## PERFORMANCE OF ADB OPERATIONS

- **ADB sovereign operations.** The success rate of sovereign operations declined from 77% in 2016–2018 to 71% in 2017–2019.
- **Performance dropped against all evaluation criteria except for efficiency.** Relevance was affected by complex and ambitious designs, unrealistic timelines and lack of flexibility to respond to changing conditions. Effectiveness was affected by inadequate government readiness. Weak government commitment to reforms including inadequate budget allocations for operations and maintenance and insufficient tolls and tariffs for cost recovery affected sustainability of projects.
- **Except for East Asia performance declined in all regions.** Project performance in People's Republic of China remained strong while that in the Pacific region remained low. Performance in South Asia was affected by the weaker effectiveness and sustainability of projects. Southeast Asia's decline in performance was due to design complexities, coordination issues and inadequate project readiness.
- **Performance of ADB nonsovereign operations was 52% continuing a decline since 2014–2016.** Performance declined against all sub criteria except for investment profitability. Performance in terms of development results has declined since 2014–2016. Work quality performance declined the most in the recent period, which was attributed to weak screening, appraisal and structuring. ADB's additionality performance has been declining since 2010–2012.
- **The proportion of successful country program and strategies declined by 4 percentage points to 83% in 2017–2019.** Over the longer period the project and country level success rates were about the same.

## FINDINGS FROM THE USE OF ADB FINANCING MODALITIES

- **ADB's financing modalities—multitranches financing facilities (MFFs), results-based loans (RBLs), performance-based loans (PBLs), private equity investments and credit enhancement products (CEPs)—are well suited to further ADB's Strategy 2030 agenda.** The modalities show considerable complementarity and address both sovereign and nonsovereign clients. They have the potential to bring greater processing efficiency and to mobilize more cofinancing than the standalone investment projects, and they have the potential to deliver integrated solutions.
- **Implementation experience suggests additional reforms could bring greater benefits from the use of different public sector financing modalities.** The MFF modality

needs to keep transaction costs low and implementation schedule realistic. PBLs should focus more on policy actions critical to realizing outcomes. RBLs should pay greater attention to issues such as internal quality assurance and assessment of corruption risks as required by ADB policy.

- **Harnessing the full potential of private sector modalities such as private equity and CEPs requires organizational strengthening and improved staff incentives.** For ADB to make greater use of private sector equity investment, it needs to pay special attention to developing equity skills at ADB. The staff incentive structure needs to be changed for greater deployment of guarantees.

## FOLLOW-UP ON IED RECOMMENDATIONS

- **Of the accepted recommendations, 75% were fully or largely implemented during 2011–2019.** The next steps within the Management–IED engagement process to ensure implementation of recommendations should focus on improving (i) the alignment of action plans to recommendations, and (ii) the implementation of action plans.
- **The quality of recent action plans indicates there have been positive results from changes to the process for the design of recommendations and formulation of action plans e.g., through technical meetings between Management and IED.** Action plans for the 11 evaluation reports approved over 2017–2018 show: (i) 88% responded well to the recommendation and Management's response and (ii) 78% were well defined with monitorable targets and outputs.
- **The degree of implementation of recommendations in ADB and selected multilateral development banks (MDBs) saw mixed results.** Learning from experience, evaluation departments of MDBs are now stepping up the assessment of implementation of actions.

## ISSUES

- Sustainability is still the weakest element in the performance of ADB sovereign operations.
- Attention to project M&E systems during implementation is at times deficient and this affects ADB's ability to track development outcomes.
- Tacit knowledge is not systematically captured by the current formal self-evaluation processes and products.
- ADB does not provide strong incentives to mitigate the biases that are intrinsic to self-evaluation.
- Weak borrower technical capacity and borrowers' low interest in M&E are key barriers to a more robust project self-evaluation system.