

Evaluation Approach Paper

Evaluation of ADB's Procurement System, 2014–2021

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A. Introduction

1. **A major determinant of effective public expenditure is the quality of public procurement practices.** Sound public procurement policies and practices are essential elements of good governance as they reduce costs and produce timely results. Procurement policies and practices are therefore central to public expenditure management as these also involve the management of large amounts of money and tend to be one of the causes for allegations of corruption and government inefficiency. Public procurement is part of the process by which a government constructs infrastructure, roads, schools, and health clinics; and contracts professional services.¹ It is a critical part of public financial and revenue management and consequently interwoven with issues around economic growth, poverty reduction, governance, and private sector development. In this way, procurement practices are decisive policy instruments that help drive public service delivery and create fiscal space and employment opportunities to stimulate sustained economic growth.

2. **Investment project operations for developing member countries (DMCs) predominate Asian Development Bank's (ADB) operations.** Procurement under investment project operations is undertaken by borrowers in accordance with ADB's procurement policies and regulations.² Hence, effective procurement policies which ensure that funds are used for their intended purpose are critical components of ADB's development effectiveness agenda. Its procurement policies and processes therefore affect the development impact of ADB's lending and influence public procurement practices in its DMCs. Despite its impact on ADB's sovereign operations, there has not been any systematic evaluation of ADB's operations procurement system, nor has it been subjected to an independent review since ADB began its operations.³ This will be the first independent evaluation of ADB's procurement approach in supporting DMCs' public procurement practices.

3. **This evaluation approach paper sets out a methodology to assess the relevance and effectiveness of the reforms introduced by ADB's Procurement Policy Framework (PPF).** Prior to PPF approval by the ADB Board of Directors in 2017, ADB procurement of goods, works, and services under ADB-financed investment operations and technical assistance (TA) were governed by ADB Procurement Guidelines and the Guidelines on the Use of Consultants.⁴ The PPF, in contrast, covers the procedural and institutional arrangements governing both procurement and consultant recruitment. These arrangements include the rules, procedures, and practices that regulate the procurement process; as well as the human and other resources needed to deliver procurement transactions and the way in which they are organized. In addition, it supports the delivery of ADB development assistance to its DMCs through the provision of goods, works, and services and underpins the ability of ADB to meet its own development agenda and that of its DMCs.

¹ ADB. The Governance Brief. Understanding Public Procurement.

<https://www.adb.org/sites/default/files/publication/28646/governancebrief03.pdf>

² The purpose of Procurement Regulations for ADB Borrowers (2017) and ADB Procurement Policy (2017) are to inform those carrying out projects financed in whole or in part by way of an investment loan from ADB, ADB-financed grant, or by ADB-administered funds of regulations that govern the procurement of goods, works, and non-consulting and consulting services required for projects. These apply to all projects with concept papers approved on or after 1 July 2017. Ongoing projects with concept papers approved prior to July 1, 2017 follow the Procurement Guidelines (2015) and Guidelines for the Use of Consultants by Asian Development Bank and Its Borrowers (2013).

³ The only country procurement assessment known to the Independent Evaluation Department (IED) is ADB's TA-8262 REG: Developing Procurement Capacity for Improved Procurement Outcomes–Pilot Country and Sector Procurement Assessment Indonesia.

⁴ ADB. 2015. *Procurement Guidelines*. Manila; and ADB. 2013. *Guidelines on the Use of Consultants by ADB and its Borrowers*. Manila.

4. **The evaluation comes after 5 years of PPF implementation.** Findings on its first 5 years (2017–2021) of implementation can provide valuable insights to its potential long-term effectiveness and the space to make timely course corrections in its content, approach, and implementation where necessary. This evaluation is included in the Independent Evaluation Department’s (IED) 2021–2023 work program approved by ADB’s Board of Directors and will be conducted in line with its mandate to evaluate ADB policies and related business processes.⁵

B. Background

5. **A well-functioning procurement system is a critical driver of efficient and transparent procurement practices that lead to effective investment operations.** It ensures that ADB investment funds are well allocated and used for their intended purpose to realize ADB’s development agenda and DMCs’ development priorities. As such, it is an integral part of governance, sound public administration practices, and public financial management in DMCs. This relationship between procurement practices and effective investment operations underlines the important implications it has in the provision of high-quality public services for citizens and the private sector, and its impact on economic growth. Accordingly, well-functioning procurement systems serve the dual purpose of ensuring efficiency gains for both ADB and its DMCs.

6. **Procurement practices in DMCs take on a particular and critical role for other ADB lending modalities.** Policy-based lending (PBL) operations are disbursed directly to countries’ national budget systems based on agreed policy reforms. They are not linked to the purchase of specific goods or services as under an investment project and as such are not bound by ADB procurement procedures. The evaluation’s interest in PBL is concerned only with the extent to which it is used to reform country procurement systems and build capacity, including through the use of technical assistance. Under results-based lending (RBL), ADB supports a small part of a larger government program implemented using a country’s financial management and procurement system. PBL and RBL thus rely on national procurement systems for disbursement of public funds through its national budgets and hence the quality of country procurement systems are important for the development outcomes associated with PBL and RBL use.⁶ An assessment of DMCs’ uptake and general institutional capacities to adhere to ADB’s procurement policies and processes are an important part of this evaluation.

7. **ADB procurement policies and practices have evolved prior to, and over the evaluation period (2014–2021).** Changes to the ADB Procurement Guidelines and the Guidelines on the Use of Consultants were made to ensure that procurement processes and practices were updated and largely aligned with those of other multilateral development banks (MDBs). This was undertaken with the objective to harmonize and modernize procurement practices for the benefit of DMCs. These harmonization efforts took account of the development of new procurement tools and international procurement systems employing new information technologies (e.g., e-procurement).

8. **The establishment of the project implementation working group in 2010 to identify good practice in project implementation was the first formal step towards addressing perceived issues in ADB’s applicable procurement practices.** The working group highlighted several issues relating to procurement practices and recommended a comprehensive review of procurement governance (Figure 1).⁷ Subsequently, ADB conducted a procurement governance review (2013) to examine the governance structure of procurement decisions related to project design and implementation delays, economy, and quality of results.⁸ The review put forward recommendations in the areas of project planning and processing, procurement review processes, risk management, and capacity development. Its recommendations included a risk-based approach—in contrast to the previous one-

⁵ ADB. 2013. *Independent Evaluation. Operations Manual Section K1/BP*. Manila.

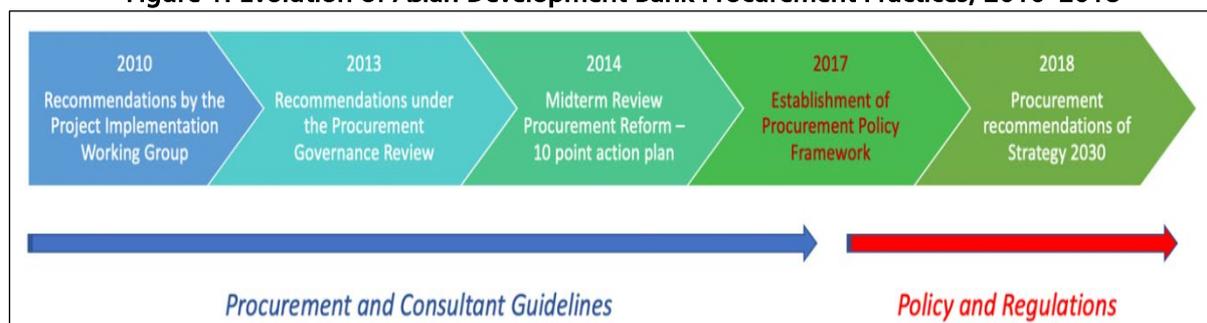
⁶ PBL and RBL will not be included in this evaluation as these are not governed by ADB’s Procurement Regulations.

⁷ These include: (i) the time it takes ADB to complete procurement governance actions and extent to which this contributes to delayed project implementation; (ii) the extent to which procurement packages prepared by regional departments ensure efficiency and economy; (iii) effectiveness of procurement governance action in adding value to fiduciary risk management; (iv) effectiveness of the current transaction value approach, compared to a risk based approach to procurement governance; and (v) effectiveness of procurement capacity assessments in defining project procurement governance strategy. ADB. 2010. *Good Project Implementation Practice: Report of the Project Implementation Working Group*. Manila.

⁸ ADB. 2013. *Procurement Governance Review*. Manila.

size-fits-all approach—to streamline ADB’s procurement process, establish a procurement complaints system, and strengthen the procurement capacity of staff in regional departments.

Figure 1: Evolution of Asian Development Bank Procurement Practices, 2010–2018



Source: Asian Development Bank.

9. **Implementation of important procurement reforms were initiated in 2014 under ADB’s Midterm Review of Strategy 2020.** The Midterm Review (MTR) identified the principles of quality and value for money (VfM) as critical to improving ADB’s effectiveness and underlined the need to reform and rationalize its business process. In this context, VfM refers to the effective, efficient, and economic use of resources, which requires an evaluation of relevant benefits along with an assessment of risk, non-price attributes, and/or total cost of ownership as appropriate.⁹ Procurement reforms ultimately resulted in a shift to a risk-based procurement model anchored on the principles of economy, efficiency, fairness, quality, transparency, and VfM. Management approved the 10-Point Procurement Action Plan in August 2014 to improve ADB’s procurement performance by reducing procurement time, increasing administrative efficiency, and improving project delivery while maintaining sound fiduciary oversight. The reforms implemented a new risk-based approach to procurement governance under the 2015 procurement guidelines.

10. **ADB reviewed its procurement practices and established the PPF in 2017.** The framework formalized ADB’s first procurement policy, approved by its Board of Directors in the same year. Procurement regulations for ADB borrowers replaced the previous procurement guidelines, which contained operational procedures at the project level.¹⁰ Despite efforts made at the time of the MTR to improve procurement practices in response to identified issues,¹¹ a general perception remained that procurement procedures were cumbersome, inflexible, and not conducive to timely and high-quality results.¹² ADB was also perceived to emphasize procedural compliance measures that adopted a one-size-fits-all approach. ADB’s Board of Directors, building on the 10-Point Procurement Action Plan,¹³ adopted the PPF to achieve optimal VfM in response to ADB and DMC operational needs.¹⁴ The operational drivers of the PPF were the evolving needs of DMCs associated with the attempted harmonization of MDB procurement practices, and the need to improve delivery systems to reduce lengthy procurement decision-making and contract administration issues. The expected benefits of these changes were (i) reduced procurement time, (ii) improved quality and delivery systems, (iii) faster implementation of ADB-financed projects, (iv) greater engagement with DMCs, (v) lower transaction costs in cofinancing, and (vi) fiduciary comfort throughout the project cycle.

11. **The PPF formalized the shift from a one-size-fits-all approach to a more flexible risk-based procurement model.** It established a new principles-based procurement policy that included two new core procurement principles—quality and VfM. Increased flexibility implies increased risk, so it also introduced a risk-based oversight function for the review of procurement transactions by ADB.¹⁵ This required comprehensive procurement risk assessments at country and sector levels to focus on

⁹ Value for money as defined in ADB’s 2021 Value for Money, Guidance Notes on Procurement.

¹⁰ The regulations were supplemented by detailed staff instructions, guidance notes, and user guides (such as standard bidding and related procurement documents and templates), to facilitate project procurement activities by borrowers.

¹¹ ADB. 2013. *Procurement Governance Review*. Manila; and ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific*. Manila.

¹² ADB. 2017. *ADB Procurement Policy*. Manila.

¹³ ADB. 2017. *Improving ADB Project Performance through Procurement Reforms*. Manila.

¹⁴ ADB. 2017. *ADB Procurement Policy*. Manila.

¹⁵ ADB. 2017. *Improving ADB Project Performance through Procurement Reforms*. Manila.

systemic problems and capacity constraints. In this way procurement planning requires close alignment with the development objectives of the project and the need to deliver VfM through the application of procurement methods and procedures that are proportional and customized to respond to borrower needs. At the same time, more focused and rigorous risk assessments are also intended to permit ADB to engage with DMCs more meaningfully on broader procurement governance and strategic concerns. The new approach was also intended to strengthen ADB's strategic procurement planning and post-award contract management as part of a more comprehensive procurement monitoring.

12. **Implementation of the PPF is in its early stages.** The first 2 years of implementation focused on communication and outreach work; establishing guidelines for approval of decentralization and delegation of authorities by the procurement committee; establishing alternative procurement arrangements; general and specialized capacity building in DMCs' executing and implementation agencies and at ADB Headquarters; introduction of a centralized procurement complaints tracking system; and a performance monitoring and measurement system. A progress report in ADB's 2021 Annual Procurement Report indicates that with joint efforts between ADB and DMCs, the number of projects adopting the PPF increased from 39 in 2018 and 69 in 2019 to 86 (50% of project approvals) in 2020 and 73 (67% of project approvals) in 2021.¹⁶ In terms of financing, ADB financed on average \$8.8 billion of investment project procurement transactions and \$733 million of consulting services from 2017 to 2021.¹⁷ Appendix 1 outlines progress on PPF implementation.

13. **The evolution of ADB's procurement policies and practices has largely paralleled those of other MDBs.** MDB procurement guidelines have traditionally been similar and originally modelled on the guidelines prepared by the World Bank. MDB guidelines have also evolved based on their own experiences, different geographic regions, and in the balance between the provision of sovereign versus nonsovereign loans. Efforts have nevertheless been ongoing since 1998 and 1999 through an MDB forum for procurement harmonization. The aim of these efforts was to provide a coherent mechanism for procurement cooperation between MDBs and development partners. These efforts were simultaneously accompanied by commitment to harmonization of procurement procedures among MDBs under the international aid effectiveness agenda.¹⁸ MDBs took some significant steps prior to 2016 towards harmonization, in particular achieving substantial harmonization of the MDBs' procurement guidelines, in principle at least, and the standardization of bidding documents.

14. **Harmonization is seen as critical in providing support to improve DMC procurement capacity and the achievement of their development needs.** Though harmonization appears as a key driver of the PPF, it stems from difficulties faced by borrowers particularly in cofinancing arrangements, and the results of convergence will be felt most by the DMCs. The fragmentation of procurement procedures, eligibility criteria, or procurement policies due to multiple requirements from different donors could have unintended consequences. They tend to increase transaction costs, tax human resource capacity, increase capacity building requirements, and undermine effectiveness while requiring compliance with different concepts of efficiency and economy. However, streamlining operational procurement procedures would enhance capacity. These issues will be considered by this evaluation in relation to fragile and conflict-affected situations (FCAS) and small island developing states (SIDS).

15. **Capacity building of country procurement systems is a prerequisite for effective procurement outcomes.** Though it has traditionally been recognized and addressed by MDBs through capacity building support linked to their lending operations or through capacity development TA projects, capacity building of DMCs may also include informal and less structured support, and practical means of coaching and mentoring such as impromptu procurement clinics. These may supplement the formal programs and e-learning sessions, especially with the adoption of the PPF, mostly to ensure that ADB's procurement regulations and guidelines are properly understood and complied with. Despite these combinations of capacity building approaches, however, DMCs' procurement capacity

¹⁶ Number of projects only reflect those with procurement contract transactions of \$10 million and above for sovereign operations received and approved in the procurement review system (PRS) in the calendar year.

¹⁷ ADB. 2022. *Annual 2021 Procurement Report*. Manila.

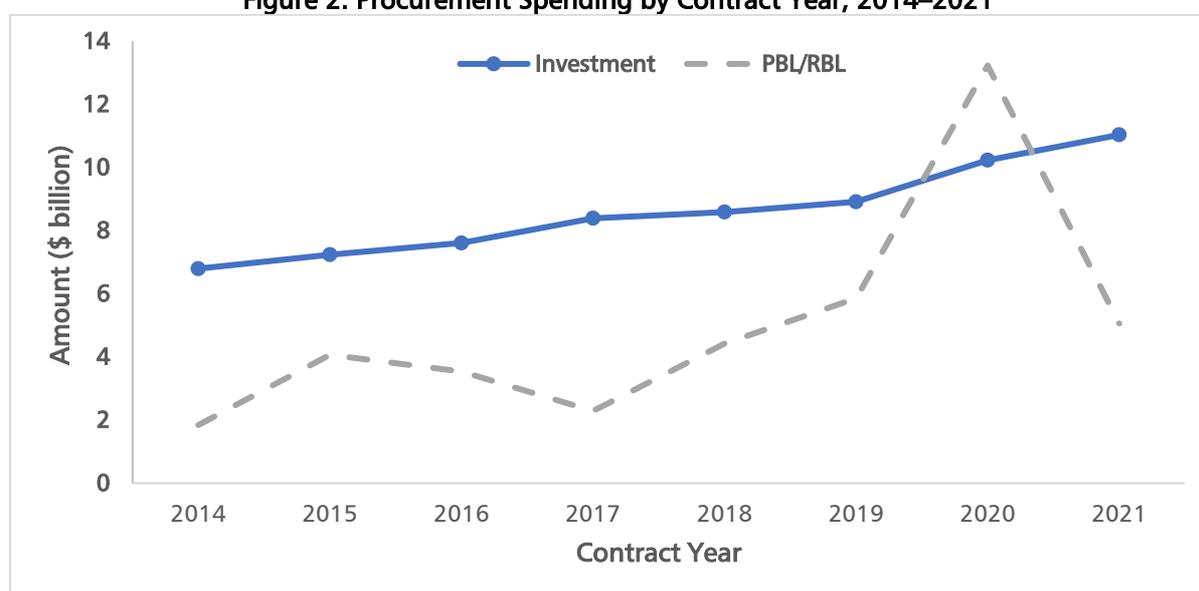
¹⁸ The international aid effectiveness agenda was articulated following the 2002 Monterrey Consensus through a series of high-level fora hosted by the Organisation for Economic Co-operation and Development.

remains underdeveloped due to several factors including limited absorptive capacity, knowledge retention, and staff turnover, among others.

C. Preliminary Portfolio Review

16. **Procurement for ADB sovereign investment operations has increased.** From 2014 to 2021, the total value of procurement activities in ADB sovereign operations was \$110.8 billion.¹⁹ More than 62% (\$68.8 billion) was for investment lending, 36% (\$40.2 billion) for PBL and RBL, and 1.5% (\$1.7 billion) for TA.²⁰ As explained earlier, the evaluation will focus on procurement under investment lending (footnote 6). Over the same period, annual ADB-financed sovereign investment lending procurement increased by 62% from \$6.8 billion to \$11 billion (Figure 2). Responding to the coronavirus disease (COVID-19) pandemic, ADB mobilized resources to support practically all DMCs in 2020.²¹ However, this translated into a modest 15% increase in procurement from \$8.9 billion in 2019 to \$10.2 billion in 2020, as most of ADB support in response to the COVID-19 pandemic came in the form of PBL.

Figure 2. Procurement Spending by Contract Year, 2014–2021



PBL = policy-based lending, RBL = results-based lending.
Source: Asian Development Bank operational procurement database.

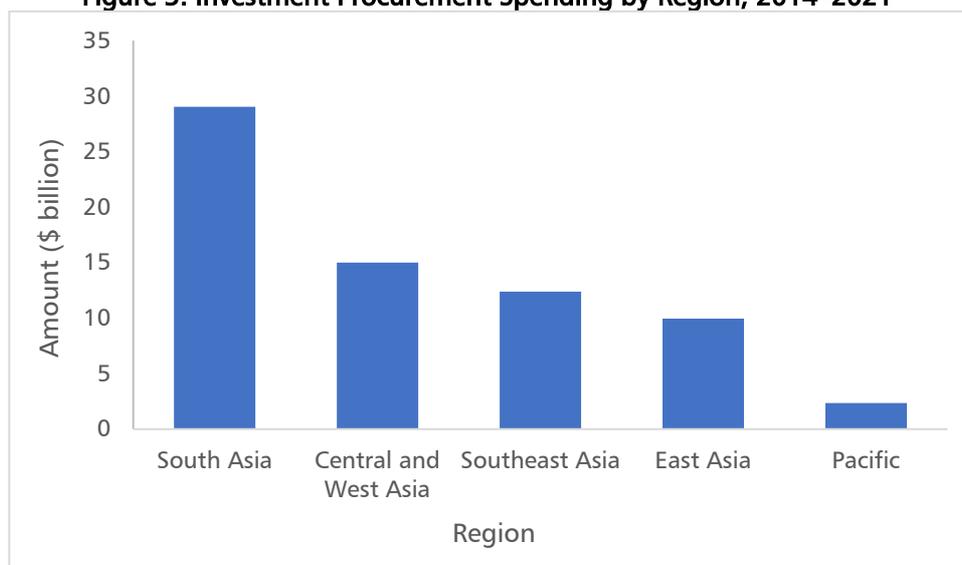
17. **South Asia is by far the biggest regional department in terms of sovereign investment project procurement, followed by Central and West Asia, Southeast Asia, East Asia, and the Pacific (Figure 3).** Six countries (India, the People’s Republic of China [PRC], Bangladesh, Pakistan, the Philippines, and Viet Nam) accounted for two-thirds of total procurement, while the other third is distributed among 34 DMCs.

18. **Procurement activities mainly reflect ADB’s core activity in infrastructure provision.** About 67% of procurement value from 2014 to 2021 was spent for civil works-related procurement, compared to 15% for goods and services; 10% for procurement of other related services (which cover non-consulting services such as transportation, insurance, installation, commissioning, training, and initial maintenance); and 8% for consulting services (Figure 4). In terms of sector, 85% of procurement spending during 2014 to 2021 are in four infrastructure sectors: transport, energy, water and other urban infrastructure and services, and agriculture and natural resources.

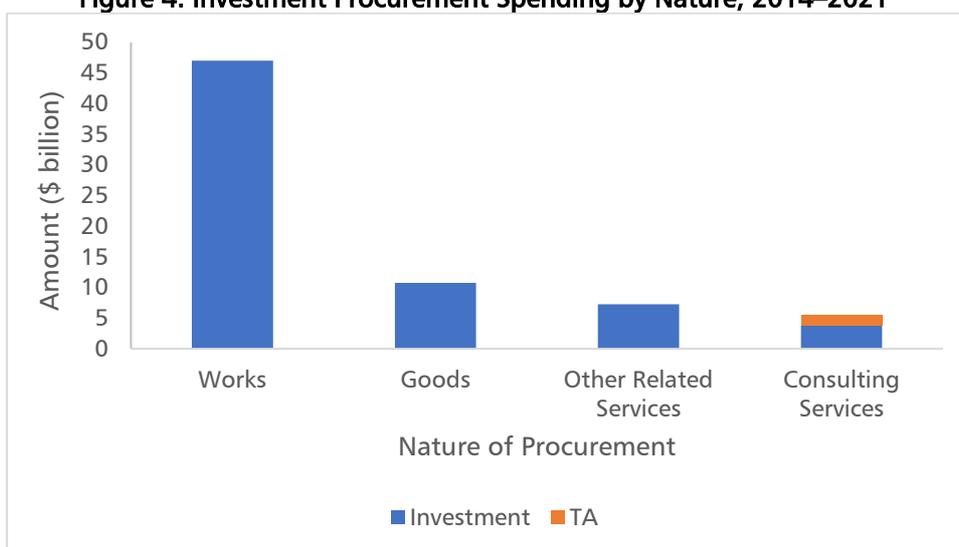
¹⁹ Including procurement activities managed by ADB and DMC.

²⁰ Results based lending was introduced by ADB in 2013

²¹ ADB sovereign operations increased from \$11.8 billion in 2014 to \$18 billion in 2019, albeit with fluctuations during this period. Sovereign operations surged to \$26.5 billion in 2020—55% of which was in PBL—reflecting the COVID-19 Pandemic Response Option (CPRO) and CPRO Active Response and Expenditure Support Program.

Figure 3. Investment Procurement Spending by Region, 2014–2021

Notes: Regional investment spending is \$60 million. This figure excludes policy-based and results-based lending. Until October 2019, Timor-Leste's portfolio was included in the Pacific Department. Source: Asian Development Bank operational procurement database.

Figure 4. Investment Procurement Spending by Nature, 2014–2021

TA = technical assistance.

Note: Figures exclude policy-based lending and results-based lending.

Source: Asian Development Bank operational procurement database.

19. ADB data suggest that two-thirds (\$41.5 billion) of the value of goods and services procured for investment projects in 2014–2021 originated from five countries: the PRC, India, Bangladesh, Viet Nam, and Pakistan. The rest were distributed among other DMCs which supply 18% of goods and services procured, and non-borrowing member countries (15%).

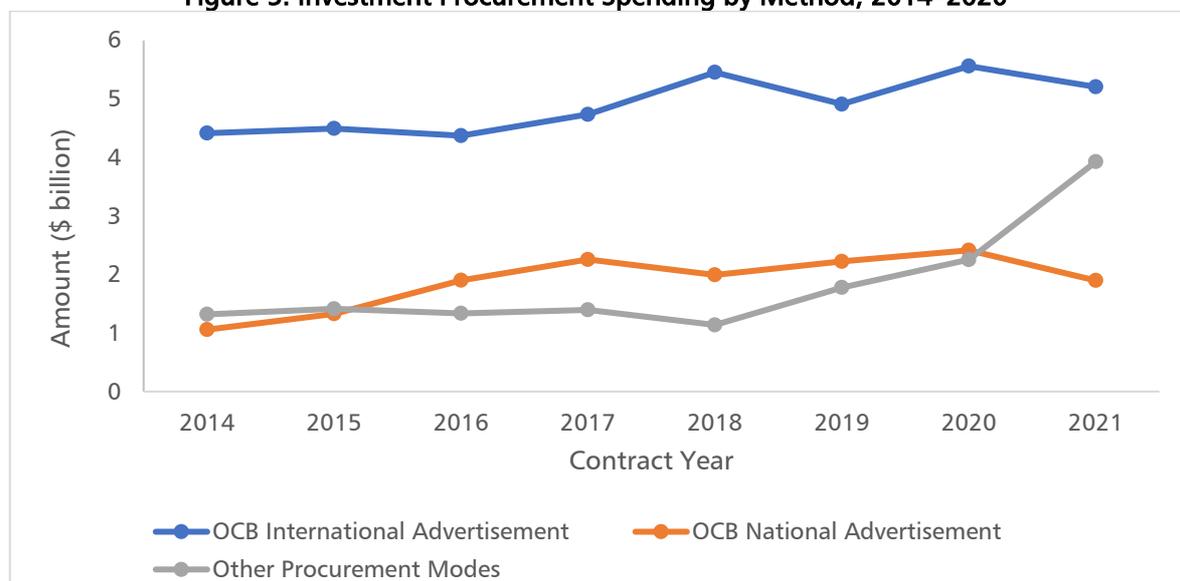
20. Open competitive bidding (OCB) is the main procurement modality used under ADB financing.²² OCB can be advertised both nationally or internationally, while procurement contracts above a certain threshold are required to be advertised internationally. OCB was introduced in 2017, replacing the terms international competitive bidding (ICB) and national competitive bidding (NCB) that were previously used.²³

²² ADB. 2018. *Open Competitive Bidding, Guidance Note on Procurement*. Manila.

²³ Ongoing projects approved before 2017 continue to use the ICB and NCB terms. ADB. 2020. *Project Administration Instructions for International Competitive Bidding – PAI 3.03*. Manila; and ADB. 2020. *Project Administration Instructions for National Competitive Bidding – PAI 3.05*. Manila.

21. In 2021, internationally advertised OCB comprised \$5.2 billion, or 47% of total procurement (Figure 5). While internationally advertised OCB is ADB's preferred procurement method, in some cases borrowers may ask to use nationally advertised OCB which is normally used for public procurement in DMCs. Nationally advertised OCB also supports ADB's guiding procurement principle to promote domestic contracting and manufacturing industries in DMCs. When there are limited market players, ADB may offer a wide range of different procurement methods that borrowers could use. These include direct invitations to bid which are issued to potential bidders without open advertisement.

Figure 5. Investment Procurement Spending by Method, 2014–2020



Notes: Prior to 2018, the terms Internationally Competitive Bidding and Nationally Competitive Bidding were used. Other procurement modes include different methods used for goods, works, other related services, and consulting services like quality and cost-based selection, direct contracting, direct purchase/negotiation, shopping, and others. The procurement methods are discussed in ADB's 2017. *Procurement Regulations for ADB Borrowers: Goods, Works, Non-consulting Services, and Consulting Services*. Manila; ADB. 2020. *Procurement Staff Instructions*. Manila; ADB. 2020. *Project Administration Instructions for International Competitive Bidding*. Manila; and ADB. 2020. *Project Administration Instructions for National Competitive Bidding*. Manila. The figures exclude policy-based lending and results-based lending. Source: Asian Development Bank operational procurement database.

22. ADB conducts a procurement review to ensure that funds are used for the purposes for which they were granted. The review can be conducted before the contract is awarded (prior review) or after (post review). Prior review is conducted on contracts categorized as high-risk or other considerations such as contract value or complexity of transactions during the conceptualization phase.²⁴ From 2014 to 2021, 88% of procurement contracts in ADB's procurement database was subjected to prior review. Low risk, low impact contracts are not subject to prior review, for which ADB conducts post review after contracts are awarded. Post review is conducted on a sampling basis, often at a country level.

D. Theory of Change

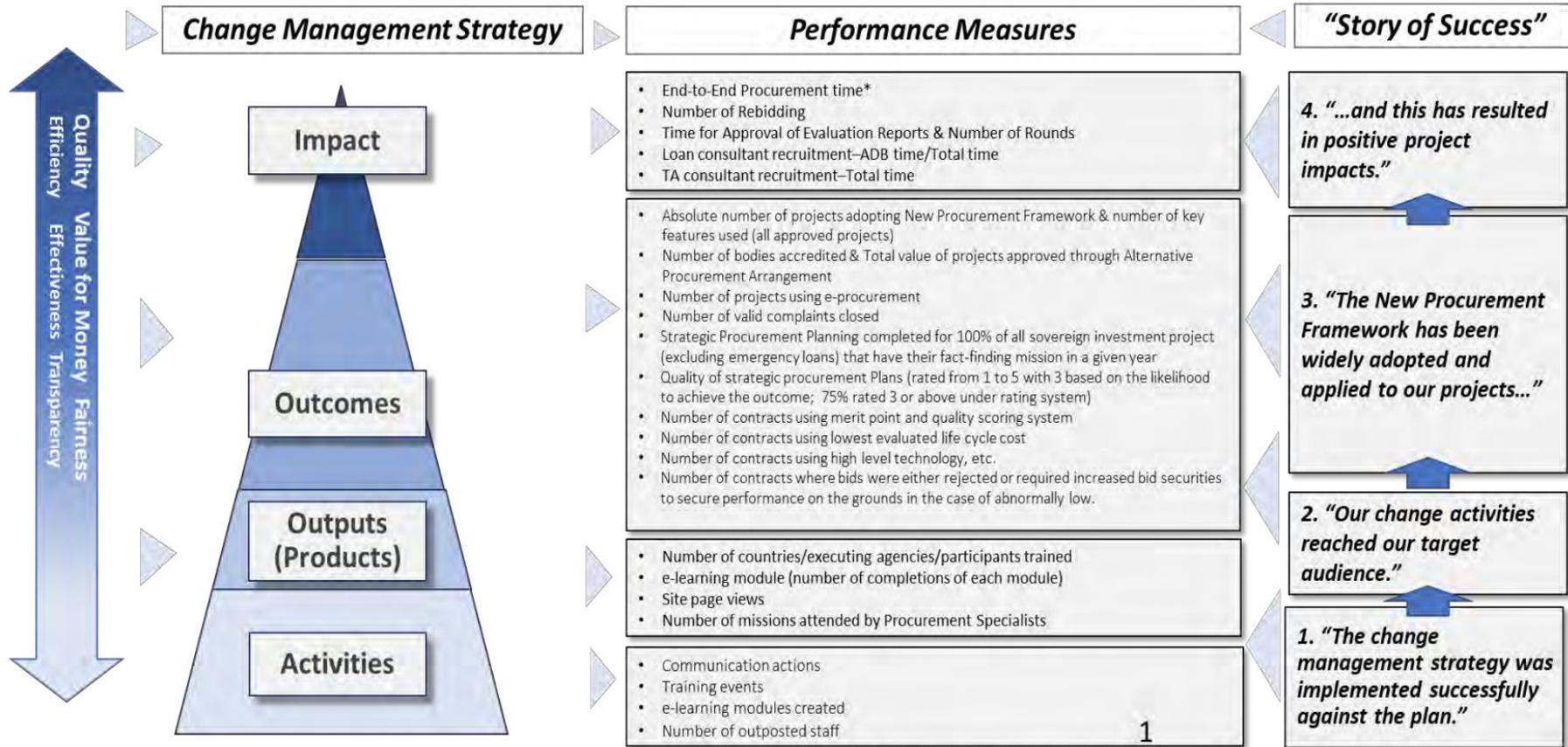
23. ADB has not formalized an explicit theory of change (TOC) with specific indicators to measure and monitor the performance of its procurement operations prior to or after the introduction of the PPF. When the PPF was formulated, it did not include an explicit TOC showing causal links from inputs to outputs, outcomes, and their ultimate development results, and a monitoring and results framework. The closest model that incorporated some TOC elements was the performance metrics in the 2020 Annual Portfolio Performance Report (Figure 6).²⁵

²⁴ ADB. 2018. *Procurement Review: Guidance Note on Procurement*. Manila.

²⁵ ADB. 2020. *Annual Procurement Performance Report*. Manila. Appendix 5, p. 137.

Figure 6: Performance Metrics

Approved performance measures for the 2017 Procurement Framework are linked to the change management strategy and the “story of success” of the implementation and effectiveness of the framework



* Measure included in Development Effectiveness Review

Source: Asian Development Bank (Procurement, Portfolio and Financial Management Department)

24. **The evaluation design draws from a TOC based on the reforms intended by the PPF.** The TOC (Figure 7) represents all significant aspects of the PPF reforms. The activities, outputs, and outcomes are derived from a one-size-fits-all approach to a more flexible risk-based procurement model as represented in the PPF (paras. 9 and 10). It is based on the Procurement, Portfolio and Financial Management Department's (PPFD) background documents, procurement policy papers from 2010–2021, and other MDBs' and independent studies on public procurement and aid effectiveness.²⁶ The preliminary TOC was presented and discussed in a joint workshop with PPFD staff, who provided insights into the background, context, progress, challenges, and key needs in the procurement reform process.

25. **The TOC illustrates the intended scope of the PPF to improve ADB's procurement systems.** The TOC also guides the evaluation approach as elaborated in the next section. At the activity and input level, these include the elements related to the design and implementation of procurement reforms at the institutional level, system improvements, and knowledge sharing and outreach. The intended outputs of these activities and inputs result in the implementation of risk-based procurement and alternative procurement arrangements, greater decentralization and delegation of procurement operations, improved beginning-to-end procurement support, monitoring and tracking of procurement complaints, and support for procurement capacity building i.e., to promote a change in ADB procurement practices from a compliance to a risk-based approach. The expected outcomes of these outputs include improved procurement efficiency, systems, and governance, along with reduced end-to-end procurement time and improved quality of procurement and project outcomes given that the underlying assumptions hold. These would be possible through better monitoring and performance measurement and improved procurement capacities of staff in ADB and DMCs and would ideally lead to the implementation and use of DMCs' own e-procurement systems. Expected impacts of the PPF are (i) achieving optimal VfM in response to DMCs' procurement requirements and ADB's operational needs; and (ii) effective, accountable, and transparent procurement institutions established in DMCs.²⁷ Together these impacts will facilitate ADB's efforts to eradicate poverty and sustain well-functioning economies in Asia and the Pacific. While building country procurement capacity is included in the TOC, it is important to note that the impact of ADB support for strengthening country procurement capacity, systems, and institutions are outside the scope of this evaluation.

E. Evaluation Scope and Approach

26. **The evaluation will cover 2014–2021, while focusing on the procurement reforms set out in the PPF.** It will be formative as it will examine the extent to which procurement reform has progressed towards achieving its objectives since the PPF adoption in 2017. The assessment will be undertaken with the caveat that the PPF is in its early stages of implementation. Its main objective will be to investigate what can be determined of the procurement reforms to date, challenges or gaps, benefits, and level of stakeholder buy-in at this point of its implementation. Accordingly, it will consider the extent to which ADB's procurement system has been effective in supporting DMCs' procurement needs and its own development agenda. Specific elements of this analysis will include:

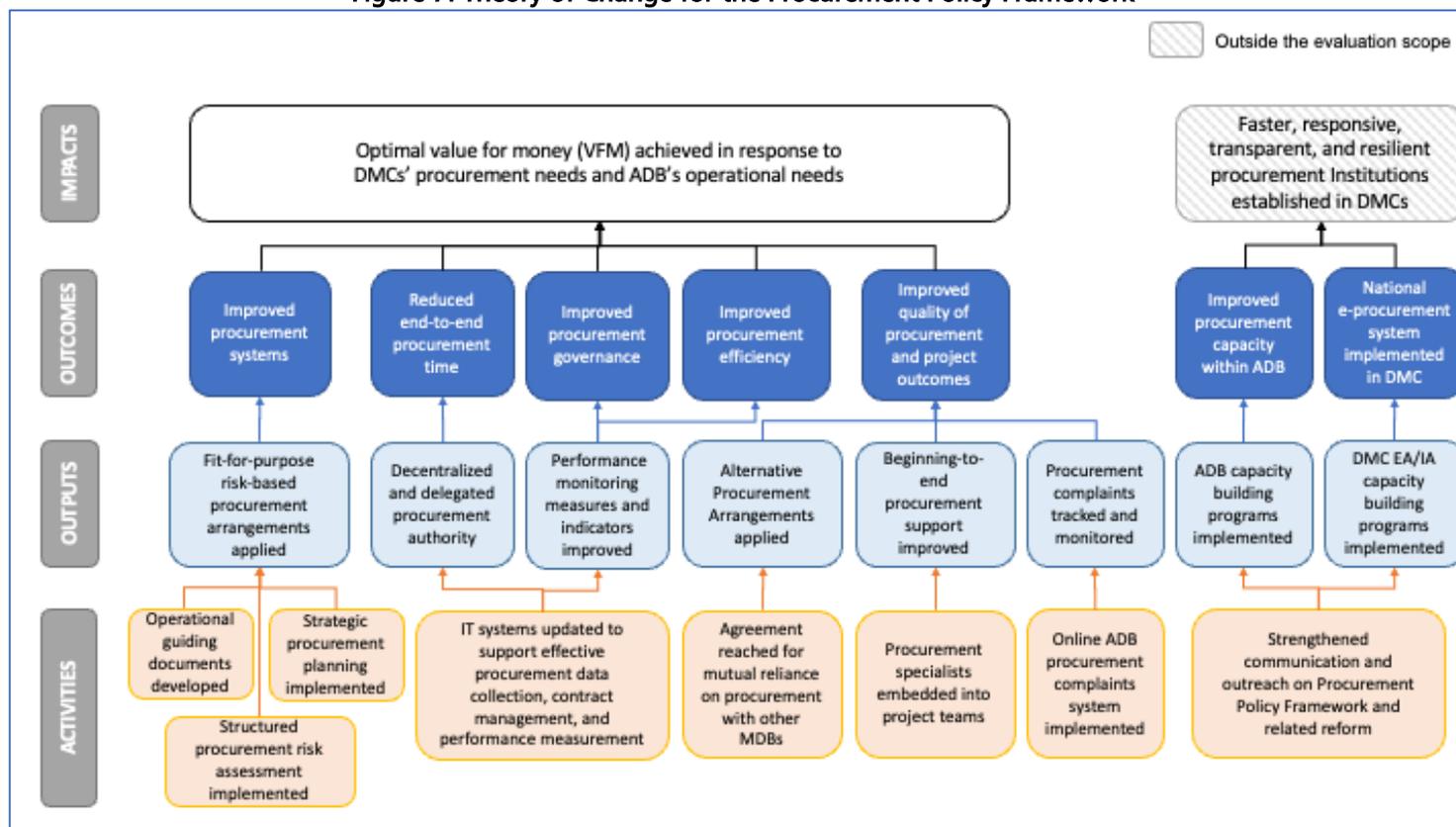
- The role and quality of capacity building (e.g., through increased e-learning) to improve procurement processes in ADB Headquarters, resident missions, and in DMCs' own systems;
- Adoption of a tailored and "fit for purpose" approach to procurement embedded within a new framework for procurement planning, undertaken more frequently by the DMCs;
- ADB's approach to supporting procurement in FCAS and SIDS;²⁸
- ADB's approach in the employment of new technologies to streamline and improve the effectiveness of its procurement processes (e.g., use of alternative procurement arrangements, e-procurement, etc.);
- Improved procurement management, specifically through improved contract management and complaints management; and
- ADB's participation in MDBs' efforts to harmonize their procurement systems; including efforts at coordination through reliance on mechanisms to avoid fragmentation of efforts and reduce costs.

²⁶ See A. La Chimia and P. Trepte. 2019. *Public Procurement and Aid Effectiveness: A Roadmap under Construction*. London.

²⁷ Contributing to Sustainable Development Goal 16.6 (develop effective, accountable, and transparent institutions at all levels).

²⁸ This would include, for example, an examination of approaches adopted to support procurement in FCAS and SIDS given the context in these DMCs, findings and lessons learned from adopting such approaches.

Figure 7: Theory of Change for the Procurement Policy Framework

**Assumptions:**

- ADB and DMCs share a common understanding on the significance of procurement in improving development effectiveness and impact.
- DMC officials recognize the benefit from ADB's capacity building interventions.
- DMCs have access to various sources of development financing in addition to ADB's funds.
- DMCs have long-term development priorities and are committed to implementing them and the related policy reforms.
- DMC officials recognize the importance of an efficient and transparent public procurement system.
- DMCs seek to ultimately implement their own fast, efficient, transparent, and resilient public procurement institutions.
- DMCs have political and economic stability to allow project implementation.

ADB = Asian Development Bank, DMC = developing member country, EA = executing agency, IA = implementing agency, IT = information technology, MDB = multilateral development bank.

Sources: Evaluation team constructs based on joint workshop with ADB's Procurement, Portfolio and Financial Management Department, and reviews of ADB's procurement policy papers and reports.

27. **Key procurement reforms as set out in the PPF will have an impact on the improvement in procurement delivery systems.** These reforms, presented as outputs in the TOC, include issues and practices around the transition from a one-size-fits-all to a risk-based procurement approach which includes strategic procurement planning approach; alternative procurement arrangements; decentralization and delegation of procurement authorities; and the quality and effectiveness of the procurement complaints tracking system. Based on findings, the early implementation and appropriateness of the reforms, and measures taken to monitor their effectiveness will be considered.

28. **The evaluation will not assess the effectiveness of DMCs' procurement systems but will assess how effective ADB has been in meeting the needs of the DMCs to implement procurement.** Similarly, it will not address issues specific to the nature of the procurement (goods, works, or services) or the extent to which procurement is used in practice to achieve broader socioeconomic objectives, such as sustainability, which may flow from specific core principles such as VfM. The evaluation is focused on ADB's procurement system and its operational effectiveness.

29. **The evaluation's focus is on sovereign investment operations.** PBL, RBL, and TA projects will be examined to the extent that selected operations contribute to strengthening country procurement systems. It will address ADB's contribution to the improvement of public procurement in its DMCs as a means of improving public expenditure processes and public financial management. Nonsovereign operations, even when it benefits the public sector, is not subject to the procurement system and procedures addressed by this evaluation. Under Section 21 of the PPF, procurement contracts to be financed by ADB under its nonsovereign operations are to be carried out following established private sector or commercial practices acceptable to ADB.

30. **The evaluation's overarching question is: To what extent has implementation of the PPF contributed to achieving optimal VfM in response to DMCs' procurement requirements?** Connected to this question are two sub-questions concerning ADB's shift from a rules-based procurement system to a risk-based one, and support for building DMC procurement capacity. Both are important for achieving VfM outcomes as shown in the TOC. The evaluation questions and their sub-questions are elaborated on in the evaluation framework in Appendix 2. The following subsidiary questions are proposed.

- To what extent has ADB been effective in establishing a procurement delivery system that achieves improved procurement efficiency, governance, and transparency in the use of ADB funds to meet the objectives of its development agenda?
- To what extent has ADB's efforts to build its own procurement capacity and that of its DMCs helped improve the efficiency and effectiveness of its procurement operations?

F. Evaluation Methods and Resource Requirements

31. **The evaluation methodology includes a mix of qualitative and quantitative approaches** Appendix 2 presents a summary of the evaluation methods to be undertaken to address the evaluation questions. Data sources will cover contextual issues, ADB corporate documents, project documents and portfolio reports, country and regional reviews on specific issues, surveys, IED evaluation findings, and interviews, as well as consideration of institutional arrangements and capacity building efforts.

1. Document and Literature Review

32. The literature review will be a comprehensive investigation of ADB documents (policy papers, reports); IED's corporate, thematic, and country evaluations; as well as relevant theoretical literature on public procurement issues and challenges in Asia and the Pacific and their associated capacity constraints. These include:

- (i) **An analysis of the evolution of the procurement system and policy together with the corporate results framework (CRF) indicators.** Changes in the procurement system over the evaluation period (2014–2021) means that it is necessary to identify the specific development objectives of the policy as it evolved to be able to assess the initiatives taken to achieve those objectives. Specifically, an analysis will be undertaken on its evolution from a menu of prescriptive

procurement guidelines to a more flexible and principle-based approach designed to achieve optimal VfM in response to DMCs' procurement requirements. That is, to understand what VfM means, how it is measured, and how MDBs and bilateral donors aim to achieve it. This would also include looking at how the indicators of the CRF may have changed to capture those changes allowing better assessment of the causal chain from policy actions and conditions to the development outcome. The analysis will rely on a review of the literature relating to the policy reforms and learning materials produced by ADB with a view to ensuring that readers are familiar with the policy evolution. The analysis will also assess the quality of those indicators and their appropriateness for assessing effectiveness of the procurement system in terms of the stated objectives. Assessment questions will include consideration of whether available metrics are capable of measuring impact.

- (ii) **A review of reports relating to capacity building efforts.** This is likely to rely on the Knowledge and Capacity Development Report 2020 as well as on reports detailing the results of the Procurement Accreditation Skills Scheme (PASS). This will also involve a review of the e-learning materials produced by ADB. In respect to capacity at DMC level, data will be culled from reports prepared with ADB TA support, notably the strategic procurement plans (SPP) and country procurement risk assessments. These reports are likely to provide qualitative observations on the outcome of capacity building initiatives that will complement information from the Knowledge and Capacity Development Report 2020. To the extent possible this review will also examine possible constraints that ADB procurement systems may pose in collaborating with knowledge partners and centers of excellence.
- (iii) **A review of selected country-based reports.** This will include the Procurement Review System (PRS) of ADB, selected SPP documents in focus countries, country/sector procurement risk assessments. To the extent possible, some of these will be used to assess capacity and capacity improvements; ADB support provided to strengthen country systems e.g., through the decentralization process or by way of TA or PBL; extent to which procurement flexibility has been implemented at project level; and the use of country systems as well to gauge cooperation/harmonization efforts with development partners.
- (iv) **IED's corporate/thematic and country evaluations** with findings and recommendations pertinent to ADB's procurement practices.

2. Portfolio Analysis

33. The portfolio review will examine trends in operational procurement by borrowing region for 2014–2017 and 2017–2021, showing and comparing the size of the overall portfolio. It will examine the distribution of funds from an administrative (lending instrument), geographic, sector or project/program level perspective, and identify the ultimate recipients of those funds as a means of identifying the distribution of successful bidders by region. Data will be sourced from ADB's systems including Operational Procurement Statistics Dashboard (ProcDash), PRS, Consultant Management System (CMS). and other reports prepared by PPF, which contain relevant data such as the annual procurement reports and annual consulting services reports. The latter will include an assessment of the process and procedures that govern the CMS and procurement of consulting services. If applicable, the assessment will examine PBL and RBL operations to determine the level of maturity of the national procurement system of the recipient DMCs and examine any progress made in view of such operations. The review will also seek to determine whether contract awards data provide any evidence of the development of the domestic market in recipient DMCs.

3. Regression Analysis on Procurement Performance

34. The evaluation will undertake a regression analysis to identify factors that explain variations in procurement performance across countries in Asia and the Pacific region. The regression model will examine variations that could explain whether and how procurement performance may be influenced by economic, institutional, and project-related indicators. The resulting model will help validate the relevance of the procurement reforms as set out by the PPF.

4. ADB Stakeholder Interviews and Perception Survey

35. The evaluation will conduct three separate stakeholder surveys. Stakeholder group 1 will include ADB staff, Group 2 DMC executing and implementing agencies, and Group 3 contractors

and suppliers.²⁹ It would take the form of perception surveys and interviews with ADB staff in headquarters and in resident missions of focus countries as well as with staff of the executing and implementing agencies and development partners. The first and second group surveys will provide a preliminary comparison of the perception of procurement performance between ADB project officers and beneficiaries. It will also help the evaluation team identify the gaps in perception and critical pain points in the procurement process. The perception survey of contractors will allow for the collection of qualitative assessments and anecdotal evidence to supplement the quantitative analysis and desk review. It will help compare and possibly highlight those areas with the most disparity in perceptions, capacity, and needs. It will include stakeholders that have participated in or supported ADB's procurement process. Consultations may be carried out both informally through individual meetings and emails, and in more structured formats through focus groups and semi-structured interviews to help clarify, validate, or question possible interpretations of events and results by the evaluation team. If appropriate, short surveys of selected groups e.g., processing mission leaders, staff responsible for implementation, and executing agency representatives will be administered to investigate topics where qualitative perceptions are important or quantitative data are not available. In addition, the selection will also include countries with significant PBL, RBL, and TA portfolios given the extent that selected operations contribute to building DMC procurement capacity.

5. Country Assessments

36. The evaluation will use country assessments to collect data on procurement systems and performance. The case assessment sample includes India, Mongolia, Papua New Guinea, the Philippines, and Uzbekistan. Country selection was based on (i) regional distribution, (ii) procurement volume, (iii) country capacity, and (iv) procurement risk (see Appendix 3 for more details on selection criteria).³⁰ In addition, the selection will also include countries with significant PBL, RBL, and TA portfolios to the extent that selected operations contribute to building procurement capacity in DMCs.

37. In addition to reviewing country specific reports, it is envisaged that this part of the evaluation will, subject to limitations, involve conducting evaluation missions. These will be used to seek feedback and insights from ADB counterparts in central authorities (typically Ministry of Finance), relevant line ministries, executing and implementing agencies of sample projects, ADB country directors and resident mission staff involved in procurement processing and/or implementation, and other stakeholders. These assessments will help document and assess (i) the procurement process and staff views and perceptions on the shift to a risk-based system, and (ii) the relevance of ADB support to DMC procurement systems capacity. It will assess ADB's strategic approach to strengthen these capacities in terms of their alignment and complementarity with the needs of ADB's procurement systems with emphasis on relevance and quality of support to reduce procurement time, improve procurement quality and delivery systems, promote better and timely engagement with DMCs, lower transaction costs, and strengthen capacities for fiduciary oversight and compliance throughout the project cycle. To the extent applicable within the scope of the country assessments, the evaluation will assess ADB's capacity to respond to and support DMCs as they deal with emergency situations over the period. The portfolio review will provide complementary data and analysis of DMC procurement systems policy. It will review the use of PBL and RBL in supporting DMC procurement capacity building. Key objectives of the review will be to determine the extent to which these instruments have been used for strengthening DMCs' procurement systems and their role in DMC procurement policies that govern the management of public finance and expenditure.

6. Study on ADB's Procurement Data Management Systems

38. The study will assess ADB's overall approach to procurement data collection, management, and analysis to shape policy and inform decisions on fiduciary oversight of procurement of goods, works, non-consulting, and consulting services. It will investigate whether the configuration and quality of ADB's procurement data collection and management systems are fit for purpose to provide advice to ADB staff and borrowers on operational procurement planning and implementation;

²⁹ The inclusion of sub-Group 3 will depend on the evaluation's ability to establishing a representative sample of contractors and supplier on suppliers from a sub-regional perspective.

³⁰ PNG was selected for different reasons including the need to focus on procurement in Pacific FCAS and SIDS.

contract management and related risk assessments and mitigation throughout the project life cycle; procurement consulting services innovation; capacity building; and the utilization of human and financial resources. The objective of this component will be to determine how effective the systems that are in place can support ADB's objective to improve performance and mitigate risks associated with the volume of transactions and financial interests, to mitigate the complexity of the process, and to promote interaction among public officials, businesses, and multiple stakeholders.

G. Evaluation Resources

39. **IED evaluation team.** The team will be led by Philip Chan, Principal Evaluation Specialist, and Eungji Kim, Senior Evaluation Specialist as co-team leaders. The team includes Linda Adams, Hyun Son, Principal Evaluation Specialists; Melinda Sutherland, Senior Evaluation Specialist; Ari Perdana, Evaluation Specialist; Ma. Patricia Lim, Senior Evaluation Officer; and Glennie Castillo, Evaluation Analyst.

40. **The evaluation will be supported by a team of consultants.** These will be engaged in accordance with ADB procurement policy and include international consultants, headquarters-based national consultants (for document review and portfolio analysis), in-country consultants (for the evaluation missions), and an intern (for the regression analysis).

H. Timetable

41. The summary timeline of the evaluation is set out in the following table, subject to the limitations described below.

I July 2021 – I May 2022	Preparation of Approach Paper
II May – IV July 2022	Implementation of the Evaluation
I August – III November 2022	Drafting and Finalization of the Report
II December 2022	DEC Meeting (tentative)

I. Limitations

42. **Complete data and information on procurement performance are not readily accessible.** The challenge to the analysis of procurement performance rests on the fact that PPFD only has full visibility over transactions of at least \$20 million, which are approved by PPFD. Transactions below \$20 million are delegated to regional departments and are supposed to be reported in the PRS. Data collection therefore remains a key issue owing to limitations in current data collection systems. Data are available prior to 2017 for projects and TAs but will have to be tracked manually. Another complication is associated with the difference between procurement policies pre- and post-2017. Prior to 2017, procurement transactions were guided by compliance-based systems and processes, while post-2017 procurement operations are based on a more flexible risk-based approach as set out in the PPF; so not all procurement indicators apply for both periods. Therefore, while data may be available, it may be limited given that it will be based on different procurement policy approaches. At the data collection level, PPFD is the custodian for data collected in the PRS and CMS. Data collection in these systems only focus on project cycle stages from design to approval and not implementation. PPFD is not responsible for other data collection systems which also contain procurement data i.e., loan, grant, TA Financial Information Systems, and the Integrated Disbursement System, introduced in 2021. Hence, there is a possibility that some procurement data may not be comparable. Further, the quality of available data may also have implications for the scope of the evaluation. Consistency of data collection and reporting across regional departments and resident missions may also vary.

43. **The conduct of evaluation missions may be affected by the COVID-19 situation in case countries.** While ADB mission travel is already allowed, the evolving COVID-19 pandemic and related travel restrictions in case assessment countries, will affect the approach (in-country or virtual) and timing of the anticipated consultations with borrowers, executing agencies, or project visits. As such, virtual missions will likely be undertaken in most countries.

J. Dissemination Plan

44. **The evaluation findings will be disseminated within ADB and externally within the region.** The final report will be posted on the IED website. Knowledge sharing and learning activities will be held, including dissemination seminars and presentations in conferences within and possibly outside ADB.

APPENDICES

1. Progress in Implementing the 2017 Procurement Framework
2. Evaluation Framework
3. Country Case Assessments – Selection Methodology
4. Outline Consultant Terms of Reference and Cost Estimate (*not for public disclosure*)

PROGRESS IN IMPLEMENTING THE 2017 PROCUREMENT FRAMEWORK

Implementation activities following the approval of the 2017 Procurement Policy Framework include:

- Operational guiding documents for the implementation were issued in June 2018 (comprising 4 staff instructions, 8 standard bidding documents, 9 user guides, and 26 guidance notes) on how the 2017 procurement framework is implemented.
- Capacity building activities were carried out to prepare staff and developing member countries (DMCs) for 2017 Procurement Framework implementation since 2018.
- Communication and outreach activities were organized for regional departments and executing agencies to introduce the new policy since 2018.
- Procurement website was launched in 2019 to provide a single site in the public domain for information on operational procurement and links to resources.
- Decentralization and Delegation of Authority. As of 2021, 24 procurement specialists have been outposted to resident missions (11 staff) and strategically placed in sector divisions and front offices of regional departments (13 staff) to provide end-to-end procurement support.
- Alternative procurement arrangements (APAs) have been signed with the World Bank (2018), the European Bank for Reconstruction and Development (2019), and the European Investment Bank (January 2021). As of 31 December 2021, five projects for \$940 million have been approved under the APA. ADB also signed memorandum of understanding with four United Nations agencies to implement over the next 2 years \$405 million in humanitarian support to the Afghan people under APA.
- A set of performance measures and indicators was introduced to monitor the implementation of procurement reforms in March 2019.
- Strategic procurement planning (SPP) documents were completed for 132 projects as of 31 December 2021: 66 SPP documents were completed in 2021, 50 in 2020 and 16 in 2019. In addition, SPP documents were completed for 23 projects to be approved in 2022 and 2 projects await approval in 2023.
- Procurement Complaints Tracking System, a cloud-based system for all complaints on operational procurement and consulting received by the Asian Development Bank (ADB) was fully deployed in 2020.
- Twenty-eight framework agreements were established in 2021, under which 197 experts were empaneled and 223 experts were engaged through call-offs. In 2020, 36 framework agreements for consulting services were set up in 2020, under which 174 experts were empaneled, with 129 experts engaged through call-offs.
- Procurement risk assessments were undertaken for 26 DMCs with technical assistance support. Methodology for Assessing Procurement Systems in the Philippines and Indonesia is being conducted in partnership with the two countries' procurement agencies and the World Bank.
- In terms of e-procurement, a key feature of the 2017 Procurement Framework, ADB-financed operations using digital platforms increased to \$7.4 billion for 40 projects in 2020 (from \$4.4 billion for 30 projects in 2017).
- Operational Procurement Statistics Dashboard launched in 2021 covering data from 2016–June 2021 for projects awarded under ADB operations.

Sources: ADB. 2022. *2021 Annual Procurement Report*. Manila; ADB. 2021. *Annual Portfolio Performance Report 2020*. Manila; and ADB. 2021. *2020 Annual Procurement Report*. Manila.

EVALUATION FRAMEWORK

Overarching question: To what extent has implementation of the Procurement Policy Framework contributed to achieving optimal value for money in response to developing member countries' (DMC) procurement requirements?

Sub-question 1: To what extent has the Asian Development Bank (ADB) been effective in establishing a procurement delivery system that achieves improved procurement efficiency, governance, and transparency in the use of ADB funds to meet the objectives of its development agenda?

Evaluation Question	Literature Review	Portfolio/Data Analysis	Key Informant Interview	Perception Survey	Country Case Assessment	Study on Data Management	Cross-country Reg. Analysis	Data Sources
<p>(i) Improved procurement systems - To what extent has the PPF reforms helped establish "fit-for-purpose" procurement and technical solutions in ADB's investment projects and programs?</p> <ul style="list-style-type: none"> - To what extent were ADB's planned procurements based on explicit consideration and analysis of procurement issues, constraints, and risks? - To what extent was ADB's consideration of procurement risk structured and sufficient? - To what extent has the implementation of PPF 2017 contributed to overall reductions in procurement risks? - To what extent were ADB's strategic procurement plans effectively implemented? - Do technical guidelines and guidance notes provide adequate support to borrowers and executing agencies. - Were procurement operational guidance materials updated on a timely basis and accessible to ADB staff and DMC government and executing agencies? - To what extent were ADB's "fit-for-purpose" procurement arrangements effectively implemented? - How effectively has ADB's fit-for-purpose procurement approach been operationalized in FCAS, SIDS, and emergency situations? 	√	√	√	√	√	√		Policy documents, portfolio data, PPF reports, country-based reports, findings from IED evaluations
<p>(ii) Enhanced end-to-end procurement support - To what extent has the PPF reforms been effective in improving ADB's procurement delivery system and supporting its development objectives?</p> <ul style="list-style-type: none"> - Was ADB's allocation of human, financial resources, and time to improve its procurement systems and processes sufficient? - Were ADB's budget allocations for innovation and knowledge development for procurement sufficient? - To what extent was the decentralization and delegation of procurement authority to ADB's resident missions effective? - To what extent has the embedding of procurement specialists into project teams been effective in improving project design and delivery time? 	√	√	√			√	√	Strategic procurement plans, PPF reports, BPMSD data.
<p>(iii) Improved procurement governance - To what extent has the PPF reforms promoted a change in the mindset of stakeholders from a compliance to a risk management and results-based approach?</p> <ul style="list-style-type: none"> - To what extent have procurement performance indicators and targets appropriately selected to support ADB's development objectives? - Are the procurement performance indicators monitored and measured on a timely basis? - To what extent is ADB's current IT systems sufficient for its procurement performance measurement needs? - Are ADB's IT systems adequately designed to address its procurement data collection needs? - To what extent does ADB's IT systems effectively address its contract management needs? - To what extent has procurement related complaints declined since the implementation of the PPF in 2017? - To what extent has the implementation of the PPF in 2017 contributed to reductions in non-compliance? 	√	√	√	√	√			Policy documents, country-based reports, pro-active integrity reviews, procurement complaints tracking system.

Evaluation Question	Literature Review	Portfolio/Data Analysis	Key Informant Interview	Perception Survey	Country Case Assessment	Study on Data Management	Cross-country Reg. Analysis	Data Sources
<ul style="list-style-type: none"> - To what extent have the outcomes and learning from prior and post reviews integrated into future project design and implementation? - To what extent have the findings of country procurement risk assessments been utilized by regional departments in their strategic planning processes? How many country risk assessments have been undertaken? 								
(iv) Improved procurement efficiency - To what extent has the PPF's reforms helped increase ADB's fiduciary comfort throughout the programming cycle?	√	√	√	√	√		√	Policy documents, country-based reports, portfolio and Corporate Results Framework data
<ul style="list-style-type: none"> - To what extent has the implementation of PPF 2017 contributed to a reduction in procurement delivery time. - To what extent has the PPF helped promote timely implementation of projects? 								
(v) Improved quality of procurement and project outcomes - To what extent has the PPF reforms promoted better project design and faster and more effective implementation of ADB-financed projects?	√		√	√	√		√	Policy documents, country-based reports
<ul style="list-style-type: none"> - To what extent has ADB harmonization of procurement policies and process with other MDBs reduced transaction costs and improved the quality and timeliness of procurement contracting? - To what extent has the shift from a "one size fits all" to a more flexible and tailored approach to procurement practice in line with international best practice among MDBs? - To what extent has ADB's procurement practices aligned with the needs of the private sector (local firms / companies for works or consulting services in DMCs)? - To what extent has ADB been successful in the application of alternative procurement arrangements (APA) for its procurement operations? - Are there areas in the procurement cycle where technical and operational improvements can enhance project design and delivery throughout the procurement cycle? - To what extent has the procurement complaints tracking system helped improve ADB's procurement complaints tracking, monitoring, and response time? 								

ADB = Asian Development Bank; FCAS = fragile and conflict-affected situations, DMC = developing member country; IED = Independent Evaluation Department, IT = information technology; MDB = multilateral development bank; PPF = Procurement Policy Framework; PPFM = Procurement, Portfolio Management and Financial Management Department, SIDS = small island developing states.
Source: Theory of Change, Independent Evaluation Department.

Sub-question 2: To what extent has ADB's efforts to build its own procurement capacity and supporting capacity building in DMC procurement systems helped improve the efficiency and effectiveness of its procurement operations?

Evaluation Question	Literature Review	Portfolio/Data Analysis	Key Informant Interview	Perception Survey	Country Case Assessment	Study on Data Management	Cross-country Reg. Analysis	Data Sources
(i) Improved procurement capacity within ADB - To what extent has the PPF reforms supported procurement capacity-building within ADB to improve the efficiency and effectiveness of its projects and programs?	√		√	√		√		Policy documents, PPF reports, data management study
<ul style="list-style-type: none"> - To what extent has ADB effectively rolled out and communicated its PPF (2017) and related changes to its stakeholders at ADB and in DMCs? - Are ADB's guidelines and guidance notes accessible and effective in communicating the changes necessary to improve procurement efficiency and effectiveness? - To what extent has ADB's key stakeholders taken up and benefited from its procurement capacity building programs? - Did ADB provide contextualized examples of procurement practices to help in planning and implementation of procurement operations? - To what extent has ADB's procurement planning and implementation processes aligned with the needs and of institutional capacities of DMCs? - To what extent has ADB's procurement planning and implementation processes based on a realistic assessment of its own institutional capacity? 								
(ii) Improved procurement capacity in DMCs - To what extent has the PPF reforms supported the capacity-building of DMC procurement systems to improve the efficiency and effectiveness of its procurement operations?	√		√	√	√		√	Country-based reports, PPF reports, cross-country regression analysis
<ul style="list-style-type: none"> - To what extent did ADB's support improve the level of awareness and knowledge on procurement in DMCs? - To what extent did ADB's capacity building support strengthen the procurement capacity of local institutions and industries in DMCs? - To what extent did ADB's capacity development support to procurement operations motivate a higher level of ownership and buy-in from DMCs to the PPF? - To what extent did ADB's capacity building support help establish or strengthen private sector support for procurement operations in DMCs? - Did innovations introduced by ADB's PPF lead to better procurement practices in DMCs? - To what extent were procurement reforms introduced by ADB sustained in DMCs, even without additional external support from donor partners? - To what extent did ADB's support motivate the enactment of procurement-related technical, legal, regulatory, and other policy measures? - To what extent did ADB's support motivate the institutionalization of modern procurement practices (e-procurement, etc.) in DMCs? - How have non-investment modalities such as PBLs and RBLs helped strengthen national procurement systems? 								

ADB = Asian Development Bank; CMS = consultant management system; DMC = developing member country; PBL = policy-based lending; PPF = Procurement Policy Framework; PPFM = Procurement, Portfolio Management and Financial Management Department; RBL = results-based lending.
Source: Theory of Change, Independent Evaluation Department.

COUNTRY CASE ASSESSMENTS – SELECTION METHODOLOGY

1. **Country classification by procurement volume.** Between 2017 to mid-2021, five countries registered total procurement volume of \$3 billion or more (large). Eleven countries have \$500 million and up but less than \$3 billion (medium); 12 countries have \$100 million and up but less than \$500 million (small), and 13 countries have less than \$100 million (very small, mostly Pacific Island nations, Table A3.1).¹

Table A3.1. Classification of Countries by Procurement Volume, 2017–2021

Procurement Volume	Countries
Large (\$2 billion and up)	Bangladesh, India, Pakistan, the People's Republic of China, the Philippines
Medium (\$500 million and up but less than \$2 billion)	Afghanistan,* Cambodia, Georgia, Indonesia, Mongolia, Nepal, Papua New Guinea, Sri Lanka, Tajikistan, Uzbekistan, Viet Nam
Small (\$100 million and up but less than \$500 million)	Armenia, Azerbaijan, Bhutan, Fiji, Lao People's Democratic Republic, Myanmar,* Timor-Leste, Kazakhstan, Kyrgyz Republic, Maldives, Tajikistan, Turkmenistan
Very small (less than \$100 million)*	Cook Islands, Federated States of Micronesia, Kiribati, Nauru, Niue, Palau, Republic of the Marshall Islands, Samoa, Solomon Islands, Thailand, Tonga, Tuvalu, Vanuatu

* not under consideration.

Source: Independent Evaluation Department.

2. **Number of projects approved using the 2017 procurement framework.** There were 119 projects already using the 2017 Procurement Policy Framework (PPF) during approval. Table A3.2. shows the distribution across country and year. The evaluation will emphasize the number of projects approved from 2018–2020 since more recent projects may not have too many transactions or activities being implemented.

Table A3.2. Number of Projects Approved Using the 2017 Procurement Policy Framework

Region/countries	2018	2019	2020	2021	2022	Total
CWRD	2	8	12	11	1	34
Uzbekistan		3	2	5		10
Afghanistan*		2	5	2		9
Pakistan	1	1	4	1	1	8
Kazakhstan		1		1		2
Tajikistan				2		2
Georgia			1			1
Kyrgyz Republic		1				1
Turkmenistan	1					1
EARD		1	3	3		7
Mongolia			3	1		4
People's Republic of China		1		2		3
PARD	1	2	7	3	3	16
Tonga		2	1	1		4
Papua New Guinea				1	1	2
Solomon Islands	1		1			2
Tuvalu			1		1	2
Vanuatu			1		1	2
Federated States of Micronesia			1			1
Kiribati			1			1
Nauru				1		1
Samoa			1			1
SARD	4	6	5	22	9	46
India	2	2	5	11	5	25
Nepal	1	2		3	2	8
Bangladesh		2		4		6
Sri Lanka	1			2	1	4
Bhutan				1	1	2
Maldives				1		1

¹ The threshold and the classification to large, medium, small, and very small were made only for the purpose of this evaluation.

Region/countries	2018	2019	2020	2021	2022	Total
SERD		2	6	7	1	16
Philippines		1	2	5		8
Myanmar*		1	2	1		4
Cambodia			2			2
Indonesia				1		1
Lao PDR					1	1
Total	7	19	33	46	14	119

EARD = East Asia Department, CWRD = Central and West Asia Department, SARD = South Asia Department, SERD = Southeast Asia Department. PARD = Pacific Department, PDR = People's Democratic Republic.

* not under consideration.

Source: Procurement, Portfolio Management and Financial Management Department.

3. Country selection criteria. The evaluation will select countries for the case assessment based on these considerations: (i) regional distribution, (ii) total procurement volume, and (iii) number of active projects approved using the 2017 PPF. In addition, the evaluation will try to keep a good representation of countries with different capacity and procurement risk. Country procurement risk and capacity will be proxied by the share of projects at risk in 2021 and, whenever possible, the score of the latest Asian Development Bank (ADB) Country Procurement Risk Assessment (CPRA). In selecting countries, the evaluation will also consider countries those with policy-based lending (PBL) and those with active results-based lending (RBL) operations to determine to what extent these operations contributed to strengthening DMC procurement capacity.

4. Project selection. Within each country, the evaluation team will select the projects to be included in the assessment. Project selection will be based on whether these have implemented the 2017 PPF and whether implementation started and contracts awarded but may not yet be disbursed.

5. Based on the above considerations, five countries will be included in the evaluation (a summary of the criteria checklist is presented in Table A3.3):

- **India (South Asia Department).** India is the largest ADB developing member country (DMC) in terms of procurement value. Over 2017–2021 it accounts for 23% of total ADB procurement investment. India has 25 projects approved using the 2017 PPF; 9 of which were approved in 2020 or prior. Given its large size and decentralized government, India's procurement system is more complex compared to other DMCs. At the same time, only 4% of projects in India are "at risk". India is also one of the countries where ADB has just conducted e-procurement assessments, which is one of the special topics of the evaluation.
- **Philippines (Southeast Asia Department).** The Philippines is the largest DMC in procurement value in Southeast Asia from 2017 to 2021 (\$3.8 million). Eight projects were approved using the 2017 PPF, with three approved in 2020 or prior. ADB is conducting the latest Methodology for Assessing Procurement Systems (MAPS) for the Philippines, which is timely for this evaluation. Of all active projects, 27.4% are at risk, indicating a substantial degree of project risk.
- **Uzbekistan (Central and West Asia Department).** Uzbekistan represents a "medium-sized" country, which is also one of the former Soviet Union republics. Uzbekistan has 10 projects approved using the 2017 PPF; 5 of which were approved in 2020 or prior. In the 2018 CPRA, Uzbekistan received an average score of 1.79 suggesting a moderate to weak procurement capacity and high risk. It has 17.5% project currently at risk, indicating a substantial degree of project risk.
- **Papua New Guinea (PNG, Pacific Department).** PNG has the largest portfolio and procurement volume in the Pacific region. It is both classified as fragile and conflict-affected situations and small island developing states. PNG has a large share of PBL projects (54%), including support to strengthen its country procurement system. Almost 90% of its procurement volume is taken up by transport and energy projects but PNG also has a substantial share of health sector procurement (9%). In the 2017 CPRA, PNG received an average score of 1.2 suggesting weak procurement capacity. It has 32% projects currently at risk, indicating a substantial degree of project risk.
- **Mongolia (East Asia Department).** Mongolia is on the lower end of a medium-sized country. It has four projects approved using the 2017 PPF; three approved in 2020 or prior. In the 2017 CPRA, Mongolia received an average score of 2.4 suggesting good procurement capacity; although the mandatory exclusion of foreign bidders for contracts below certain threshold,

frequent changes in the procurement planning and high staff turnover are some weak factors. It has 47% project currently at risk, indicating a substantial degree of project risk.

Table A3.3. Criteria Checklist

Country	Region	Procurement Volume, 2017-2021 (\$ million)	Share of PBL (%) ^a	No. of projects using the 2017 PPF	RBL	FCAS	SIDS	Project at risk, 2021 (%)	Latest CPRA score
IND	SARD	10,892	11	25	√			4.3	n. a.
PHI	SERD	3,756	53	8	√			27.4	n. a.
UZB	CWRD	1,242	30	10	√			17.5	1.8
PNG	PARD	903	41	2		√	√	32.1	1.2
MON	EARD	652	40	4				47.2	2.4

CPRA = Country Procurement Risk Assessment, CWRD = Central and West Asia Department, EARD = East Asia Department, FCAS = fragile and conflict-affected situations, IND = India, MON = Mongolia, n.a. = not applicable, PARD = Pacific Department, PBL = policy-based lending, PHI = Philippines, PNG = Papua New Guinea, RBL = results-based lending, SARD = South Asia Department, SERD = Southeast Asia Department, SIDS = small island developing states, UZB = Uzbekistan.

^a Based on the amount of policy-based lending approved during 2017–mid 2021.

Source: Independent Evaluation Department.

6. **Additional countries.** In addition to conducting country case assessments, the evaluation may conduct desk-based assessments in other countries (that are the subject of cases assessments of ongoing evaluations). The assessments will focus on specific, more limited topics.