

2022 Annual Evaluation Review

The Annual Evaluation Review (AER) provides a high-level perspective on the performance and results of the Asian Development Bank (ADB), based on findings from Independent Evaluation Department (IED) evaluations and validations. This year's AER continues to present early findings from the technical assistance (TA) completion report validations, which were launched in 2020. In addition, it discusses the assessments of key drivers of effectiveness in ADB projects, based on the evaluated and validated project completion reports for sovereign and nonsovereign operations during 2016–2020. The AER also provides an annual update on the implementation status of ADB's action plans in response to recommendations from IED's high-level and country assistance program evaluations. The 2022 AER's theme chapter is on ADB's engagement in fragile and conflict-affected situations (FCAS) and small island developing states (SIDS). It seeks to shed light on how ADB can boost the quality and effectiveness of its engagement in these contexts.

Issues and Lessons

The success rate of projects in infrastructure sectors was 69% in 2019–2021 with a declining trend continuing since 2016–2018.

Deficiencies in project design and weak monitoring remain critical issues resulting in low project effectiveness for both sovereign and nonsovereign operations.

Enhanced project design quality and the establishment and maintenance of a robust project performance monitoring system and environmental, social, health, and safety system improve project effectiveness.

Effective implementation of institutional support and targeted reforms are crucial for strengthening the capacity of the executing and implementing agencies, which enhances project effectiveness.

Giving equal emphasis to active conflict and to institutional and socioeconomic fragilities would enhance ADB's engagement in FCAS and SIDS.

Better donor collaboration is needed to support long-term capacity and governance reforms and timely humanitarian assistance for FCAS and SIDS.

The inclusion of conflict- or fragility-sensitive narratives and indicators in country and project results frameworks would help ADB to track operations performance and results in FCAS and SIDS.

Performance of ADB Operations

The percentage of successful sovereign operations steadied at 70% in 2019–2021. Performance improved for all other criteria in 2019–2021 except for efficiency. The reasons behind the declining trend in efficiency to 70% in 2019–2021 from 72% in 2018–2020 were: economic benefits that were less than envisaged, implementation delays, and cost overruns, all of which reduced the economic viability of projects. Overall effectiveness improved to 69% in 2019–2021 from 64% in 2018–2020, which was largely brought about by the strong effectiveness performance of sovereign operations in 2021. Sovereign project performance in South Asia showed a slight improvement in 2019–2021, while that in other regions, it either declined slightly or remained the same.

The success rate of projects in infrastructure sectors was 69% in 2019–2021 with a declining trend continuing since 2016–2018 when the sector performed at 76%. The performance of infrastructure sectors declined slightly from 73% in 2017–2020 to 70% in 2018–2020 and then to 69% in 2019–2021. The performance of non-infrastructure sectors also declined from 81% in 2018–2020 to 78% in 2019–2021.

The proportion of successful private sector operations marginally improved to 55% in 2019–2021 from 53% in 2018–2020 and 51% in 2017–2019. Overall success rating marginally increased with improved rating for all criteria in 2019–2021 except for ADB investment profitability, which declined from 65% in 2018–2020 to 61% in 2019–2021.

Country program success declined from 86% in 2016–2018 to 68% in 2019–2021. The decline in the overall performance were mainly caused by the decline in effectiveness and persisting low sustainability of country programs. The significant percentage difference between the 3-year averages was also partly due to small sample sizes and mix of country programs validated.

Technical assistance completion report validations highlight the need to strengthen TA design, specifically in tightening the continuum of the design and monitoring framework results chain. Findings from 46 validated TA completion reports show that TA projects often lacked a reasonable cause–effect relationship between the outputs and the outcomes and their corresponding indicators.

Key Drivers of Effectiveness in ADB Projects

The AER analyzed the factors that influence project effectiveness especially those affecting the continuous declining trend in the effectiveness rating during 2016–2020. The analysis focused on identifying the key drivers that have led to underperformance in effectiveness during 2016–2020.

For sovereign operations, adequate project design, improved supervision, executing agency and implementing agency capacity, commitment, and monitoring were the key drivers of effectiveness. The presence of a functional project performance monitoring system, which is in the monitoring and evaluation phase, was also identified as a key factor affecting the effectiveness rating.

For nonsovereign operations, quality of project design, and supervision and monitoring capacity to support environment, social, health, and safety performance were key factors affecting effectiveness. The review focused on the two subcriteria under the development results criterion: (i) contribution to private sector development and ADB's strategic development objectives, and (ii) environment, social, health, and safety performance.

Implementation of IED Recommendations

Management acceptance of recommendations has improved to 95% over the 5 years since the reform process under the Management Action Record System began in 2017. The reforms resulted in better aligned recommendations and action plans, but further efforts are needed to narrow the gap between acceptance and implementation success rates. During 2017–2021, 77% of accepted recommendations were reported as fully or largely implemented, compared with 73% in 2012–2016.

A review of completed recommendations indicates that Management has made ongoing efforts to respond to issues and concerns raised by IED evaluations. In 2021, Management completed all recommendations from 15 evaluation studies. IED validated these 61 completed recommendations and assessed that 79% were largely implemented or better.

ADB's Engagement in Fragile and Conflict-Affected Situations and Small Island Developing States

ADB has long recognized the need to engage continually and work differently in FCAS and SIDS, but it can do better in addressing the context-specific drivers of fragility and conflict in these countries. ADB's engagement in FCAS and SIDS mainly rests on the use of differentiated approaches, but these remain loosely defined in both strategic and operational terms. ADB and other multilateral development banks tend to place greater strategic emphasis on their response to active conflict in FCAS than on resolving long-term institutional fragilities in SIDS when implementing their FCAS-related approaches. ADB's classification system for FCAS needs to employ a more nuanced understanding of the institutional and socioeconomic fragility and conflict risks developing member countries face, whether or not they are classified as FCAS and/or SIDS. While ADB's analytical and diagnostic work for FCAS and SIDS is reflected in country partnership strategies, the findings of such knowledge work do not appear to be systematically incorporated into the sequencing and prioritization of grant and lending programs.

Building resilience in FCAS and SIDS requires a multidimensional approach to addressing fragility and conflict risks. Economic, environmental, social, and institutional risks all shape fragility and conflict, and addressing these risks can help identify pathways from fragility and conflict to resilience. Adequate fiscal space and growth promotion will bolster the state's capacities to mitigate the socioeconomic impacts of fragility and conflict risks, deliver public services, and improve the quality of living standards. The promotion of environmental resilience will benefit from country- and project-based responses that incorporate climate-resilient measures in national strategies and individual projects, especially in infrastructure. To address the severe constraints in human capital in FCAS and SIDS, development partners such as ADB need to identify how they can add value in the health, education, and social protection sectors. Finally, in addressing capacity and governance challenges, the quality at entry of ADB's capacity development initiatives needs to improve; FCAS and SIDS need more long-term engagement rather than short-term one-off technical assistance, findings of the consultations across ADB departments revealed.

ADB is leveraging its partnerships with other development and humanitarian agencies to promote conflict-prevention, deliver assistance in conflict-affected areas, and produce analytic products with a focus on prevention, including risk and resilience assessments. Partnerships between humanitarian and development agencies have also increased and these can help to close gaps in financing and responses by bridging relief and development. For example, ADB is working with United Nations agencies to deliver crucial humanitarian and development support. However, differences between the fiduciary, security, and project monitoring systems of multilateral development banks and United Nations agencies need to be addressed.

ADB's country- and project-level monitoring frameworks and indicators are not always tailored to FCAS and SIDS contexts and sometimes do not fully reflect country-specific drivers and risks of fragility and conflict. As a result, it is often difficult to assess whether and to what extent FCAS and SIDS are transitioning out of the fragility and/or conflict spectrum. In terms of performance, ADB operations in FCAS and SIDS continue to lag with those in other developing member countries in terms of being procurement ready. However, they are becoming increasingly design ready, which may be attributed to the use of project readiness financing for project preparation consulting services such as detailed engineering design, capacity building, limited project start-up support, and project design pilot testing.