ADB

Guidelines

April 2016

Guidelines for the Evaluation of Public Sector Operations

Independent Evaluation Department

Asian Development Bank

NOTE

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

Director General	V. Thomas, Independent Evaluation Department (IED)
Deputy Director General	V. Salze-Lozac'h, IED
Team leader	W. Kolkma, Director, Independent Evaluation Division 1, IED
Team members	F. Ahmed, Lead Evaluation Specialist, IED
	J. Tominaga, Principal Evaluation Specialist, IED
	B. Nguyen, Senior Evaluation Specialist, IED
	J. Dimayuga, Senior Evaluation Officer, IED
	F. De Guzman, Senior Evaluation Officer, IED
	V. Melo-Cabuang, Senior Evaluation Assistant, IED
	C. Malilay, Evaluation Assistant, IED

ABBREVIATIONS

ADB	–	Asian Development Bank
AER	–	Annual Evaluation Review
DMF	–	design and monitoring framework
EAL	–	emergency assistance loan
EAP	–	evaluation approach paper
ECG	–	Evaluation Cooperation Group
EIRR	–	economic internal rate of return
FILP	–	financial intermediary loan project
FIRR	–	financial internal rate of return
IED	–	Independent Evaluation Department
MFF	–	multitranche financing facility
O&M	–	operation and maintenance
OECD	–	Organisation for Economic Co-operation and Development
OM	–	Operations Manual
PAI	–	Project Administration Instructions
PBL	–	policy-based loan
PCR	–	project (or program) completion report
PPER	–	project (or program) performance evaluation report
PPTA	–	project preparatory technical assistance
PVR	–	project completion report validation
RRP	–	report and recommendation of the President
SDP	–	sector development program
TA	–	technical assistance
TCR	–	technical assistance completion report
TPER	–	technical assistance performance evaluation report
WACC	–	weighted average cost of capital

CONTENTS

I. INTRODUCTION

1. These guidelines provide the framework for evaluating completed public sector operations (projects) supported by the Asian Development Bank (ADB) through loans, grants, and technical assistance.[1] They apply to both core and non-core evaluation criteria for assessing such projects.[2] Assessments using the core criteria of *relevance, effectiveness, efficiency,* and *sustainability* contribute to the overall project performance assessment and the project's success rating. The non-core criteria of development impacts, ADB and cofinancier performance, and borrower and executing agency performance provide further depth to the evaluation.

2. ADB's Independent Evaluation Department (IED) has formulated these guidelines in consultation with ADB's regional departments.[3] The guidelines are in line with ADB's evaluation policy[4] and are designed to ensure that the assessments and ratings standards used in self-evaluations undertaken by regional departments and independent evaluations by IED are consistent. The guidelines aim to provide a basis for an update of ADB's project administration instructions (PAI), which currently govern the preparation by regional departments of self-evaluation project completion reports (PCRs) and technical assistance (TA) completion reports (TCRs).[5] Separate guidelines govern ADB-financed private sector operations (also called nonsovereign operations).[6]

3. The principles underpinning the evaluation criteria are based on the 1991 Organisation for Economic Co-operation and Development−Development Assistance Committee (OECD-DAC) principles for evaluation of development assistance.[7] The approach also incorporates good practice standards for evaluating public sector operations as endorsed by the Evaluation Cooperation Group (ECG) of the multilateral development banks.[8] The guidelines are consistent with ADB's Updated Design and Monitoring Framework (DMF) Guidelines, 2015.[9]

4. Chapter II describes ADB's approach to project evaluation and how self-evaluations and independent evaluations complement each other. Chapter III explains the evaluation criteria, and the rating standards for each core evaluation criterion. The guidelines apply to all project modalities, but special guidance is provided for multitranche financing facilities (MFFs), sector projects, sector development programs (SDPs), policy-based loans (PBLs),

---

1 The guidelines replace IED. 2006. *Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations.* January (updated March 2013). Manila: ADB; and IED. 2014. *Guidelines for the Validation of Project/Program Completion Reports of the Independent Evaluation Department.* Manila: ADB.

2 "Projects" in these guidelines refer to public sector operations approved by ADB and may cover various types and modalities, including investment projects, sector projects, program loans, sector development programs (SDPs), multitranche financing facilities (MFFs), results-based lending, emergency assistance loan (EAL) projects, and technical assistance (TA) operations.

3 Central and West Asia Department, East Asia Department, Pacific Department, South Asia Department, and Southeast Asia Department.

4 ADB. 2008. *Review of the Independence and Effectiveness of the Operations Evaluation Department*. Policy Paper. Manila.

5 Available at: http://www.adb.org/documents/project-administration-instructions.

6 IED. 2014. *Guidelines for the Preparation of Project Performance Evaluation Reports on Nonsovereign Operations*. Manila: ADB.

7 OECD-DAC. 1991. *Principles for Evaluation of Development Assistance*. Paris.

8 ECG. 2011. *Good Practice Standards for Public Sector Operations.* Washington, DC; ECG. 2012. *Big Book on Evaluation Good Practice Standards*. Manila.

9 ADB. 2015. *Updated Design and Monitoring Framework Guidelines.* Manila.

emergency assistance loans (EALs), and financial intermediary loan projects (FILP). While these modalities are supported by specific Operations Manual (OM) sections that should be consulted for further guidance,[10] the evaluator must consider the context and special circumstances of each project. The results-based lending programs that were introduced on a pilot basis by ADB in 2013 are not fully discussed in this paper.[11] Separate guidance is given to the evaluation of groups of TA projects. Chapter IV contains guidelines for the three noncore assessments: *development impacts, ADB and cofinancier performance,* and *borrower and executing agency performance*. Chapter V explains how the overall project success rating is determined, with guidance on the weighting process and rating criteria.

5. Appendixes 1, 2, and 3 provide guidelines and sample report formats for project performance evaluation reports, PCR validation reports, and TA performance evaluation reports respectively. Similar guidelines and formats for regional departments' self-evaluation reports are covered by the relevant PAI appendixes. Appendix 4 describes the processes for undertaking and finalizing IED's evaluation and validation reports.

II. APPROACH TO PROJECT EVALUATION IN ADB

6. Evaluation strengthens accountability and learning by rating projects according to various criteria and by identifying key lessons and recommendations for improving the development effectiveness of ongoing and future projects. The whole project is to be evaluated and rated, not just the ADB loan portion. Project evaluation is undertaken through: (i) self-evaluation by regional departments;[12] and (ii) independent evaluation or validation by IED. IED's project evaluations inform ADB and IED performance reviews and can also contribute to higher-level country, sector, corporate, and thematic evaluations.

A. Self-Evaluation and Independent Evaluation

7. ADB requires that all public sector projects that have incurred ADB expenditures and are regarded as completed[13] are subjected to self-evaluation by regional departments. PCRs are prepared for all completed investment projects, sector projects, PBLs, SDPs, emergency assistance projects, FILPs, and MFFs, including completed projects funded through individual (non-timesliced) tranches of MFFs.[14] Regional departments need to prepare TCRs for all completed TA projects, except for preparatory project TA (PPTA)

[10] Available at: http://www.adb.org/documents/operations-manual.

[11] See: ADB. 2013. *Piloting Results-Based Lending for Programs*. Manila. The new modality will directly link disbursements of funds to achievements of results in a government-owned program. The objectives are to increase accountability and incentives for delivering and sustaining results, improve the effectiveness and efficiency of government-owned sector programs, promote institutional development, and enhance development effectiveness. Results-based lending involves rigorous assessments of implementation systems, follow-up capacity development measures, and implementation support. The pilot is scheduled to last for 6 years and will end in 2019.

[12] In some cases, non-operations departments also prepare TCRs.

[13] Usually, a project is deemed completed when components and facilities have been substantially completed, and are ready for operation (regardless of closure of its financial account). Projects with revenue streams should be in operation for sufficient time to generate data for revised financial and economic analyses enabling a comparison with appraisal estimates. See PAI 6.07A, Appendix 1 for details. Special attention is paid to multiproject and sector loans, program loans and loans to development finance institutions.

[14] OM D14/OP states: "Individual project completion reports shall be prepared for each tranche, except for the last tranche which will be part of the facility completion report. The facility completion report will cover the entire MFF. For an MFF that uses the time-slice financing approach, one facility completion report will be required. Post-evaluation reviews may be undertaken of the overall MFF or any of its tranches."

projects and TA loans if these led to subsequent investment projects or other loan-based operations.[15] Preparation of PCRs is guided by PAI 6.07 and TCRs by PAI 6.08 (footnote 3). After approval by ADB Management, the PCRs and TCRs are circulated to ADB's Board of Directors, and made available to the public through ADB's website. IED does not participate in the preparation of PCRs or TCRs.

8. Evaluation of projects by IED is undertaken at two levels; (i) through a desk review, or validation, undertaken for approximately 80% of PCRs and reported in project completion report validations (PVRs); and (ii) through field-based evaluations, undertaken for 10%–20% of projects, and reported in project performance evaluation reports (PPERs). For a smaller proportion of TA projects, TA performance evaluation reports (TPERs) are prepared, usually for a group of such projects at a time. PVRs, PPERs, and TPERs (independent evaluation reports) are made available to the public through the IED website upon their approval by the Director General.

B. Project Validation Reports and Project Performance Evaluation Reports

9. PVRs and PPERs differ in their depth and breadth of assessments because of the amount of time spent, the analytical resources utilized, and the type of evidence collected in their preparation. PVRs rely on a rapid assessment of project performance based mainly on desk reviews and cross-checking of the PCR, the report and recommendation of the President (RRP) and associated documents. Preparation of a PVR usually takes 2–3 weeks and involves a first draft often prepared by an external subject matter expert, a thorough review of the draft by various IED staff, comments by the regional department, and the outcome of any further communications, such as discussions with project officers. Although the PVR process is heavily dependent on the PCR and RRP for information on project design and performance, new information submitted by the regional department and information gained independently by IED can add to the PVR and influence ratings. The PVR therefore stands as an independent review of the project.

10. PPERs are in-depth assessments of projects, based on evidence from documentation and files, as well as field visits, occasional surveys, and interviews with ADB staff, government, and other stakeholders. Preparation of a PPER typically requires 3 months of work from an evaluation specialist on full-time basis, with more intermittent help from an IED officer and assistant. Consultants are often also used for PPERs. A project can be the subject of both a PVR and (subsequently) a PPER. If that happens then the PPER ratings supersede the PVR ratings in ADB and IED reporting systems. Appendix 1 presents the guidelines and templates for PPER preparation and Appendix 2 the guidelines and templates for PVR preparation.

C. Technical Assistance Performance Evaluation Reports

11. IED does not validate individual TCRs, although it may review a group of TA projects and their TCRs for a thematic or corporate evaluation study. Likewise, a number of relevant TA projects and TCRs may be reviewed for a country assistance program

[15] ADB requires TCRs to be prepared for project preparatory technical assistance (PPTA) that did not lead to projects. There are four types of TA projects: PPTA, capacity development TA, policy and advisory TA, and research and development TA. Each can be country-specific or regional (covering more than one country), regular or small-scale, or of a cluster nature. See also OM section D12 (footnote 10).

evaluation. IED may evaluate a thematically or sector-related group of 2 to 10 TA projects for a TPER, an exercise similar in size and use of staff to a PPER. TPERs are prepared for three categories of TA projects: capacity development TA projects, policy and advisory TA projects, and research and development TA projects. They can be prepared for either regional TA projects or country-based TA projects. No TPERs are prepared for PPTA projects, as they are assessed as part of a PPER. The first three sentences of para. 10 also apply to TPERs. Guidelines and templates for TPER preparation are provided in Appendix 3.

12. In principle, TA loans to fund detailed engineering designs for complex civil works projects do not require evaluations that are separate from the investment projects to which these loans led, unless the TA loan did not lead to a subsequent project. This is similar to ADB's rule that no TCR is required for grant-based PPTA (footnote 15). TA loans should be assessed as part of the evaluation of the investment project that followed it.

III. EVALUATING AND RATING PROJECT PERFORMANCE

13. The overall success rating of a public sector operation is based on the assessments of: (i) relevance, (ii) effectiveness, (iii) efficiency, and (iv) sustainability. Each core criterion is weighed evenly when calculating the overall success rating. Each rating uses a four-point scale (3 to 0): 3 (e.g., *highly relevant*) is equivalent to a better than expected result; 2 (e.g., *relevant*) is equivalent to an expected result; 1 (e.g., *less than relevant*) is a less than an expected result; and 0 (e.g., *irrelevant*) is no result or a poor result.

14. The four core assessments are logically complementary and interrelated but are rated independently. In this approach a project can be *less than sustainable* but still regarded as *successful*, if it is rated *relevant*, *effective* and *efficient.* A *less than relevant* project can still be *successful*, if it is rated *effective*, *efficient*, and *sustainable*. A *less than effective* project delivering less than 80% of its anticipated outcomes and outputs may be *less than efficient* if 100% or more of the original cost was incurred, but may be *efficient* if 80% or less of the cost was incurred (other things equal).[16] More guidance on this is given in Chapter V.

15. This chapter lists the key points that are to be assessed for each core criterion, guidance on how to assess them, and the standards for assigning ratings. The chapter also provides notes on how to apply the criteria to some special project modalities.

A. Relevance

16. The relevance assessment addresses the extent to which:

(i) the intended outcomes of the project were strategically aligned with the country's development priorities (considering both what is included in the project and what ought to be included) and did not duplicate the project work of other development partners.
(ii) the intended outcomes were aligned with ADB's country and sector strategies, including one or more of the ADB corporate priorities with which

---

[16] This example assumes a marginally positive economic rate of return (EIRR). If a project has a high EIRR at appraisal, a higher cost at completion may lower the EIRR but not bring it below critical levels.

the project was explicitly associated (themes, strategic agendas, or drivers of change); and

(iii) the project design was appropriate for achieving the intended outcomes, i.e., competent analysis was carried out, lessons were applied, the right financing instrument or modality was chosen, innovation and transformative effects were given attention, and the indicators and targets at various levels were laid down well and lent themselves to measurement.[17]

17. The following guidance provides further clarifications.

18. **The relevance of the project design.** The design must be appropriate to enable the intended outcomes to be achieved. A design weakness that makes this difficult will not only diminish the relevance of the project but also its effectiveness, efficiency, and sustainability, unless a change in scope was made in time to improve the design. In that case the relevance rating may be affected but not necessarily the other ratings. If there is no change in scope to correct the design quickly, the other ratings may also be affected. Design weaknesses should, however, not be confused with project readiness and project implementation issues. A weakness in project readiness (leading to a delay) is not necessarily a design problem but can be more of an efficiency issue, something which ought to be rated under the efficiency assessment.[18] A project may have achieved only part of its intended outcomes and therefore be rated *less than effective*, but it can nevertheless be rated *efficient* if the economic internal rate of return (EIRR), with a reduced project cost, remains above ADB's threshold, and may even be rated *likely sustainable* if the (partial) outcomes achieved are deemed to be resilient. More observations on this will be made in subsequent sections.

19. **Relevance and changes of scope.** It is important to assess the relevance of the project at the stage of approval but its continued relevance at or after project completion is more important. A project may have been *relevant* at the time of approval, but may have become *less than relevant* at the time of evaluation due to changes in the context.[19] Scope changes may be necessary to maintain or increase the relevance of a project in the face of unexpected events. The appropriateness of these changes and their approvals and disclosures by appropriate authorities (ADB Management for minor changes in scope and the Board for major changes) need to be assessed.

20. **Assessment of the reasons for changes in scope**. The evaluation should assess the extent to which the originally approved project design was appropriate to enabling the achievement of the project outcomes. Unforeseeable external developments leading to changes in scope should be distinguished from design weaknesses or project readiness weaknesses. External developments can include changes in political conditions or the peace and security situation, international or national economic shocks, major changes in international price levels for key project inputs and outputs, disasters triggered by natural hazards, and unusually long spells of adverse weather. A timely and appropriate change in

---

[17] Under the 2015 DMF guidelines (footnote 9), no indicators need be established to measure project impact, although a qualitative assessment of project impact can be made through its assessment as a non-core criterion.

[18] In other words, if a project is delayed, this may affect the efficiency rating, but the evaluator should not also downgrade the relevance.

[19] For example, a project that is *highly successful* in a distorted market may not be successful in a more liberalized environment that came about during implementation.

scope to respond to these would be viewed as restoring the project's relevance after it had diminished due to the unforeseeable development. Scope changes that were a result of issues that should have been clearly foreseen (e.g., complex land acquisition, or long approval times for the release of government budgets) would be viewed as a sign of a weak project design.

21. Some project designs may have left project authorities some flexibility in outcome targeting and, therefore, in outcome achievement during implementation (e.g., community development projects or sector projects). This should not be a reason for judging the project as having a weak design and low relevance. Minor changes in scope immediately after a detailed design has been approved to optimize implementation arrangements should also be seen as positive and should not affect the relevance rating. However, there could be a reason to lower the relevance rating if the intended outcome and output targets were substantially reduced during implementation (and if this led to large underspending) as a result of one or more changes in scope (i) without adequate justification, or (ii) for reasons that relate to clear weaknesses in the detailed design, project readiness, or problems that should have been clearly foreseen.

22. If changes in scope were approved to deal with unexpected developments and emerging issues that were unforeseeable, two assessment options arise: (i) a timely and appropriate response would be considered positive, while (ii) an inadequate and/or long delayed response would be viewed as negative. Changes in scope to deal with weak design would not lead to a lower relevance rating if they were dealt with early and therefore did not substantially reduce or otherwise affect the outcomes approved originally.

23. **Transformational effects, innovations, and good practices.** In rating for relevance, credit should be given to project design elements that are innovative and/or that contribute to transformative effects, in terms of significantly improving the beneficiaries' well-being, or promoting positive reforms. For example, projects that introduce new technologies (e.g., information and communication technologies, mobile devices, and satellite imaging) or policy measures (e.g., conditional cash transfers) could have transformational effects. Piloting innovative approaches could make project implementation difficult in view of changed circumstances and design changes during implementation. However, such experiences may generate valuable lessons and lead to better projects in future. In particular, an assessment should also include the potential for scaling-up projects with innovative features. A project's approach to addressing an identified development constraint should be assessed relative to existing good practice standards. Innovative and transformational project design is a necessary but not sufficient condition for a *highly relevant* rating.

24. **Relevance and Finance Modalities.** The following notes provide additional guidance on how to apply the relevance criterion to some special ADB lending modalities.

(i) **Multitranche financing facilities (MFFs).** Special guidelines on the use and design of MFFs are contained in OM Section D14. These need to be taken into account. A road map (i.e., a sector strategy), and a comparative matrix in the project document are needed to justify use of an MFF rather than another possible modality. The intended outcomes are formulated for the overall facility as well as for each investment phase or MFF tranche. MFF loans may include a financial intermediation loan or a sector loan, but not a program loan or a SDP. OM D14/OP states: "To the extent possible, the design of the first tranche should be indicative of the entire MFF, including from a safeguards perspective." Project documents for individual tranches should specify clear outputs. Should the outputs of individual MFF tranches be cancelled or deferred from one tranche to another, the relevance of the overall MFF facility is assessed against how these changes in intermediate outputs affected, or are likely to affect, the achievement of the outcomes of the facility as a whole. If a tranche has deferred a significant portion of its originally intended outputs to another tranche, it cannot be meaningfully evaluated before the subsequent tranche is also evaluated. If the facility's outcomes are (likely to be) changed substantially, the considerations in the preceding paras. 18–23 apply: the relevance rating may be affected depending on whether the outputs were reduced or changed due to unforeseeable or foreseeable developments. If individual tranches are "time slices" of operations (for instance one tranche finances the designs of all subsequent projects, and another procures the civil works),[20] then the achievement of the outcomes is best assessed at the completion of the MFF as a whole.

(ii) **Sector projects.** Special guidelines on use and design of sector projects can be found in OM Section D3. Sector projects have a series of subprojects in different locations, only a few of which are selected and fully designed before the time of project approval. Most of the subprojects are identified and designed after project approval. The relevance assessment for a sector project focuses on whether the sample subprojects designed before approval were appropriate to achieving the intended outcome of developing the sector or subsector through an investment program, whether subsequent subprojects were selected and designed with the same outcome in mind, and whether the number of subprojects pursued was realistic and the locations appropriate.[21]

(iii) **Policy-based loans (PBLs).** Special guidelines on the use and design of PBLs are contained in OM Section D4. Before 2013 these were generally called program loans.[22] There are four different products, each catering to a different situation in a country: (a) stand-alone policy-based lending, (b) programmatic approach policy-based lending, (c) special policy-based lending, and (iv) countercyclical support facility. Except for (b), each of these has one main loan outcome and one DMF to which the loan tranches contribute. The relevance assessment checks whether a one tranche or a multitranche loan was appropriate to the needs of the reforms or support intended. It checks whether the policy matrix (if applicable) and development policy letter furthered the objective of reaching the ultimate outcome and (in

[20] OM D12/BP of February 2015 specifies: "The MFF can also finance slices of long-term contract packages in […] investment programs or large stand-alone projects."

[21] OM D7/BP states: "The purpose of a sector loan is to assist in the development of a specific sector or subsector by financing a part of the investment in the sector planned by the [country]. Such lending is particularly appropriate when a large number of subprojects in the sector or subsector are to be financed. A sector loan is expected to improve sector policies and strengthen institutional capacity."

[22] OM D4/BP states: ADB "provides policy-based lending in the form of budget support in conjunction with structural reforms and development expenditure programs of a developing member country. It is also used to provide balance-of-payments assistance during economic and financial crises. Policy changes that improve growth prospects and economic efficiency are the basis for policy-based lending to a DMC."

the case of multiple tranches or multiple loans) there was no "watering down" of policy conditions in later tranches that altered or reduced the originally intended outcome (unless conditions of paras. 18–23 obtained or the loan was part of a programmatic approach). OM Section D4/BP notes: "Stand-alone policy-based lending and the programmatic approach form part of the assistance package contained in a country partnership strategy or indicative rolling country operations business plan. However, because a crisis is often hard to anticipate, special policy-based lending, and countercyclical support facility lending are not planned in advance."

(iv) **Sector development programs (SDPs).** Special guidelines on the use and design of SDPs are contained in OM Section D5. In principle, SDPs have one DMF incorporating the inter-related program lending and investment lending outputs and outcomes. Although some program loan activities, which are governed by their own policy matrixes, may finish earlier, the project's relevance should be assessed at the end of the entire SDP. For the benefit of ADB's corporate results framework, which has separate success targets for projects and program loans, the evaluation has to assess and rate the project and program components separately under each core criterion, before providing an overall rating, also under each assessment. This enables separate recording of program and project success ratings.

(v) **Financial intermediary loan projects (FILPs).** Special guidelines on the design and use of FILPs are contained in OM Section D6**.** In FILPs, ADB lends to an apex institution which in turn onlends multiple subloans to the ultimate beneficiaries (subborrowers). The relevance assessment confirms that the financial intermediary selected met ADB's eligibility criteria, as stated in OM D6/BP Section D. It checks whether the project's logic was correct, in assuming that market failure or structural problems prevented an effective demand for credit by potential subborrowers, and the project was therefore necessary and did not distort the market. In addition, the assessment checks how the design of the FILP furthered its objectives, by looking at the policies, rules and regulations governing the flow of funds to the ultimate beneficiary.

(vi) **Emergency assistance loans (EAL).** Special guidelines on the use and design of EALs are in OM Section D7. A *highly relevant* rating may be given if there was an obvious need for the project in a disastrous situation and if the government clearly requested it. An emergency project can be transformational if it restores destroyed infrastructure and livelihoods. It is nevertheless important that the project's design is sound and helps achieve the objectives. Poor design will lower the relevance of the project.

25. **Relevance of TA projects.** General guidelines on the use and design of TA are provided in OM section D12. The principles for the relevance assessment for TA projects are the same as for investment projects and should cover the underlying needs assessment and the rationale provided for the TA. TA should respond to and be appropriate to the country's (or region's) development needs and ADB's country partnership strategy (if it is a country TA project). The choice of the TA modality and the appropriateness of its design to achieving the stated outcomes need to be assessed. TA projects considered for approval along with an investment project or program loan are a special category, since these support project implementation and the achievement of

overall project outcomes. They can be either for capacity development or policy advice. The assessment of the relevance of such TA projects depends on how well they are timed and have contributed to the achievement of the project outcomes.

26. **Ratings.** A project can be rated *highly relevant*, *relevant*, *less than relevant,* or *irrelevant*. These ratings should be assigned as follows:

(i) ***Highly relevant***. Intended project outcomes were fully aligned with country development priorities and ADB country and corporate strategies. The project results chain was sound and the project design had no deficiencies. In addition, the design had innovative features, significant demonstration value for other projects, or transformative effects. Alternatively, a good design that had become less appropriate after a major unforeseeable event during project implementation was changed to make it more relevant to the situation after the event.

(ii) ***Relevant.*** Intended project outcomes were largely aligned with country development priorities and pertinent to ADB country and corporate strategies. The design was appropriate to help achieve the outcomes. The project results chain was sound, and project design deficiencies, if not significant, were addressed in time during implementation.

(iii) ***Less than relevant*.** The intended project outcomes were not or were no longer aligned with country development priorities *or* they were not or were no longer relevant to ADB country and corporate strategies. Alternatively, the project design had significant deficiencies that could have been foreseen and that were not addressed quickly enough and, therefore, seriously affected the delivery of targeted outputs and intended outcomes.

(iv) ***Irrelevant*.** Intended project outcomes were not in line with country development priorities and needs or with corresponding ADB country and corporate strategies. The project design was not technically sound or feasible, which greatly impeded or prevented the attainment of envisaged project outputs and outcomes.

B. Effectiveness

27. The effectiveness assessment looks at whether the project’s intended outcomes were achieved or were expected to be achieved at the time of observation (i.e., at completion or later), and whether any unintended outcomes had inadvertently reduced the value of the project. The outcomes are evaluated against the baselines and targets listed in the DMF at the outcome level, if the DMF is fully in line with the main project document and the baselines and targets themselves are not deficient. Costs incurred, including savings or overruns, are not generally considered in the assessment. The assessment recognizes that outcome and output targets at completion may not be fully reached at the time of observation but that achievements may be on an upward trajectory. Outcomes must be available to the intended project beneficiaries, if such beneficiaries can be identified.

28. The following guidance provides further clarifications.

29. **Achievement of outcomes and outputs.** For a project to be rated *effective*, outcomes should have been achieved or be likely to be achieved and output targets should normally also have been substantially achieved.[23] This is important for assessing the extent to which the outcomes achieved were attributable to the project's interventions. If outcome targets were achieved or are likely to be achieved but output targets were not substantially met, the project will not be rated *effective*. For instance, some outcomes that were stated at the national level (e.g., a higher literacy rate) may have been achieved, but this might have happened due to other interventions. The effectiveness of the project also depends on some outcomes that are often not specified in the DMF or RRP main text, such as the outcomes of safeguard plans and gender action plans, if these were part of the project.

30. **Relative weights of multiple outputs and outcomes**. Where projects have multiple outputs, the evaluation can, with justification, assign relative weights to the various outputs and outcomes. For example, a project may be implemented in two distinct geographical areas but one may have a higher incidence of poverty. In this case intervention in the poorer area may be more important. In another case, a sector project may have different types of outputs where one output may be regarded as more critical to the achievement of overall project outcomes. If the project document gives no guidance on how to prioritize or weigh the various outputs and outcomes, the weights may be based on the relative financial costs of these various outputs and outcomes.

31. **Redefining DMF outcomes and outputs.** If there are problems with the indicators and targets for outcomes and outputs listed in the DMF, the evaluation should note the differences with statements on outcomes and outputs in the RRP's main text, and assess whether it is the DMF indicators and targets that need to be adjusted or the main text statements. In case of doubt, the loan or project agreement may have to be checked as well—this may provide final guidance. Some project outcome statements are complex and may need to be unpacked, in agreement with the regional department responsible for the preparation of the project.[24]

32. **Effectiveness and changes to scope.** When approved changes in output targets have been made due to unforeseeable changes in circumstances during project implementation, project effectiveness is assessed against the revised targets. For example, if the originally approved outputs of a health project became less appropriate due to a tsunami, normally a major change in scope would have established more appropriate outputs such as rebuilt hospitals. The output achievements would then be assessed against the new targets for the hospitals and the related outcomes. If minor changes in scope were caused by design deficiencies that needed to be corrected, or by events that could have been reasonably foreseen at the time of project appraisal[25] and were introduced late, and that subsequently led to substantial reductions in outputs and outcomes, the effectiveness rating may be downgraded. Approval by the government or ADB of changes in scope that substantially reduce the outcomes well into the project implementation period is not in itself a sufficient reason for the effectiveness assessment to be automatically adjusted to the

[23] ADB assesses 80% achievement generally as satisfactory (e.g., an 80% success rate of projects is aimed for), and an achievement of 85% or more of project output targets in its annual Development Effectiveness Review.

[24] In the case of PPERs, such revisions should be jusfified in the approach paper, so that the regional department can review them.

[25] Procurement or land acquisition problems sometimes delay projects significantly and can lead to outputs being cut substantially. Project designers should plan realistically and take into account the likelihood of there being some delays. In principle, ADB changes in staffing or policies should be foreseeable.

newly approved outputs and outcomes. For instance, a change in scope that corrects a design weakness but in practice reduces the project outcome to less than half of that originally approved by the Board may well result in a project receiving a lower effectiveness rating, even if the change was approved by all parties.

33. **Effectiveness requires reliable data.** Data on outputs and outcomes need to be derived from credible and documented sources. Well-prepared user surveys undertaken at the time of project approval and project completion that can be directly linked to the baselines and targets set out in the approval documents are particularly useful. When no data on outcomes are available, it may be possible to review available data on the quality of outputs and capacity of the facilities developed by the project, as well as available data on demand conditions, to infer the likely level of usage of the outputs and the attainment of outcomes.[26] Some outputs can serve as leading indicators of outcomes—supply of clean and chlorinated water may lead to better public health. Lack of any credible evidence can be reason to assume the outcomes were not fully achieved.

34. **Safeguard conditions, gender action plan, and unintended outcomes.** The effectiveness assessment will consider the results of the implementation of safeguard-related plans and gender action plans to the extent that specific interventions were identified, especially if they were negative. This is the case even if safeguard or gender outcomes were not identified in the project DMF. If project interventions resulted in environmental degradation or in project communities or women being negatively affected (in spite of safeguard measures or gender action plans), the effectiveness rating will be reduced.

35. Projects can have unintended adverse effects on people if social and environmental risks are not dealt with. These can occur during the process of involuntary resettlement, especially when measures to avoid or mitigate risks were not well designed or were not properly implemented. Other examples include negative impacts on indigenous peoples or the physical environment; harm done to project personnel because labor standards were not appropriately applied during project implementation; and negative environmental health, occupational health, and safety issues arising from the project, such as increases in the incidence of HIV/AIDS and sexually transmitted infections and human trafficking. If well executed safeguard plans have led to net benefits, for instance if they have improved the livelihoods of affected people or improved the environment, this will improve the effectiveness rating.

36. Assessments that influence the effectiveness rating can include whether: (i) safeguard plans and monitoring reports, if any, were adequate, disclosed in time, and executed in time; (ii) safeguard monitoring was adequate and timely; (iii) any changes in safeguard measures were well justified and were made in reaction to a changed scope; (iv) potentially negative environmental and social impacts of the project were avoided, minimized, or mitigated, and affected people were properly compensated and not made worse off; (v) there are remaining or unresolved safeguard-related issues and complaints; and (vi) opportunities materialized for affected or displaced people to benefit from the project. If the outcomes are negative, this should be explained in the main text of the effectiveness assessment, with the details in an appendix.

---

[26] See Operations Manual, Project Performance Management System, Sections J1/BP and J1/OP (footnote 10).

37. **Effectiveness and financing modalities.** The following notes provide additional guidance on how to apply the criterion to some special ADB lending modalities.

(i) **Traditional multitranche financing facilities (MFFs)**. The effectiveness of each tranche is evaluated separately and the effectiveness of the entire facility is evaluated at the end of the last tranche, unless the tranches are "time slices" (see also item (i) in para. 24). Some MFFs (e.g., sector projects) can be more open-ended and follow a process-oriented approach, with fewer predefined outcomes, allowing for more flexibility in outcomes and designs after approval of the MFF. The RRP will reveal whether this is the case. If a deferral of outputs and outcome deliverables from one tranche to the next is assessed to be inconsistent with the MFF's original design as presented in the RRP, and is essentially an expedient to overcome implementation problems that should have been foreseen, the project's effectiveness may be downgraded, unless it can be shown that the scale of the overall MFF's outcomes will not be adversely affected. One indication that the outcomes have been seriously reduced from those that were anticipated—even if these were not well quantified at MFF approval—would be a disbursement level significantly below the approved amount. An alternative approach would be for the evaluation to assess both the tranche from which outputs were deferred and the tranche to which they were added, i.e., there would be one evaluation for two tranches.

(ii) **Multitranche financing facility (MFF) employing a time-slice approach**. There will be one evaluation undertaken at the end of the facility (footnote 14).

(iii) **Sector projects.** Effectiveness will be gauged by the extent to which the outputs of the various subprojects were delivered and have contributed to the achievement of overall sector outcome targets.

(iv) **Policy-based loans (PBLs).** The assessment of effectiveness will depend on the key program conditions of the policy matrix and the associated DMF outputs and outcomes being met. Key conditions have to be met by program completion unless a waiver was granted. If the waiver reduced the original key outcomes, the evaluation must assess its reasons—and whether these were foreseeable or not. For multitranche PBLs, the effect of the timing and sequencing of various tranches on the overall effectiveness of the loan needs to be assessed. OM D4/BP states: "An assessment must be carried out of the impact of the proposed sector reforms on the poor and other vulnerable groups. Where a reform program entails adverse short term impacts on the poor or other vulnerable groups, the policy-based loan must seek to include mitigating or offsetting measures to the extent feasible. When applicable counterpart funds generated by the foreign currency disbursed under the loan may be used for this purpose." This OM guidance was intended to help the appraisal of the project, but the evaluation needs to assess these issues as well.

(v) **Sector development programs (SDPs).** The effectiveness assessment will be determined by the contribution to overall SDP outcomes of (a) the program conditions that are met, and (b) the achievement of the investment project outputs and outcomes. An assessment of a completed SDP should contain separate effectiveness ratings for the investment and program loan components, and an aggregate rating for the SDP as a whole, taking into account the contribution of the two components to the SDP project budget.

(vi) **Financial intermediary loan projects (FILPs).** The effectiveness assessment should examine the achievement of outcomes and the delivery of outputs to the subborrowers or beneficiaries identified. OM D6/BP specifies: "Financial intermediation loans seek to help achieve a number of objectives: (a) furthering policy reforms in the financial and real sectors; (b) financing real sector investments through market-based allocation mechanisms; (c) strengthening the capacity, governance, and sustainability of participating financial intermediaries; and (d) helping increase the outreach, efficiency, infrastructure, and stability of the financial system." The achievement of these objectives needs to be assessed, as appropriate.

(vii) **Emergency assistance loan (EAL) projects.** Although the outputs and outcomes cannot always be specified accurately at the EAL approval stage, their scale needs to be commensurate with the size of the inputs and actions provided. Further guidance on results from EALs is in OM D7/BP para. 21: "EALs are designed to mitigate immediate losses to priority assets, capacity, or productivity rather than to provide relief or comprehensive reconstruction. EALs provide immediate short-term transitional assistance." "This may include (a) rehabilitating priority water services, power, transport, and communications infrastructure; (b) regenerating livelihoods and boosting productivity; (c) providing transitional safety net support and revitalizing basic social services; and (d) preparing for planned, comprehensive reconstruction investments." "EAL use will be restricted to the transition phase and exclusively for priority rehabilitation."

38. **Effectiveness of TA projects.** TA projects are assessed for effectiveness on the same basis as other projects, i.e., they should achieve their outcomes whether the TA project covers capacity development, policy reforms, institution building, or research and development. The effectiveness of TA projects attached to loan projects is part of the assessment of the effectiveness of the overall project.

39. **Ratings.** A project can be rated *highly effective, effective, less than effective*, or *ineffective*. These ratings should be assigned as follows:

(i) ***Highly effective*.** Project outcome and output targets were met and some or all were exceeded. There were no issues on the design or implementation of safeguard plans or gender action plans, if any.

(ii) ***Effective*.** Project outcomes and outputs were substantially achieved (about 80% or more of the targets were fully met or, on average, about 80% or more of each target was met). When outcome targets cannot be shown to have been substantially met due to data problems, the evaluation should demonstrate that output targets have been met and there is no special reason to suspect outcome targets have not been met or will not be met in the foreseeable future. If project outcomes have been formulated as national trends, then judgment will need to be exercised. If such trends are downward, the project's incremental contribution needs to be assessed, i.e., is it slowing the downward trend or accelerating it? Good evidence is required in such assessments.

(iii) ***Less than effective*.** There are shortcomings in meeting project outcomes and outputs, and achievement was between 40% and 80% (taking into account changes in scope). Serious issues with safeguards can also be a reason for a *less than effective* rating for the project.

(iv) ***Ineffective*.** The majority of envisaged project outputs and/or the project outcomes (more than 80%) did not materialize.

C. Efficiency

40. The efficiency of a project is a measure of how well it used resources to achieve its outcome(s). It indicates whether the project used resources efficiently for the country and/or society (not merely for the operating entity) on a whole-of-life basis.[27] A quantitative assessment that weighs project economic benefits against economic costs is generally needed to assess efficiency. Project economic performance indicators, such as the EIRR, net present value, and the benefit−cost ratio, are often used to determine whether the net gains from investing in a particular project will be enjoyed by society following project completion. The EIRR is an important tool for measuring efficiency and should be used whenever feasible and practicable.

41. An evaluation is expected to include a recalculation at completion of the EIRR used at the appraisal stage, based on updated actual costs and benefits, if such a calculation was undertaken in the RRP. In the case of most ADB-supported projects where the benefits are measurable and quantifiable, the EIRR is the standard efficiency measure for a project. However, these guidelines, like ADB's OM section G1, recognize that applying the traditional EIRR approach may not always be feasible, for instance for some social sector projects, or for other projects where benefits are not easy to quantify comprehensively. In such cases, alternative analytical methods may have to be used. OM Section G1, which also deals with least cost analysis, gives more guidance on this matter. ADB has over the years developed many sector-specific guidelines or frameworks for economic analysis which can also be consulted.[28] The principal document is *Guidelines for the Economic Analysis of Projects*.[29]

42. The following issues need to be considered when rating efficiency.

43. **Investment efficiency of projects.** The EIRR of a project should be recalculated at completion when feasible, taking into account the following:

(i) If the EIRR is applicable only to a part or some components of the project, reasonable assumptions will have to be made about the efficiency of the whole project, possibly taking into account additional measures such as least

[27] See also the OECD glossary and ECG definitions which are as follows: "The extent to which the project has converted its resources economically into results." Whole-of-life costs will include all the costs incurred from the initial project preparation to decommissioning (footnote 7).
[28] Available at: http://www.adb.org/data/economic-research-initiatives/economic-analysis-projects.
[29] ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila. This document was being updated at the time of writing.

cost, and/or unit cost analysis. It is possible that a project with a good EIRR for one output or subproject could still be rated *less than efficient*, on the grounds that other outputs not subjected to economic analysis were found less than efficient.

(ii) For projects with distinct subprojects, separate economic analysis will typically be carried out for each subproject. These should subsequently be aggregated using weights to reflect the relative significance and size of the subprojects. Outputs that are necessary requirements for the achievement of other downstream project outputs and the project outcomes should carry more weight.

(iii) Project externalities, particularly environmental costs and benefits, should be quantified and valued to the extent possible and incorporated into EIRR calculations.[30]

(iv) The cost estimates should be based on the economic costs incurred to date for the country, and provisions for the operation and maintenance (O&M) of the assets over their entire expected economic life.

(v) The timeframe for the cost and benefit streams should be the same as used in the RRP, adjusted for actual start of implementation and operation, unless that timeframe is clearly incorrect and does not reflect the economic life of the asset. A critical task when estimating the EIRR is the review of the without-project assumptions (the counterfactual) used in the RRP that provides the baseline. Experience indicates the without-project benefits are frequently underestimated, resulting in an overestimate of the incremental benefits ascribed to the project. Likewise, delays in implementation and/or operation move the costs and benefits streams, and can result in an overestimated EIRR if they are not incorporated properly.

44. **EIRR at appraisal and completion**. If there are significant deviations between the re-calculated EIRR and that in the project document, additional analysis is warranted. If the approach or methodology utilized at project completion differs from that used at appraisal, the key reasons for this change should be highlighted in the evaluation, including possible differences in assumptions and parameters. This analysis should highlight flaws in the earlier methodologies used, e.g., benefit identification, attribution, valuation, and projection, including adjustments to actual observations to date, parameters, and assumptions used in economic valuation of benefits and costs. Sensitivity tests on the rates of return based on possible changes in key variables, parameters, and assumptions need to be carried out to determine the robustness of the estimates.[31]

45. **Unit cost analysis as a proxy for economic efficiency.** Where benefits cannot be quantified with a high degree of confidence, or where data on benefits are not available,

[30] The Economic Research and Regional Cooperation Department is working on quantifying the socioeconomic benefits associated with carbon dioxide emissions reductions. There may be a need to update this section once the guidance becomes available.

[31] The usage of sensitivity analysis for many projects is limited to a mechanical application of "plus 10% of costs," "minus 10% of benefits," or "1-year delay in implementation." This provides limited information on the robustness of the project's results and on the key parameters underpinning them.

efficiency can sometimes be analyzed for an assumed level of economic benefits, based on an average unit cost analysis based on industry benchmarks, at the time of appraisal and completion. Analysis can be based on unit costs for comparable activities that could achieve the same or similar benefits in order to assess efficiency on a least unit cost basis. If financial data are lacking, estimates can be prepared for indicators such as average financial unit costs for achieving a defined development outcome. Cost per beneficiary estimations can also be used in sectors such as education and health.

46. **Process efficiency analysis to complement investment efficiency analysis.** A process efficiency assessment examines aspects such as the scale of delays and cost overruns and their effects on project performance, including the factors that resulted or contributed to these overruns. Process efficiency also examines the timely availability and utilization of funds, whether from ADB, cofinanciers or counterparts. Process efficiency analysis normally complements economic analysis. If there was a solid recalculation of the EIRR, then the weight of the process efficiency in the efficiency rating is much less, as many aspects of process efficiency will already have been captured by the EIRR (although generally not the costs for ADB and counterparts of extended project administration if there are major delays). If time or cost overruns are significant (say, above 20%) and no EIRR can be calculated, nor a least cost analysis be done, there may be a justification for downgrading the efficiency.

47. **Efficiency and financing modalities.** The following notes provide additional guidance on how to apply the criterion to some special ADB lending modalities.

(i) **Multitranche financing facilities (MFFs) with individual project tranches.** In such cases, the EIRRs need to be recalculated for each tranche. For timesliced MFFs, it may be difficult to assess economic efficiency till the end of the facility so an overall EIRR can be recalculated only at that stage—if one was prepared at appraisal stage. Unit cost or process efficiency measures may have to be resorted to when data are lacking. A check on project readiness is of special importance for the process efficiency of MFFs. OM D14/BP states: the MFF "enables ADB to provide assistance programmatically by aligning the provision of financing with project readiness and the long-term needs of a client." It also states: "An MFF needs separate financing plans for the overall facility and for individual tranches. Where feasible, financing plans should specify the sources of finance, availability, period of financing, and amounts. They should distinguish between internally generated resources […], and international financiers." OM D14/OP states: "Financing under an MFF can be extended only within the availability period agreed between the client and ADB. The availability period refers to the maximum utilization period for the MFF; therefore, loan or grant closing dates of individual tranches under the MFF must fall within the availability period. The availability period should be no longer than 10 years from the date on which the MFF is approved by the Board. Extensions of the availability period beyond 10 years will generally not be considered, but if so considered will be subject to approval by the Board."

(ii) **Sector projects.** For sector projects it is useful to recalculate the EIRRs of the subprojects for which EIRRs were calculated at appraisal stage. For subprojects designed after project approval, EIRRs should be calculated even if these had no economic analysis done before their approval. If this is not possible, a least cost assessment of some subprojects may be attempted. The process efficiency assessment of sector projects involves assessing the timeliness of the implementation and completion of subprojects, time overruns and cost overruns. OM D3/BP specifies: "When benefits are difficult to quantify (as in public health, population, education, and some other sectors), the need for the subprojects should be evaluated and the least-cost option established." This guidance for the appraisal of a sector project is also of use at the evaluation stage.

(iii) **Policy-based loans (PBLs).** For stand-alone PBLs or those that are part of SDPs, it will generally not be possible to make an estimate of resource efficiency within a realistic time period.[32] In these circumstances, efficiency is assessed using a qualitative assessment of the timeliness in approving the loan and in implementing the actions agreed in the policy matrix and of the timeliness of funding and utilization of counterpart funds, if any. Where a direct assessment of process efficiency is not possible (e.g., in a single-tranche operation) evaluations should assess the efficiency of the preparation and implementation processes and fiduciary arrangements.[33]

(iv) **Sector development programs (SDPs)**. For SDPs, efficiency should be assessed for the investment portion as well as for the program loan portion separately. A combined assessment should then be made, weighing the importance of the two.

(v) **Financial intermediary loan projects (FILPs)**. The efficiency of FILPs should be assessed by looking at the extent to which the net economic benefits to stakeholders have been delivered at least cost. The economic analysis may have to be done on a sample of subprojects and will involve looking at multiple stakeholders and taking weighted averages. Where it is not feasible to calculate the EIRR, the assessment of economic viability should be based on a qualitative stakeholder analysis. Stakeholders include owners, market participants, investee companies, suppliers, distributors, employees, and consumers, among others.

(vi) **Emergency assistance loan (EAL) projects.** Thorough economic analysis is not required for EAL projects. OM Section D7 lays down special

---

[32] Policy-based operations and program loan components of SDPs are similar since for both costs are usually incurred up-front and benefits are realized later. However, benefits from policy-based operations are often diffuse and more distant, extending well beyond the program period. Cost and benefit effects are often felt sector- and even economy-wide, and require an analysis other than the traditional rate of return calculation. Counterfactuals will be hard to establish in such cases.

[33] Fiduciary arrangements generally apply to financial management, procurement, and disbursement. OM D4/BP states: "Since general budget support under stand-alone policy-based lending and programmatic approach are absorbed into a country's public expenditures in the form of counterpart funds of loan proceeds, fiduciary arrangements need to be in place to ensure efficient utilization of overall resources through sound public financial management. [..] When the available analysis identifies weaknesses in the borrower's budget management system, ADB should identify the additional steps needed to secure sound fiduciary arrangements for policy-based lending. In such a case, the policy matrix should designate conditions for prior actions to improve budget performance, such as allocative or expenditure efficiency." The evaluation should check whether these fiduciary arrangements were in place and adhered to.

implementation arrangements that allow a liberal interpretation of standard ADB operational policies, including those on procurement, consulting services, financial management, and disbursement, in order to ensure speedy and effective rehabilitation. Project readiness is also discussed in this OM section and deserves special attention in the efficiency analysis, as does the timely release of funds, and the adequacy of project administration and supervision. OM D7 states: "Supervision and monitoring of emergency projects must be enhanced to ensure quality and effectiveness under conditions of urgency and flexibility. Procurement and disbursement arrangements must, therefore, be expedited and safeguard policies modified (as deemed appropriate)." The various cost items of the project need to be clearly laid out in the RRP.

48. **Efficiency of TA projects**. For TA operations covering capacity development, policy advice, and research and development, an assessment of efficiency is generally qualitative. It needs to consider: (i) the costs of technical assistance support relative to associated benefits; and (ii) the timeliness of TA implementation and outcomes, and other process efficiency issues (supervision intensity needed, changes in scope, and cancellations needed). TA project savings need to be considered as well, and whether they are signs of efficiency. For evaluations of TA with cost-recovery mechanisms, the extent to which actual payment for advisory services was in line with envisaged pricing mechanisms needs to be assessed. Where project preparation TA is used, the costs need to be factored into the economic analysis of the subsequent project. Very significant delays or cost over-runs in the TA should be reflected in the efficiency rating of the project.

49. **Ratings.** A project can be rated *highly efficient, efficient, less than efficient,* or *inefficient*. The ratings in Table 1 apply to projects with or without an EIRR.

Table 1: Efficiency Ratings

Rating	Project With an EIRR	Project Without an EIRR
Highly Efficient	• The EIRR is higher than the benchmark of 12%[a] (or a different benchmark if that was explicitly approved for the project[b]) and - the benefits are produced at least cost compared with industry alternatives or with projections in the RRP, and - process efficiency is rated highly • If the EIRR is the only basis for the assessment, an EIRR of at least 18% is sufficient	• Unit costs were lower than sector or industry standards, or the unit costs presented in the RRP • Alternatively, intended outcomes were achieved or exceeded with significantly lower costs or within a shorter period than planned
Efficient	• The EIRR is equal to or greater than 12%, and - the benefits are produced at least cost compared with industry alternatives or with projections in the RRP, and - process efficiency ratings are positive	• Unit costs meet sector or industry standards, or the unit costs presented in the RRP, or • Intended outcomes were achieved within the planned costs or implementation period
Less than Efficient	• The EIRR of the whole project is less than 12%, or • The project is not likely to be the least-cost option when compared with industry alternatives or with projections in the RRP	• Unit costs were above sector or industry standards (where credible data are available), or the unit costs presented in the RRP, or • Cost overruns or delays are deemed to have reduced the economic benefits of the project to below the opportunity cost
Inefficient	• The EIRR is significantly lower than 12%, or • The EIRR generated is marginal,[c] and - the project is not the least-cost option when compared with industry alternatives or with projections in the RRP	• Unit costs were well above sector or industry standards (where credible data are available), or the unit costs presented in the RRP, or • Cost overruns or delays are deemed to have reduced the economic benefits of the project to significantly below the opportunity cost

EIRR = economic internal rate of return, RRP = report and recommendation of the President.

[a] OM/OP Section G1 allows for a lower EIRR between 10% and 12% in cases where significant unquantifiable benefits are likely. A notional figure of an 18% EIRR or higher may be used as a basis for a *highly efficient* rating. It may be 16% if there are acknowledged significant unquantified social benefits. However, a *highly efficient* rating based on the EIRR > 18% (or 16%) should not have methodological issues.

[b] ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries*. Manila: "Programs and projects in weakly performing countries (WPCs) should not be expected to always yield the same financial and economic rates of return as would be expected in stronger performing developing member countries (DMCs). If ADB wishes to stay engaged in providing development assistance in WPCs, it must recognize that the financial and economic risks of investments are higher and that lower returns are likely."

[c] A notional figure of 6% EIRR or lower may be used as a basis for an *inefficient* rating.

Source: Independent Evaluation Department, and Operations Manual Section G1. For guidelines on economic analysis see: http://www.adb.org/data/economic-research-initiatives/economic-analysis-projects.

D. Sustainability

50. The sustainability assessment focuses on the likelihood that project outcomes and outputs will be maintained over the economic life of the project (for investment operations) or over a meaningful timeframe, demonstrating the persistence of results from the policy supported and institutional actions taken (for policy-based operations). The assessment refers to the sustainability of outcomes and outputs that were fully or partially achieved at

the time of evaluation, and the intended outcomes that might be achieved in future.[34] Since an evaluation is carried out during the first few years of the project's operational life, evaluators must make assumptions about the likely sustainability of operational arrangements, many of which are new, and about probable future O&M arrangements. They must also look into the wider environmental effects of projects.

51. The major factors to be considered when assessing sustainability are described below.

52. **Sustainability and managing risks**. Assessments of sustainability should consider risks such as political, economic, institutional, technical, social, environmental, and financial events that might limit the extent to which the project's achievements continue to be felt. The assessment should also consider the adequacy of risk mitigation measures. Although the success of environmental and social risk avoidance or mitigation is assessed as part of the effectiveness assessment, if there are grave social or environmental consequences of failed mitigation, this may also affect the sustainability assessment.

53. **Financial sustainability.** This can be assessed on a qualitative or a quantitative basis depending on the feasibility of assessing the project's income (revenue) and expenditure flows. Financial viability for revenue-generating projects is based on the estimated financial internal rate of return (FIRR) of these incremental cash flows. The FIRR is the discount rate that equates the net present value of the income and expenditure flows. Conceptually this is similar to the EIRR calculated for efficiency, except that FIRR uses accounting values, not economic values. The FIRR is compared with the weighted average cost of capital (WACC), which represents the opportunity cost of using the funds for the project. Often a range of FIRRs are calculated based on different risk scenarios.

54. Key aspects of the financial sustainability of both revenue and non-revenue generating projects are: the financial capacity of the agency involved, prospects for the demand for services or products, cost recovery mechanisms, and the availability of resources for O&M of the project outputs. The risk of there being inadequate financial resources for O&M is significantly lower for projects that generate sufficient revenues from users than for projects that rely on the government's budget allocations and subsidies that can be subject to political influence. Incremental recurrent costs will also need to be assessed against the capacity of the executing and implementing agencies to fund such costs. Recurrent costs include O&M expenditures and periodic maintenance costs, including attendant expenses for refurbishment required to ensure the sustainability of project benefits. If the RRP shows government commitments to reduce subsidies or to shift responsibilities for O&M expenditures to other entities, any deviation from these commitments at the end of the project will normally affect the sustainability rating, even if during implementation the government's commitment is reversed and continued subsidization or O&M funding by government is announced. This is because such a change can be held to be contrary to the project's logic under which the project was approved.

[34] This is in line with the OECD glossary (footnote 7) and ECG good practice standards (footnote 8). The OECD definition is: "The continuation of benefits from a development intervention after major development assistance has been completed." The ECG definition is: "The likelihood of continued long-term benefits, and the resilience to risk of net benefit flows over time."

55. **Institutional sustainability.** The assessment of institutional sustainability needs to consider factors such as the ability to ensure adequate levels of qualified human resources, finance, equipment and other inputs, and the suitability of organizational arrangements and processes, governance structures, and institutional incentives. An institutional assessment may include an analysis of how the ownership, functions, structures, and capacity of project-related agencies affected project-related inputs and service delivery, including the institution's capacity to assume its identified role or mandate.

56. **Environmental and social sustainability.** The project's likely medium- to long-term effects on natural resource management, pollution, biodiversity, and greenhouse gas emissions should form part of the sustainability assessment, if applicable. A project that is not environmentally sustainable is very unlikely to generate long-term positive development impacts. This enhanced emphasis on environmental sustainability and climate change mitigation or adaptation is a relatively new requirement in evaluating projects. Close attention also needs to be paid to the effects of the project on social sustainability, for instance how the project is accepted by the local communities and stakeholders. Further, in specific cases the evaluation could assess: (i) the potential for affected people to have continuous access to project benefits; (ii) for projects involving involuntary resettlement, the likelihood that resettled persons continue to have access to services in the new sites; and (iii) opportunities for participation, particularly of vulnerable stakeholders, in the O&M of projects.

57. **Sustainability and financing modalities.** The following notes provide further guidance on how to apply the criterion to some special ADB lending modalities.

(i) **Multitranche financing facilities (MFFs).** MFFs represent a substantial investment in a sector over a long term. The assessment needs to focus on financial analysis, the capacity of broader sector institutions, the quality of assets created or upgraded, O&M arrangements, environmental and social risks, and the macro-economic stability of the sector.

(ii) **Sector projects.** The sustainability assessment should focus on the FIRRs of subprojects, O&M arrangements, environmental and social risks, and institutional capacity. OM D3/BP specifies: "In revenue-earning subprojects of a sector loan, full cost recovery (including depreciation and debt service) will be sought to the extent feasible."

(iii) **Policy-based loans (PBLs).** The sustainability assessment should primarily consider continued political commitment and support from other stakeholders and the institutional capacity to maintain program reform outcomes. The durability of the achieved reforms should be analyzed taking into account the likelihood of changes in the policy, legal, regulatory, and institutional frameworks; the risks of policy reversals; and the level of expected political and macroeconomic stability. The sustainability conditions will vary with each of the four main PBL products and this is covered by OM D4/BP section D.

(iv) **Sector development projects (SDPs).** The sustainability assessment will focus on the various risks that apply to the investment and policy components.

(v) **Financial intermediation loan projects (FILPs).** When such projects have only a few subprojects without financial market development objectives, a comparison of subproject FIRRs with respective WACCs can provide key information. In most cases, the calculation of FIRRs for subprojects may not be feasible or meaningful so the assessment should be based on the following two benchmarks: (a) achievement of business objectives, and (b) the performance of the supported financial institutions. The business goals articulated at approval (e.g., the growth of the financial intermediary business in specified sectors or market segments) have been broadly achieved and can be sustained without additional support from ADB or other development partners.[35] Achievement of business objectives can be confirmed when the financial institution's overall profitability, adaptability and prospects for sustainability and growth are sound, and are expected to remain competitive in relation to its market and sector peers. The assessment of the performance and prospects of the institution cover such issues as asset quality, capital adequacy, profitability, and liquidity. Consideration needs to be given to management capability as well—including the quality of its credit and risk management policies, operating systems and procedures, and its corporate and financial governance and management practices.

(vi) **Emergency assistance loans (EALs).** Revenue streams, O&M budgets or subsidies need to be capable of sustaining the outputs and outcomes at a basic level. OM D7/BP states that: "ADB will not insist on stringent cost recovery practices for an EAL, as its main purpose is the immediate rapid restoration of damaged basic structures, infrastructure, and productive activities."

58. **Sustainability of TA projects**. The sustainability assessment requires a focus on the durability of the underlying TA-supported technical or institutional changes. This assessment is based on the appropriateness of innovations introduced through the TA project, the level of stakeholder support, participation, and incentives; the availability of necessary financial and qualified human resources; the suitability and stability of the external framework conditions; and the level of expected political commitment and support.

59. **Ratings.** A project can be rated *most likely sustainable*, *likely sustainable, less than likely sustainable,* or *unlikely sustainable*. Ratings should be assigned as follows:

(i) ***Most likely sustainable*.** The positive effects exceed expectations on institutional, environmental, social criteria, and material risks to sustainability are fully mitigated. For the financial sustainability subcriterion, the FIRR should substantially exceed the WACC.

(ii) ***Likely sustainable*.** Positive effects meet expectations. For financial sustainability, the FIRR exceeds the WACC. The probability of any material risks occurring is moderate and they are largely mitigated.

[35] Assessment is based on indicators such as growth in lending and market share for targeted business segments, and loan spreads minus write-offs or losses for these market segments in general and compared with the overall portfolio of the financial institution.

(iii) ***Less than likely sustainable***. This applies where positive effects are below expectations and limited and there are no measures to mitigate negative impacts. For financial sustainability, the FIRR is lower than the WACC. The probability of material risks occurring is significant and these risks have not been sufficiently mitigated.

(iv) ***Unlikely sustainable***. This applies where highly negative effects have been identified for which no mitigating measures have been put in place. The FIRR is substantially lower than the WACC.

IV. OTHER PERFORMANCE ASSESSMENTS

A. Development Impacts

60. The development impacts assessment is focused on long-term, far-reaching changes to which the project has plausibly contributed. For projects approved up to mid-2015, guidance on intended project impacts can be taken from the main text of the project document and from the DMF.[36] The assessment should, however, also consider possible unintended positive and negative development impacts,[37] with the exception of safeguard-related impacts, which are discussed as part of the effectiveness assessment. For projects approved after 1 July 2015, the DMF will not have indicators and targets for the project impact, and the evaluator will have to provide his/her own indicators, based on the interpretation of the impact statement. In an independent evaluation by IED, the evaluator will have to propose such indicators in the approach paper, so that the responsible regional department can comment.

61. Beyond the intended impacts in DMFs, the assessment should look into some themes with which the project may have been tagged. The current (2014) thematic classification of projects[38] includes three strategic agenda tags (with subtags) at impact level: (i) inclusive economic growth, (ii) environmentally sustainable growth, and (iii) regional cooperation and integration.[39.] The 2014 classification system also has five drivers of change tags, several of which in their own right could be seen as impacts of the project (particularly the first three): private sector development, governance and capacity development, gender equity and mainstreaming, knowledge solutions, and partnerships. Before 2014, projects were tagged for somewhat different themes. The development

[36] The 2015 updated DMF guidelines separate the impact level from the results chain. The guidelines state that the purpose of impact statements is alignment with the results chain, not performance measurement. The impact statements are the expected results typically sourced from a government national or sector plan, and they are not to be measured through indicators and targets. Given that projects approved after 1 July 2015 no longer have impact indicators with baseline and target values, the assessment of development impacts may have to rely on qualitative information on the project's contributions toward the impact statements. Where feasible, the development impacts assessment will benefit from a primary data collection effort. For projects approved before 1 July 2015, the assessment of development impact in PCRs, PVRs, and PPERs can continue to rely at least in part on indicators and their baselines and targets in the RRP's DMF.

[37] Unintended impacts are those not specifically included in the project impact statement.

[38] ADB. 2014. *Project Classification System: Final Report.* Manila.

[39] If environmental or institutional improvements, enhanced regional cooperation, social development or economic activity are explicit project outcome targets, they should be evaluated under the effectiveness criterion. Assessments of impacts on governance should be based on the project's contributions to strengthening transparency, accountability, predictability, and participation.

impacts assessment should reflect on the results achieved in the areas for which the project was specifically tagged, unless the tags were identical to the main intended project outcomes and were already discussed in the effectiveness assessment.

62. **Special development impacts.** If the project aimed to have demonstration effects and/or had innovative features, their impact may be considered. The assessment can also include a discussion of any efforts to scale up and replicate successful features of the project that were not previously evident in other projects in the country or in communities that have been made during or after project implementation. Other elements that would receive positive consideration include successful capacity building activities, and positive cross-boundary synergies created by the project. Depending on the nature of the project, its potential for positive institutional or governance impacts should be ascertained.[40]

63. **Attribution to the project.** Development impacts to which the project contributes tend to be outside the project's direct control and their achievement is often not solely attributable to the project outcomes. Typically, they are dependent on other development efforts. The focus of analysis should be on the contribution of project outcomes to the achievement of the project impacts identified in the RRP. Moreover, development impacts can also be due to unforeseen events and positive developments in areas that are outside the project scope. Such impacts should not be attributed to the project.

64. For intended impacts, the assessment should consider the actual project achievements (and sustainability considerations) up to the time of the evaluation, the likelihood of risks and assumptions affecting the achievements, and external developments. Unanticipated impacts should be taken into account only if they are properly documented, of a sufficient size to be consequential, and can plausibly be attributed to the project.

65. **Ratings.** A project's development impacts can be rated *highly satisfactory, satisfactory, less than satisfactory* or *unsatisfactory*. If long-impacts are uncertain, the rating can refer to likely impacts. Ratings should be assigned as follows:

(i) ***Highly satisfactory*.** There is clear evidence that the project has had positive development impacts beyond the expectations indicated in the RRP and there are no negative impacts.

(ii) ***Satisfactory*.** The project is likely to have positive development impacts, as expected. Negative impacts, if any, were minimal in relation to the gains under the project.

(iii) ***Less than satisfactory*.** The project may have had some positive development impacts, but they were minor or did not outweigh negative impacts.

[40] Institutional impacts can include improvements in the governance of public institutions, institutional ability to produce better results (effectiveness), and organizational resource-use efficiency, which are achieved through changes in laws, regulations and procedures, compliance with regulatory changes, improvement in staff skills and incentives, and changes in institutional structure. An assessment of the project's impacts on governance is based on the project's contributions to strengthening transparency, accountability, predictability, and participation.

(iv) ***Unsatisfactory.*** The project has had very few positive impacts or its negative impacts substantially outweigh any positive development outcomes.

B. ADB and Cofinancier Performance

66. This assessment deals with the overall performance of ADB and (if applicable) of major development partner cofinanciers. The period covered by the assessment stretches from preparation of the project to its completion, and the evaluation covers the quality of the contributions of ADB and its partners at project entry and during project implementation and evaluation. The assumptions made at ADB appraisal (e.g., overly optimistic demand forecasts or the adoption of an inappropriate methodology) should be reflected in the assessment of the performance of ADB and its partners. Separate ratings are provided for the performances of ADB and cofinanciers.

67. **Assessment principles for ADB performance.** The major factors to be considered are as follows:

(i) adequacy of contributions during the preparation stage, including the soundness of any PPTA and of the project document and loan and project agreement and the covenants;

(ii) adequacy of support for signing the loan and making the loan or grant effective;

(iii) quality and timeliness of support for the borrower and the key agency, including facilitation of compliance with anticorruption and various safeguard policies;

(iv) adequacy of supervision during project implementation, including ADB staff continuity; frequency, composition, and length and quality of inception and review missions; and mid-term review; and

(v) level of efforts to build and maintain collaborative relationships with development partners for the project, including cofinanciers and the extent to which the objectives of partnerships were achieved.

68. **Rating standards**. Ratings should be assigned as follows:

(i) ***Highly satisfactory***. ADB's analytical work, design contributions, and appraisal at entry exceeded previous practice and could serve as an example for other bilateral or multilateral development financiers. ADB kept itself promptly and fully informed about the project in all relevant areas, including environmental and other safeguard performances. All required supervision reports were timely, comprehensive, and accurate. Any handovers in the case of changes in ADB staff monitoring responsibilities were done well. When unexpected problems occurred, ADB reacted promptly and adequately to facilitate project success.

(ii) ***Satisfactory***. The front-end work quality met ADB's good practice standards. ADB kept itself sufficiently informed of project progress. Supervision reports were generally timely and included key required information. ADB reacted in an appropriate manner to major changes in project performance.

(iii) ***Less than satisfactory***. There was a shortfall in at least one area or ADB's design contributions or appraisal performance was substandard in key areas. ADB's supervision practices were insufficient to monitor project performance adequately and/or ADB did not always take timely and appropriate action. Portfolio monitoring and reporting of progress, and covenant compliance and risk management, were of an uneven standard.

(iv) ***Unsatisfactory***. There were shortfalls in several areas or a serious shortfall in one area, which led (or could have led, under less favorable circumstances) to a less than successful project performance. Front-end work was substandard bordering on negligence in at least one key area, and/or ADB's supervision was inadequate. ADB was unaware of material developments and/or did not use information to intervene on a timely and appropriate basis. Portfolio monitoring and reporting on progress, and covenant compliance and risk management were substandard.

69. **Assessment of performance of major cofinanciers.** A *rating* of the cofinanciers' involvement is not mandatory. If cofinanciers were involved, a brief narrative assessment of the main aspects of their performance is expected. In particular, the evaluation should discuss the added value beyond the extra funds the cofinancier made available to the project, such as extra project design scrutiny, supervision and harmonization effects, and possible negative aspects such as delays encountered due to the need to establish separate agreements since the approval of the ADB loan, and major separate reporting requirements that absorbed time and resources. Where available, the cofinanciers' completion reports may be used. A distinction needs to be made between collaborative (parallel) cofinanciers and joint cofinanciers.[41] An assessment of collaborative cofinanciers' contributions needs to take into account the documented agreement between the two partners. If the collaboration was limited, the evaluation of the cofinanciers' role may also be limited. No assessment is expected for discrete cofinancing partners, as such collaborations are not documented, and assessment would therefore be difficult. This subsection can be omitted if there are no major cofinancing partners involved.

[41] OM Section E1/OP (2014): "Joint financing. ADB and its financing partners finance a common list of goods, works, and services required for the project in agreed-upon proportions. ADB's guidelines on procurement and the use of consultants govern the procurement of goods, works, and services." "Parallel financing. The project is divided into specific, identifiable components [..], each of which is separately financed by ADB and financing partners. [..] financing of the components assigned to the financing partners can be either on untied or tied terms. If it is untied, it can be administered by ADB and ADB's policies and procedures apply. If it is tied, it cannot be administered by ADB and the financing partners implement and administer the assigned components in parallel with the ADB-financed ones by using their own procurement guidelines."

C. Borrower and Executing Agency Performance

70. **Assessment principles.** This assessment focuses on the adequacy of ownership and assumption of responsibility by all participating government entities during the project cycle. The major elements of the assessment of borrower performance are as follows:

(i) borrower, executing agency and implementing agency performance in ensuring the quality of project preparation, meeting loan effectiveness requirements, implementing project activities, and ensuring project sustainability;

(ii) provision of high-level support for the project;

(iii) compliance with loan covenants, safeguard requirements and other fiduciary requirements;

(iv) adequacy and timeliness of counterpart funding; and

(v) extent and quality of the implementing agencies' engagement with stakeholders.

71. **Ratings.** Ratings of the performance of the government (the borrower) and the executing and implementing agencies should be assigned as follows:

(i) ***Highly satisfactory***. The borrower and key agencies achieved high performance standards at all stages, and there were strong indications of their positive role and contribution. Coordination mechanisms and institutional arrangements were suitable.

(ii) ***Satisfactory***. The borrower and key agencies achieved professional performance standards. Performance was satisfactory or better than the standards set at the design and implementation stages.

(iii) ***Less than satisfactory***. There was a major shortfall in at least one key performance area.

(iv) ***Unsatisfactory***. There were shortfalls in several areas or a serious shortfall in one performance area, which led (or could have led, under less favorable circumstances) to an unsatisfactory project performance. Implementing arrangements were too complex or cumbersome and hindered the attainment of envisaged outputs and outcomes.

V. OVERALL ASSESSMENT

72. The steps and considerations for the overall rating are as follows.

(i) **Weights for core criteria**. Each of the core criteria has an equal weight of 25%. Fixed whole number scores are used to assign appropriate overall ratings (*highly successful*, *successful*, *less than successful*, or *unsuccessful*).

(ii) **Logical consistency of core criteria ratings.** The relative ratings of the core criteria need to be reviewed for logical consistency.

73. The overall rating is determined by aggregating the ratings for the four core criteria of relevance, effectiveness, efficiency, and sustainability (Table 2). Under each core criterion, the four descriptor ratings translate into a whole number score between 0 and 3. The overall project assessment rating is a weighted average of the values of the four core criteria ratings and therefore ranges between 0 and 3. The ratings should be assigned as follows:

(i) ***Highly successful***. The overall weighted average of core criteria rating values is greater than or equal to 2.50. This rating is given to projects whose achievements exceed expectations and where there is a high probability that the outcomes and impact will be sustained over the project's life; the project remains relevant; and no significant unintended negative effects have occurred or are likely to occur.

(ii) ***Successful***. The overall weighted average is greater than or equal to 1.75 and less than 2.50. Although the outcome may not have been completely achieved or some minor negative results may have occurred, no major shortfall has taken place and the expected outcome and impact will, on the whole, be achieved and sustained over the project's life. The project remains relevant and its implementation and operations are efficient. Negative impacts, if any, are minimal in relation to the gains under the project.

(iii) ***Less than successful***. The overall weighted average is greater than or equal to 0.75 and less than 1.75. Although there has been a significant shortfall in achieving the design outcome and impact and full sustainability is unlikely, some project components will provide major benefits (e.g., equivalent to at least half the level originally expected).

(iv) ***Unsuccessful***. Overall weighted average is less than 0.75. The project is a technical and/or economic failure. Achievement of outcomes is minimal. Installed facilities, if any, are expected to operate below design capacity or at high cost, necessitating a large subsidy. Negative effects may be apparent.

Table 2: Overall Project Rating

<table>
<tr><th>Criterion</th><th>Weight (%)</th><th>Definition</th><th>Rating Description</th><th>Rating Value</th></tr>
<tr><td>1. Relevance</td><td>25</td><td>The consistency of the project impact and outcome with country and sector priorities and ADB’s strategic objectives, as well as the adequacy of its design in addressing identified development constraints.</td><td>Highly relevant
Relevant
Less than relevant
Irrelevant</td><td>3
2
1
0</td></tr>
<tr><td>2. Effectiveness</td><td>25</td><td>The extent to which the project outcome as specified in the DMF (either as agreed at approval or as subsequently modified) was achieved.</td><td>Highly effective
Effective
Less than effective
Ineffective</td><td>3
2
1
0</td></tr>
<tr><td>3. Efficiency</td><td>25</td><td>How resources were converted to results, using cost–benefit analysis based on a calculation of the EIRR for investment projects, if feasible, as well as cost-effectiveness analysis. Other indicators, such as a comparison between forecast unit costs (in the RRP) and actual unit costs, and process efficiency should be considered when reliable EIRR or cost-effectiveness analyses cannot be conducted or do not cover the whole project.</td><td>Highly efficient
Efficient
Less than efficient
Inefficient</td><td>3
2
1
0</td></tr>
<tr><td>4. Sustainability</td><td>25</td><td>The likelihood that institutional, financial, and other resources are sufficient to sustain the project’s outcome over its economic life in an environmentally and socially sustainable way.</td><td>Most likely sustainable
Likely sustainable
Less than likely sustainable
Unlikely sustainable</td><td>3
2
1
0</td></tr>
<tr><td>Overall Assessment (weighted average of above criteria)</td><td colspan="4">Highly successful: Overall weighted average is greater than or equal to 2.50.
Successful: Overall weighted average is greater than or equal to 1.75 and less than 2.50.
Less than successful: Overall weighted average is greater than or equal to 0.75 and less than 1.75.
Unsuccessful: Overall weighted average is less than 0.75.

Note: The overall rating becomes automatically less than successful if one or more of the four subratings’ value is 0.</td></tr>
</table>

DMF = design and monitoring framework, EIRR = economic internal rate of return, RRP = report and recommendation of the President.
Source: Independent Evaluation Department.

PROJECT PERFORMANCE EVALUATION REPORT

1. This appendix provides guidelines for preparing a project performance evaluation report (PPER). It lists the chapters a typical PPER should contain and gives guidance on what each chapter should discuss. When assessing the project by the core evaluation criteria (relevance, effectiveness, efficiency, sustainability, development impact, and performance of Asian Development Bank [ADB] and borrower) the evaluator should consult Chapters III and IV of the main text of these guidelines. At the end of the appendix is a template for a PPER. Unless otherwise stated, the term "projects" in this appendix can refer to investment projects, policy-based loans (PBLs), sector projects, sector development programs, multitranche financing facilities (MFFs) and their individual tranches, emergency assistance loans (EAL) projects, financial intermediary loan projects (FILPs), and technical assistance (TA) loans. Appendix 3 deals with TA performance evaluation reports (for the evaluation of groups of grant-based technical assistance projects).

A. Report Structure

2. A typical PPER is 25–35 pages of single-spaced text, not including appendixes. Evaluators should use cross-references to the associated project completion report (PCR) in order to keep the report concise. Quotations from other documents (e.g., the report and recommendation of the President [RRP] and PCR) are encouraged but must be enclosed in quotation marks. All documents used to prepare the PPER should be properly referenced in footnotes. To the extent possible, figures and percentages should be provided to one decimal place (e.g., $19.6 million, 20.1%). Abbreviations should be kept to a minimum. ADB's *Handbook of Style and Usage* should be followed.[1] The inclusion of project-related maps is encouraged, but should be checked with ADB. The chapter headings in a PPER are as follows.

Executive Summary
I. Introduction
II. Design and Implementation
III. Performance Assessment
IV. Other Assessments
V. Overall Assessment, Issues, and Lessons

1. Executive Summary

3. The executive summary provides a brief roundup of the project's concept and of the outputs and outcome(s) achieved. It presents significant findings, conclusions, and recommendations and indicates the overall assessment rating and subratings. The typical length of the summary is 2–3 pages.

2. Chapter I: Introduction

a. Evaluation Purpose and Process

4. This section describes why and how the project was selected for evaluation, including any special reasons for its timing. It gives the ratings provided earlier by the PCR and comments briefly on these. Any questions raised by the PCR are highlighted. If a validation of

---

[1] ADB. 2011. *Handbook of Style and Usage.* Manila.

the PCR has been issued, its findings are discussed, if these were different from those in the PCR. The section also explains briefly how the evaluation was done, and provides details of any field visits undertaken. The section should note that, in completing the report, the views of concerned departments and offices of the ADB and those of the borrower and executing agencies have been considered. If this was not done, the circumstances need to be indicated.[2]

b. Expected Impacts, Outcomes, and Outputs

5. This section describes the project outcome and impact statements in the design and monitoring framework (DMF), both as approved and if modified (through changes in scope) at completion. If applicable, it should point out unclear or contradictory statements in the RRP main text and DMF and possibly in the project or loan agreement. In such a case, the section should explain its understanding of the outcome and impact intended, and indicate whether agreement on this was achieved with the sponsoring department. The section briefly describes the project outputs, including those for any attached TA project, as planned and realized, and the intended beneficiaries.

3. Chapter II: Design and Implementation

6. This chapter provides supporting information and analyses for the performance assessment, which is the subject of Chapter III. Most of the content is descriptive, but some analysis and assessment may need to be provided, especially if changes were made or unexpected events occurred after project approval.

a. Rationale

7. This section explains the broad country context, indicates constraints on the development of the sector or area, and summarizes the rationale given for public sector intervention at the time of project formulation, as presented in the RRP. It discusses any changes to the country context and development constraints during project implementation that are relevant to the achievement of the outputs, outcomes, and impacts. The effects of changes in government or project sponsors on the project's achievements should also be noted, as should changes in project components and delivery mechanisms due to special circumstances (e.g., if the project has become part of a portfolio restructuring exercise).

b. Time, Cost, Financing, and Implementation Arrangements

8. This section discusses the expected and actual duration of project preparation and implementation, project cost, and financing arrangements, including cofinancing and associated TA. In the case of policy-based lending, it describes the use of the additional budgetary resources generated by the loan, i.e., the counterpart funds. Details should normally be presented in an appendix. Expected and actual implementation arrangements are briefly described, including the division of responsibilities.

---

[2] Where the borrower does not respond to requests to provide comments, the following statement is included in this section: "Copies of the draft PPER were forwarded to the borrower and the executing agency on [date] with a request that comments be provided within [number of weeks]. Despite subsequent follow-up, no comments were received."

c. Technical Assistance

9. This section describes any associated TA project and key findings of the TA completion report, if available.[3] Detailed analysis may be included as an appendix.

d. Procurement, Construction, Consultants, and Scheduling

10. This section describes the bidding and contract awards undertaken; the suppliers, contractors, design and supervision consultants and other consultants used by the project; and the results of commissioning and performance testing. It should be brief and refer to information provided in the PCR. Delays and other problems related to consultant selection, procurement, and construction processes need to be indicated, including remedial actions taken and effects on quality and quantity of outputs. The outputs of consultants are elaborated, whether they were financed under the loan or the associated TA, and should include: (i) the quality and timeliness of design outputs; (ii) the extent of knowledge transfer through advice, training, and studies outputs; and (iii) institutional strengthening outputs. For PBLs, this section is limited to discussions on consultant inputs and outputs, if any.

e. Safeguard Arrangements and Gender Action Plan

11. This section reflects the safeguard categorization of the project by ADB, and briefly summarizes the safeguard assessments made for the project. It indicates highlights of environmental management plans, involuntary resettlement plans, indigenous peoples' plans, and any changes to these plans. Budgets and staffing arrangements at ADB and the implementation agencies are briefly indicated. If there are gender action plans associated with the project, they are described.

f. Design Changes

12. This section describes any changes in scope or implementation arrangements approved by ADB subsequent to appraisal and discusses whether the project was flexible enough to accommodate such changes. Factors responsible for major changes in design or scope are discussed, but the effects of major changes of scope (or a succession of minor changes of scope) on project performance are discussed under effectiveness in Chapter III.

g. Loan Covenants, Monitoring and Reporting Arrangements

13. This section reviews the loan covenants applicable until project completion and compliance with these, particularly as it relates to the achievement of outcomes. The discussion should focus on those covenants the PCR identified as not having been complied with and/or those for which the evaluation mission disagrees with the PCR's assessment. Progress in implementing the PCR's recommendations for compliance should be assessed. Reference should be made to the full list of covenants (normally included in the PCR).

[3] Currently only TA projects for capacity development, policy and advice, and research and development are rated. Project preparatory TA is not rated separately but the project design is assessed as part of the relevance assessment in the evaluation of the project.

14. The section provides information on the monitoring and reporting arrangements for the project, and elaborates on the sources of data used to prepare the PCR and the PPER and whether the data are adequate. Evaluators should be aware of the requirements under the project performance management system for the project and should review the monitoring and reporting arrangements against them.[4] These are generally described in the project administration manual (PAM). Special attention needs to be paid to the baseline survey and the end-of-project survey, if these were mandated by the RRP or the PAM. Information delivered for the mid-term review, if this took place, should also be covered.

4. Chapter III: Performance Assessment

15. This chapter presents the principal factors supporting the ratings for the four core criteria (relevance, effectiveness, efficiency, and sustainability) that determine the overall assessment and rating. The discussion follows the principles and rating standards elaborated in Chapter III of the main text of these guidelines. Evaluators should ensure that the discussion follows a clear and logical path that justifies the conclusions reached and explain how the ratings have been derived. More detailed analysis can be presented in appendixes if necessary.

a. Relevance

16. See Chapter III.A of the main text.

b. Effectiveness

17. See Chapter III.B of the main text.

c. Efficiency

18. See Chapter III.C of the main text.

d. Sustainability

19. See Chapter III.D of the main text.

5. Chapter IV: Other Assessments

20. This chapter assesses non-core evaluation criteria: the development impact of the project, the performance of ADB and cofinancier(s), and the performance of the borrower and executing agency(ies). Chapter IV of the main text contains guidance on the assessing principles, factors to consider, and the rating standards.

a. Development Impact

21. See Chapter IV.A of the main text.

---

[4] See also the Operations Manual on Project Performance Management System (OM Section J1/BP and OM Section J1/OP). Available at: http://www.adb.org/documents/operations-manual.

b. ADB and Cofinancier(s) Performance

22. See Chapter IV.B of the main text.

c. Borrower and Executing Agency(ies) Performance

23. See Chapter IV.C of the main text.

6. Chapter V: Overall Assessment, Issues, and Lessons

24. This chapter presents the overall assessment, issues, and lessons and actions.

a. Overall Assessment

25. Guidance on the weighting procedure and ratings is provided in Chapter V of the main text. This section includes a table summarizing the ratings of the PCR and the ratings of the PPER (Table A1). If there is a difference in the ratings between the PCR and PPER, the reasons should be summarized in the comments column. Even where there is no disagreement, comments may need to be provided, at the discretion of the evaluator. For instance, strong project supervision overcame unsatisfactory quality-at-entry and resulted in successful project achievement and satisfactory ADB performance. Any major dissenting views as expressed in writing by ADB's regional department or the executing agency need to be briefly summarized; they can be reflected more fully in an appendix.

Table A1: Overall Assessment of Project Performance

Validation Criteria	PCR	PPER	Key Reasons for Disagreement and/or Comments
Relevance			
Effectiveness			
Efficiency			
Sustainability			
Overall Assessment			
Preliminary Assessment of Impact			
Performance of Borrower and Executing Agency			
Performance of ADB			

Source: Asian Development Bank's Independent Evaluation Department.

b. Issues

26. This section covers project-related issues that either remain unresolved, are crucial for sustainability of the project, or are of more general importance. Evaluators may review other ongoing projects in the same sector or area to determine whether their design and implementation addressed lessons identified by the present or earlier evaluations. The section discusses broader conclusions emerging from the evaluation that need to be addressed on a

longer-term basis by either the country or ADB. The section may also consider issues relevant to IED's future work program. Normally no more than four issues are discussed.

c. Lessons and Actions

27. This section focuses on lessons, both positive and negative, arising from the evaluation that are relevant either (i) to ADB, with respect to future ADB-supported operations and policies in the country or in the sector or area in general, or (ii) to the borrower or executing agency, especially with respect to future operations in the sector or area in which the project was involved.[5] This section restricts any lessons regarding ADB-wide issues—for instance, selection of consultants, participation of beneficiaries, and delays in implementation—to those with particular relevance to the sector, area, or context of the project being evaluated. The lessons should be about the approach taken by the project, which can inform future projects, in the same country or beyond. A *successful* project can teach lessons on how to achieve success in other cases, and a *less than successful* project may have lessons on what to avoid.

28. A lesson should not be presented as a fact, a finding, or a recommendation. A fact is what happened—an event and data, and is not in dispute. A finding is what the report writer interpreted or concluded from the facts or the data. A lesson refers to the broader significance of a finding. It draws a conclusion from experience that may be applicable beyond the operation that has been evaluated. A recommendation advises how to proceed in future in light of the evaluation as a whole, and proposes actions.[6] Lessons should be able to stand independently of the PPER and to be copied to IED's Evaluation Information System.

29. Any further action by the executing agency, borrower, or ADB, can be included in this section.[7] A recommendation for action by the government needs to be worded in such a way that the evaluator recommends that ADB operations should communicate the recommendation to the government. Evaluators should refrain from suggesting direct actions to governments, unless the evaluation is done jointly with an evaluation unit in the country. Recommended follow-up actions should be: (i) limited to those that are specific to the project, (ii) capable of being implemented and monitored, (iii) time-bound, and (iv) costed (at an indicative level), where possible. The ADB divisions and executing and implementing agencies responsible for taking actions and monitoring them should be identified and notified. Recommendations should be based on findings, which should be cross-referenced using paragraph numbers.

---

5 The evaluator should be familiar with lessons raised in previous evaluation reports concerning this sector. This section should indicate whether the current project reinforced, supplemented, or failed to consider earlier lessons and whether the lessons of the current project were reflected in the design of subsequent operations.

6 Independent Evaluation Group. 2014. *Guidelines for Reviewing World Bank Completion and Results Reports. A Manual for Evaluators*. Last updated 1 August 2014. Washington DC: World Bank.

7 This section does not include lessons or follow-up actions identified in previous reports for which ADB, the borrower, or the executing agency have already taken remedial action.

B. Sample Format

1. Sample Front Cover

Performance Evaluation Report

<Month Year>

<Country><Name of Project

Reference Number: PPE: XXX 20XX-XX
Project Number:
Loan Number:
Independent Evaluation: PE-XXX

Independent Evaluation ADB

Raising development impact through evaluation

2. Sample Inside Front Cover

ABBREVIATIONS

NOTE

(i) In this report, “$” refers to US dollars.

Director General **Deputy Director General** **Director** **Team leader** **Team members**

The guidelines formally adopted by the Independent Evaluation Department on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of the Independent Evaluation Department, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, the Independent Evaluation Department does not intend to make any judgments as to the legal or other status of any territory or area.

3. Sample Table of Contents

CONTENTS

Supplementary appendixes can be added as appropriate, e.g., social survey summaries or technical issues concerning road and water supply. These may be made "available on request", with an email address indicated.[8] Photographic documentation can be added where appropriate.

[8] evaluation@adb.org.

4. Sample Basic Project Data

BASIC DATA[a]
Country: Project Title (Loan No.---)

Safeguard classification(s):
Sector classification(s):
Thematic classification(s):

Project Preparation or Capacity Development

TA No.	Technical Assistance Name	Type	Consultant Person-Months	Amount	Approval Date

Key Project Data ($ million)	ADB Loan Documents	Actual
Total project cost		
Foreign exchange cost		
ADB loan amount/utilization		
ADB loan amount/cancellation		
Amount of cofinancing		
Supplementary ADB loan		
Supplementary cofinancing		

Key Dates	Expected	Actual
Fact-finding mission		
Appraisal mission		
Loan negotiations		
Board approval		
Loan agreement		
Loan effectivity		
First disbursement		
Supplementary ADB loan approval		
Supplementary cofinancing approval		
Project completion		
Loan closing		
Months (effectivity to completion)		

Internal Rates of Return (%)	Appraisal	PCR	PPER
Economic internal rate of return			
Financial internal rate of return			

Borrower

Guarantor

Executing Agency

Mission Data

Type of Mission	No. of Missions	No. of Person-Days
Fact-finding/pre-appraisal		
Appraisal/loan negotiations		
Reappraisal (supplementary loan)		
Project administration		
Inception		
Review		
Disbursement		
Special project administration		
Project completion		
Post-completion review/follow-up		
Independent Evaluation		

[a] Nonapplicable headings should be deleted.

VALIDATION OF PROJECT OR PROGRAM COMPLETION REPORTS

A. Overall Guidance

1. A project or program completion report (PCR) validation report (PVR) is based on a review by the Independent Evaluation Department (IED) of a PCR and associated project information, shortly after the PCR is approved by the regional department and made public. IED reassesses the performance of the project based largely on the PCR's presentation of evidence and analysis, and looks at lessons and recommendations from a wider and independent perspective. It also evaluates the quality of the PCR. The assessment principles and ratings are provided in chapter III of the main text.

2. A PVR is 8–11 pages (single-spaced text) and follows the structure presented below. Quotations from other documents (e.g., the report and recommendation of the President [RRP] and the PCR) are encouraged and must be enclosed in quotation marks. Documents used should be properly referenced in footnotes, in line with ADB's *Handbook of Style and Usage*.[1] Generally, costs and expenditure should be presented in $ millions and in percentages, to one decimal place (e.g., $19.6 million, 20.1%).

3. The PVR is generally based on the following information sources:
   (i) RRP, PCR, the government's project completion report or the consultant's final report(s), if available, and technical assistance (TA) completion reports (TCRs), if applicable;
   (ii) management review meeting and staff review committee documents;
   (iii) tranche release documents, progress reports, cost–benefit analysis data, monitoring and evaluation reports, and/or other survey type reports (baseline surveys and end-of-project surveys), if available;
   (iv) supervision reports, including mid-term review reports and back-to-office reports, including the back-to-office report for the PCR mission;
   (v) information that can be drawn from the internet.

4. The validation exercise is primarily a desk review. However, the staff that undertake it are encouraged to consult the department that prepared the PCR and the executing agency. Initial drafting of the PVR is expected to take 3–5 days.

B. Basic Data

5. The format for the basic data table is provided in the sample template below (section H). A list of cofinanciers should be provided, but not of cofinanciers providing undocumented (discrete) cofinancing.[2]

---

[1] ADB. 2011. *Handbook of Style and Usage.* Manila.

[2] The report needs to include cofinanciers that fund a portion of a joint operation with ADB in which ADB assumes full or partial administration of the funds, and in which the cofinancier finances expenditures from a common list of goods and services (in agreed proportions). Parallel or collaborative cofinanciers also need to be included, if there is a documented agreement on collaboration or cofinancing with ADB, although no full or partial administration of the funds by ADB.

C. Section I: Project Description

6. This section states the project's rationale, expected impacts, outcomes, outputs, project cost and ADB contribution, as provided in the RRP. It should confine itself to descriptive information essential to a full understanding of the subsequent assessment section. No assessment should be made.

7. The project description indicates the safeguard categories and safeguard plans (if any), gender action plans (if any), and attached TA. It also explains whether there was a project preparatory TA project before the project, and the cost of this.

8. Implementation arrangements are briefly indicated, including the executing and implementing agencies and their involvement, the fund flow mechanism, the existence of project implementation support, and loan covenants and the project's compliance with these. A degree of flexibility may be employed in selecting the subheadings in this section, as RRP formats have changed over time.

9. This section should also succinctly describe any changes in scope of the project, major and minor. It should include associated changes in the design and monitoring framework, outcomes, outputs, estimated costs, financing and implementation arrangements. The timing and reasons for the changes should be discussed.

D. Section II: Evaluation of Performance and Ratings

10. This section provides concise assessments supporting the PVR's ratings for the four core criteria: relevance, effectiveness, efficiency, and sustainability. The four assessments should follow the assessment principles and rating standards presented in Chapter III of the main text. Ideally the PCR's ratings are mentioned first, then the assessment is provided, leading up to the PVR's rating.

E. Section III: Other Assessments

11. This section provides assessments of the non-core criteria: (i) a preliminary assessment of the project's development impact, (ii) a concise assessment supporting the ratings for the performance of the borrower and executing agency, and (iii) an assessment of the performance of ADB (and cofinanciers if the PCR also contained an assessment of the performance of the cofinancier). The discussion should apply the assessment principles and rating standards in Chapter IV of the main text.

12. This section also validates PCR findings on other aspects of implementation that have not been covered in the previous sections. These may cover project governance, financial fiduciary arrangements, anticorruption activities, fund flow arrangements, and procurement. This discussion can be omitted if there is no other substantive matter to highlight.

F. Section IV: Overall Assessment, Lessons, and Recommendations

13. This section provides an overall assessment of the project's performance, based on the assessments and ratings of the project for relevance, effectiveness, efficiency, and sustainability. It includes a table containing the ratings of the PCR and the ratings of the validation (see the sample format at the end of this appendix). If there is a difference in ratings between the two, this should be explained in the comments column. Even when there is no

disagreement, comments can be provided, as needed. For example: "Strong project supervision overcame unsatisfactory quality at entry and resulted in successful project achievement and satisfactory ADB performance." If the regional department disagrees with the PVR ratings, this can be reflected in a footnote, briefly indicating the main reasons.

14. **Lessons.** This section states agreement or disagreement with any or all of the lessons presented in the PCR. Lessons that are agreed with should be briefly summarized, and may be improved upon. Lessons should draw on important positive and negative project experiences that the PVR considers most pertinent to potential similar projects in the sector, area or country. New lessons that were not identified in the PCR may be presented in the PVR, for instance on what made the project successful or not successful. The lessons should be able to stand independently of the PVR and to be copied to IED's Evaluation Information System. Appendix 1, Chapter V(c) on the project performance evaluation report provides further guidance.

15. **Recommendations for follow-up.** This section should clearly state whether there is agreement or disagreement with any or all of the recommendations presented in the PCR. There is no need to repeat all the recommendations. The PVR may list additional recommendations, or reword PCR recommendations. Recommendations should be clearly derived from project findings and experiences that require follow-up actions by ADB. The findings referred to in the justification for the recommendations should be cross-referred to using paragraph numbers. If the required follow-up action is the responsibility of the executing agency or borrower or of a party other than ADB, the action should be worded in such a way as to indicate how ADB should raise the recommended action with other parties.

G. Section V: Other Considerations and Follow-Up

16. **Monitoring and Reporting**. The PVR should review the PCR's assessment of the following aspects of the project's monitoring and reporting arrangements:

(i) design—the extent to which the project aimed to collect relevant data (i.e., data that would accurately reflect the project progress and enable a robust assessment of project achievements) on expected project impacts, outcomes, and outputs, given the reasonable availability of data;
(ii) implementation—the extent to which such data were actually collected; and
(iii) utilization—the extent to which the data collected were used to inform (a) decision making and resource allocation within the project, and (b) the PCR itself.

17. **Comments on project completion report quality.** This section reviews the quality of the PCR and provides an overall assessment and rating. The rating is based on the following criteria.

(i) **Quality of presentation**: consistency with the relevant guidelines (Project Administration Instruction 6.07A and the evaluation guidelines in the current document); conciseness and logical consistency of the PCR (including appendixes); and overall clarity of the arguments made.
(ii) **Quality of evidence and analysis**: adequacy and robustness of evidence used to substantiate outcomes and ratings; soundness and plausibility of assumptions made and methods used to calculate the EIRR and FIRR; identification of exogenous factors affecting results; adequacy of the treatment of safeguard issues, fiduciary issues, and covenants; and candor.

(iii) **Quality of issues, lessons and recommendations:** extent to which these are based on evidence; and usefulness as inputs into the design and implementation of future projects or further studies.

18. Ratings of the PCR's quality should be assigned as follows:

(i) ***Highly satisfactory*.** The PCR presents a consistent and candid assessment of the performance of the project. The analytical methods used are flawless. Evidence presented is robust and the ratings are well justified. Issues, lessons and recommendations are useful to the design and implementation of future operations.
(ii) ***Satisfactory*.** The PCR presents a convincing assessment of the performance of the project. There are no major issues with the analytical methods, although they may have minor issues, and the assessments underlying most of the ratings are validated. The lessons and recommendations may or may not be useful.
(iii) ***Less than satisfactory*.** The PCR presents a less than convincing assessment of the performance of the project. The evidence provided raises some serious questions.
(iv) ***Unsatisfactory*.** The PCR lacks clarity in presentation and consistency in arguments, and several ratings are poorly argued and not convincing.

19. **Data sources for validation.** This lists the sources used to conduct the validation. ADB internal documents (e.g., back-to-office reports, Board proceedings, internal memos) can be referred to but not be precisely identified, as they are not public documents.[3]

20. **Recommendation for Independent Evaluation Department follow-up.** This section should comment on the need for and timing of a PPER or other IED study to follow the validation. In making this recommendation, the PVR should consider factors such as the quality and depth of the PCR and issues or aspects that would favor an independent evaluation at a later stage.

3 The PVR may refer to these sources, but should paraphrase the information rather than quoting it.

H. Sample Format

1. Sample Front Cover

Validation Report

<Month Year>

<Country><Name of Project>

Reference Number: PCV: XXX 20XX-XX
Project Number:
Loan Number:

Independent Evaluation ADB

Raising development impact through evaluation

2. Sample Inside Front Cover

ABBREVIATIONS

NOTE

(i) In this report, “$” refers to US dollars.

Director General **Deputy Director General** **Director** **Team leader** **Team members**

The guidelines formally adopted by the Independent Evaluation Department on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of the Independent Evaluation Department, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, the Independent Evaluation Department does not intend to make any judgments as to the legal or other status of any territory or area.

PROJECT BASIC DATA

Project Number:		**PCR Circulation Date:**		
Loan Number:		**PCR Validation Date:**		
Project Name:				
Sector & subsector:				
Theme & subtheme:				
Safeguard categories:				
Country:			**Approved** ($ million)	**Actual** ($ million)
ADB Financing: ($ million)	**ADF:**	**Total Project Costs:**		
		Loan: (SDR equivalent, million)		
	OCR:	**Borrower:**		
		Beneficiaries:		
		Others:		
Cofinancier(s):		**Total Cofinancing:**		
Approval Date:		**Effectiveness Date:**		
Signing Date:		**Closing Date:**		
Project Officer(s):		**Location:**	**From:**	**To:**
IED Review **Director:** **Team:**				

ADB = Asian Development Bank, ADF = Asian Development Fund, PCR = Project or Program Completion Report, OCR = Ordinary Capital Resources.
Source: Asian Development Bank's Independent Evaluation Department.

I. PROJECT DESCRIPTION

A. Rationale
B. Expected Impacts, Outcomes, and Outputs
C. Provision of Inputs
D. Implementation Arrangements

I. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation
B. Effectiveness in Achieving Project or Program Outcomes and Outputs
C. Efficiency of Resource Use
D. Preliminary Assessment of Sustainability

III. OTHER ASSESSMENTS

A. Preliminary Assessment of Development Impact
B. Performance of the Borrower and Executing Agency
C. Performance of the Asian Development Bank and Cofinanciers
D. Others (e.g., governance, procurement, fund flow, and government assessment of the

project or program).

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings.[4]

Overall Ratings

Validation Criteria	PCR	IED Review	Reason for Disagreement and/or Comments
Relevance			
Effectiveness			
Efficiency			
Sustainability			
Overall Assessment			
Preliminary Assessment of Impact			
Borrower and executing agency			
Performance of ADB			
Quality of PCR			

ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = project completion report.
Source: Asian Development Bank's Independent Evaluation Department.

B. Lessons
C. Recommendations for Follow-Up

V. OTHER CONSIDERATIONS AND FOLLOW-UP

A. Monitoring and Reporting
B. Comments on Project Completion Report Quality
C. Data Sources for Validation
D. Recommendation for Independent Evaluation Department Follow-up

[4] If disagreements remain between the department that prepared the PCR and IED on the ratings or on certain key aspects of the PVR, this disagreement may be noted in a footnote in the ratings section in the final PVR.

TECHNICAL ASSISTANCE PERFORMANCE EVALUATION REPORT

1. This appendix covers the requirements for preparing a technical assistance (TA) performance evaluation report (TPER), which is typically prepared for a cluster of TA projects.[1] TPERs are usually not prepared for TA projects that support project preparation for a loan, nor for TAs attached to loan or grant projects. Such TA projects are usually evaluated in association with the supported loan or grant. The evaluator should refer to Sections III to V of the main text of these guidelines for guidance on assessment criteria and rating standards.

A. Report Structure

2. A typical TPER is 25–35 pages (single-spaced text), not including appendixes. Evaluators should cross-reference the associated TA completion reports (TCRs) in order to keep the reports concise. Ideally, separate appendixes should be prepared for each TA project evaluated, containing specific descriptive information and short key assessments (four core and three other assessments) for each TA project in the group of TA projects evaluated. The main text summarizes the key points of the assessments in these appendixes, and adds generalized lessons and recommendations for the whole group. A different approach is acceptable if more than six TA projects are evaluated. Quotations from other documents (e.g., the TA papers and TCRs) are encouraged but should be enclosed in quotation marks, and documents used should be properly referenced in footnotes. Abbreviations should be kept to a minimum. Amounts and percentages should be provided to one decimal place (e.g., $19.6 million, 20.1%). ADB's *Handbook of Style and Usage* should be followed.[2]

1. Executive Summary

3. The executive summary summarizes the TA projects' main characteristics. It also presents key findings, conclusions, the ratings of the individual TA projects, and summarizes recommendations. The typical length of the summary is 2–3 pages.

2. Chapter I: Introduction

a. Evaluation Purpose and Process

4. This section describes why and how the TA projects were selected for the evaluation, and explains the timing of the evaluation. Generally, several TA projects in one country will be selected, each addressing an issue in a sector or thematic area. Alternatively, a number of TA projects with the same approach or addressing the same problem in different countries may be selected for evaluation. The rationale for the selection needs to be clearly indicated. Any corporate, country or thematic evaluations that the TPER is intended to contribute toward should also be mentioned here. Ratings provided by earlier TCRs are described, and justifications for these are summarized. Questions that the TCRs raise and that the evaluation is to follow up on are listed. The section explains briefly how the evaluation was conducted and gives details of any field visits. It should note that, in completing the report, the views of the Asian Development Bank's (ADB's) concerned departments and offices and those of the

---

[1] A TPER is rarely prepared for a stand-alone TA. Unless indicated otherwise, this appendix provides guidance on preparing a TPER for a cluster of 2–10 TA projects. See also Operations Manual Section D12.

[2] ADB. 2011. *Handbook of Style and Usage.* Manila.

government and executing agency have been considered. If this was not done, then the circumstances need to be explained.[3]

b. Expected Impacts, Outcomes, and Outputs

5. This section describes the TA projects on the basis of the outcome and impact statements in the design and monitoring framework. Key outputs and intended beneficiaries (e.g., people to be trained) are also indicated. It may need to point out unclear or contradictory statements in the TA main text and design and monitoring framework (DMF). In such a case, the section should explain its understanding of the outcome and impact intended, and indicate whether agreement on this was achieved with the sponsoring department.

3. Chapter II: Design and Implementation

6. This chapter provides supporting information for the performance assessment, which is the subject of Chapter III below. Most of the chapter content is descriptive, but some analysis and assessment may need to be provided, especially if major changes were made or unexpected events occurred after project approval. The chapter may describe the findings of the evaluation mission, cross-referencing the findings of the TCRs, and highlighting any differences.

a. Rationale

7. This section explains the broad country context, indicates constraints on the development of the sector or theme, and summarizes the rationale for public sector intervention at the time of project formulation, as presented in the TA papers. It discusses any changes in the macroeconomic conditions and relevant policies that had significant effects on implementation and performance of the TA projects. Any design changes in the TA projects made in response to policy changes are discussed.

b. Time, Cost, Financing, and Executing Arrangements

8. This section discusses the expected and actual duration of the TA projects, TA costs and financing arrangements, including any cofinancing. Details should normally be presented in an appendix. The expected and actual (if different) executing and implementation arrangements are also indicated.

c. Consultants and Scheduling

9. This section describes the selection of consultants and the TA schedules. The effect of any divergence from the approved consultant skill requirements or implementation schedules on achievement of outputs is analyzed.

---

[3] Where the government does not respond to requests for it to provide comments, the following statement is included in this section: "Copies of the draft TPER were forwarded to the government and executing agency on [date] with a request that comments be provided within [number of weeks]. Although the request was subsequently followed up, no comments were received."

d. Design Changes

10. Major changes in scope affecting expected outcomes and outputs or implementation arrangements approved by ADB subsequent to the TA approvals are discussed. Factors responsible for design changes are discussed here, but the effect of such changes is discussed under effectiveness in Chapter III of the report.

e. Monitoring and Reporting Arrangements

11. This section discusses the monitoring and reporting arrangements for the TA projects, elaborates on the sources of the data used to prepare the TCRs and the TPER, and assesses the adequacy of the data to support the evaluation. Evaluators should be aware of the requirements under the project performance management system for the TA projects and should review the monitoring and reporting arrangements against them.

4. Chapter III: Performance Assessment

12. This chapter assesses the TA projects' relevance, effectiveness, efficiency, and sustainability. The discussions should largely follow the assessment principles and rating standards presented in Chapter III of the main text of these guidelines, with the proviso that, under the efficiency assessment, only process efficiency is to be assessed. Usually, in each assessment section, separate attention is paid to each TA project (and separate ratings given), unless more than six TA projects are reviewed, making this not feasible. The chapter contains the following sections:

(i) relevance,
(ii) effectiveness,
(iii) efficiency, and
(iv) sustainability.

5. Chapter IV: Other Assessments

13. This chapter assesses the non-core criteria of development impact, ADB and cofinancier performance, and borrower and executing agency performance. The discussions should follow the assessing principles, key factors to consider, and rating standards provided in Chapter IV of the main text of these guidelines. The chapter contains the following sections:

(i) development impact,
(ii) ADB and cofinancier performance, and
(iii) borrower and executing agency performance.

6. Chapter V: Overall Assessment, Issues, and Lessons

14. This chapter consists of the following sections:

(i) overall assessment,
(ii) issues, and
(iii) lessons and actions.

15. The guidance on issues, lessons and actions is identical to that for the PPER (see Appendix 1, Chapter VI for guidance). The overall rating of one or more stand-alone TA projects should follow the approach presented in Chapter V of the main text of these guidelines (Appendix 1 presents additional guidance). However, the procedure for making an overall assessment of a group of TA projects will differ as there may be no single set of target impacts,

outcomes, and outputs. Each TA project within the group will have its own targets and the coherence of different TA projects and the links between them may vary.

16. The evaluator will need to make a judgment as to whether and how an overall assessment for a TA group can be made and reported. This will depend in part on the rationale for including the particular TA projects in the evaluation. If more than six TA projects are evaluated, the most feasible approach may be to summarize the TA group by their core evaluation criteria. If the number of TA projects evaluated is smaller, the overall assessment should be based on detailed assessments using the four core criteria and the three other assessments in the appendixes. The four core ratings and the overall rating can then be shown in tabular form similar to the summary table in Section A, Chapter V of Appendix 1 of these guidelines.

17. Alternatively, the evaluator may aggregate the individual TA ratings as weighted averages of the four core ratings across the cluster of TA projects, using, for example, the cost of the TA projects as the weights. The discussion on the overall assessment and rating then will be based on the group's aggregated scores. An example is shown in Table A3 below.

Table A3: Sample Overall TA Group Rating

Technical Assistance	**Weight**[a]	**Relevance 25%**	**Effectiveness 25%**	**Efficiency 25%**	**Sustainability 25%**	**TA Overall Rating**
TA1	W1	R1	Et1	Ec1	S1	O1
TA2	W2	R2	Et2	Ec2	S2	O2
TA3	W3	R3	Et3	Ec3	S3	O3
TA Group Ratings	**1**	**Group Relevance = Weighted Average (R1,R2,R3)**	**Group Effectiveness = Weighted Average (E1,E2,E3)**	**Group Efficiency = Weighted Average (E1,E2,E3)**	**Group Sustainability = Weighted Average (S1,S2,S3)**	**Group Overall Rating = Weighted Average of TA Group Ratings**

TA = technical assistance project. R1= relevance rating for the first project, expressed as whole number (3, 2, 1, or 0) Et= effectiveness rating, Ec = efficiency rating, O = success rating, S = sustainability rating, W = weight
[a] Fractions commensurate with the cost of the TA project relative to the total cost. The fractions should add up to 1.
Source: Asian Development Bank's Independent Evaluation Department.

18. Any major dissenting views as expressed in writing by an ADB regional department or the executing agency are briefly summarized. They can be reflected more fully in an appendix.

B. Sample Format

1. Sample Front Cover

Performance Evaluation Report

<Month Year>

<Country><Name of Group of TA Projects>

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Reference Number: TPE: XXX 20XX-XX
Technical Assistance Numbers: XXXX, XXXX, and XXXX
Independent Evaluation: TE-X

Independent Evaluation ADB

Raising development impact through evaluation

2. Sample Inside Front Cover

ABBREVIATIONS

NOTES

(i) In this report, “$” refers to US dollars.

Director General **Deputy Director General** **Director** **Team leader** **Team members**

The guidelines formally adopted by the Independent Evaluation Department on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of the Independent Evaluation Department, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

In preparing any evaluation report, or by making any designation of or reference to a particular territory or geographic area in this document, the Independent Evaluation Department does not intend to make any judgments as to the legal or other status of any territory or area.

3. Sample Table of Contents

CONTENTS

Supplementary appendixes can be added as appropriate. These are made “available on request”, with an appropriate email address indicated.[4]

[4] evaluation@adb.org.

4. Sample TA Basic Data

BASIC DATA

Data	TA project 1	TA project 2	TA project 3
Classifications Sector and subsector Theme and subtheme **Cost Financed by ADB ($'000)** Estimated Cost Actual Cost **Cost Financed by Cofinanciers ($'000)** Estimated Cost Actual Cost **Total (Estimated)** **Total (Actual)**			
Use of Consultants International Consultants (Person-Months) National Consultants (Person-Months)			
Executing Agency(ies)			
Milestones President's and/or Board Approval Signing of TA Agreement Fielding of Consultants Expected TA Completion Actual TA Completion TCR Circulation			
ADB Mission Data			

ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

PROJECT PERFORMANCE EVALUATION REPORT AND VALIDATION OF PROJECT COMPLETION REPORT PROCESSES

A. Selection of Projects for Independent Evaluation and Validation

1. The Independent Evaluation Department (IED) validates and/or evaluates a proportion of the completed Asian Development Bank (ADB) development interventions for which project or program completion reports (PCRs) are available, and produces project or program completion report validations (PVRs) or project performance evaluation reports (PPERs).[1] The target number of PVRs and PPERs to be prepared each year is published in IED's work program.[2]

2. IED's Annual Evaluation Review (AER) draws on PPERs, PVRs, and other performance evaluation results as required. The AER reports on operations performance based on the PVR and PPER ratings for projects that have been evaluated during the reporting year, assesses the significance of changes in aggregate project performance, and suggests reasons for these changes.[3]

1. Selection of Self-Evaluation Reports for Validation

3. The selection of PCRs for validation is based on a random sample stratified by sector. It can be modified to:
   (i) exclude certain types of project (e.g., those under the countercyclical facility to address the global economic downturn), since these do not represent normal ADB operations (exclusions on these grounds are rare);
   (ii) include projects that must be evaluated and validated (e.g., those funded by the Global Environment Fund); or
   (iii) deal with real or potential conflicts of interest of the person(s) involved in the validation and difficulty in finding replacement (this is also a rare occurrence).

4. In rounding the sample size by sector or replacing a particular PCR for the reasons given above, the historical sector and country validation or evaluation coverage is considered. Additional validations or evaluations may be considered to support specific IED work (e.g., country assistance program evaluations and thematic evaluation studies).

5. The sample size for PVRs should be sufficiently large to ensure that sampling errors in reported success rates at the institutional level are within commonly accepted statistical ranges. The sample size should take into account the size of the populations covered by operations ready for evaluation.

6. The level of coverage and the confidence interval that determine the target number of PVRs is agreed by IED with the Board's Development Effectiveness Committee (DEC). By the end of each year, IED aims to validate PCRs issued between 1 July in the preceding year and 30 June of the effective year. This timeline allows consolidated success rates for

---

1 In exceptional cases, PPERs are prepared for projects that do not have PCRs.
2 Available at: http://www.adb.org/site/evaluation/ied/work-program.
3 PPER and PVR ratings are used to determine the success rate. PPER ratings override older PVR ratings in the calculation of the corporate success rate, and historical ratings are adjusted accordingly to avoid double counting. The sampling methodology (including confidence intervals and sampling errors) is also reported.

recently issued completion reports to be reflected in the subsequent year's AER by IED and the Development Effectiveness Report by ADB.

2. Selection of Project Completion Reports for Project Performance Evaluation Reports

7. PPERs are prepared for non-randomly selected projects with PCRs after sufficient time has passed for the outputs and outcomes defined at the project appraisal stage to be observable and for some assessment of their sustainability to be made. Projects are selected for PPERs purposively, mostly to feed into country program assistance evaluations, and into some corporate or thematic evaluations. IED aims to prepare 10–15 PPERs for public sector operations per year.

B. Project Performance Evaluation Report Preparation

8. PPERs are prepared following the processes described below.

1. Evaluation Approach Paper

9. The PPER team leader prepares an evaluation approach paper (EAP) at an early stage of the performance evaluation process for approval by the relevant IED director. The decision to select a project for evaluation is communicated to the regional department that administered the project and prepared the PCR. A draft EAP can be shared for comments with the regional department if deemed appropriate or useful.

10. The EAP highlights the key features of the project and typically includes the following information:

(i) project description, including the rationale, overall objective, and the number of project locations;
(ii) a restatement, if required,[4] of the impact, outcome, and output statements in the design and monitoring framework, and an assessment of their quality, appropriateness, and consistency with messages elsewhere in the project document;
(iii) social and environmental safeguard categories and other ADB classification categories, notably on gender development;
(iv) a comparison between the financial and economic results anticipated by the report and recommendation of the President (RRP) and those in the PCR;[5]
(v) the main data sources of the PCR, and any deficiencies, and the consequences for the evaluation and data collection;
(vi) the main conclusions and recommendations of the PCR;

---

[4] This might be the case if the Independent Evaluation mission considers that the result chain was not meaningful, the stated targets were unrealistic, or if confusion between outputs and outcome is apparent in the design and monitoring framework. Any restatement needs to be explicitly justified.

[5] Total project costs need to be presented, broken down by major cost category, followed by amounts of ADB financing, cofinancing, and government financing. Details should be provided on expected sources of revenue to cover operation and maintenance (O&M) costs, and the level of cost recovery projected. The project EIRR should be included in the EAP.

(vii) evaluation guidelines to be used, any special evaluation questions to be answered beyond the standard questions, and the purpose of the PPER (e.g., so it can feed into country, corporate, or thematic evaluations);
(viii) data collection requirements and the need for any background studies or surveys;
(ix) the way in which the borrower and beneficiaries will be involved;
(x) the implementation schedule for the evaluation
(xi) draft terms of reference for consultants to be used; and
(xii) the budget estimate for the evaluation;

11. Where the project consists of a series of subprojects, their ratings may be weighted differently for the purposes of aggregation, and these weights need to be specified in the EAP. EAPs posted on the IED website may exclude budget details and terms of reference, so that consultants applying for assignments under the evaluation cannot benefit from this information in their fee negotiations or claim adherence to outdated terms of reference.

2. Format and Finalization of Project Performance Evaluation Reports

12. **Format.** The style and format of PPERs should adhere to ADB's *Handbook of Style and Usage*.[6] A typical report is 25–35 pages of single-spaced main text plus appendixes.

13. A PPER should follow the structure outlined in Appendix 1 of these guidelines to ensure consistency between evaluations and to make it convenient for users to find information in the reports, although minor variations are possible to suit specific needs. These guidelines are intended to assist with analysis and report preparation. They do not limit the responsibility of evaluators to exercise their best judgment, to avoid redundancies and repetition, and to focus attention on significant issues. The report may quote freely from or provide cross-references to the relevant project, program, or TA completion report.[7]

14. **Finalization.** An initial draft of a PPER is peer reviewed within IED. The draft PPER is then circulated for comments to relevant ADB departments and offices and may be forwarded to the borrower, the executing agency, and other agencies, if this is considered relevant. Comments received are considered before the report is finalized. Any major disagreements with ADB departments and offices, the borrower, or the executing agency on substantive issues or ratings during the commenting process are explained in the main text or in an appendix. Different arrangements may need to be made for projects evaluated jointly with another donor agency or with evaluation units in the country.

3. Borrower and Beneficiary Participation in Evaluation

15. Project ownership by borrowers and beneficiaries is necessary to ensure project quality. Acceptance of project results by these stakeholders is an important sign of the success of the project. Accordingly, through consultations in the field, ADB and IED seek the views of borrowers, executing agencies, beneficiaries, and development partners when

---

6 ADB. 2011. *Handbook of Style and Usage.* Manila.
7 The report should not quote nonpublic ADB documents, such as back-to-office reports. However, the report can paraphrase information from these sources. It should not quote or reference individual ADB staff. References need to be kept general, e.g., "A back-to-office report issued January 2012 discussed the delays faced by the project." Names of individual consultants in the project should not be mentioned, but companies can be mentioned.

assessing projects and programs. Most project agreements require the borrower and/or executing agency to prepare a completion report. When this document is available it is reviewed by IED during performance evaluation. When preparing PPERs, the independent evaluation mission will seek feedback from relevant stakeholders during the field visits, and may share a draft of the PPER with borrowers and executing agencies prior to finalization to help correct any factual errors and elicit views that can be reported.[8]

4. Dissemination of Reports

16. All PPERs for public sector projects are posted on the IED website within 2 weeks of their approval by the IED director general and circulation to the Board. Comments on the reports by ADB Management and IED's reply, if any, are also made public, as attachments to the reports earlier released. For any PPER reviewed by the Development Effectiveness Committee, Management will generally issue a response within 10 working days, which is immediately disclosed on IED's website. The Development Effectiveness Committee chairperson publishes a summary of the discussion after the meeting, which is also disclosed in the same way as soon as it is available. All PPERs released after 1995 are available publicly and can be downloaded from either the ADB intranet or from http://www.adb.org/evaluation. Copies of pre-1995 reports are available from IED on request.

C. Preparation of the Validation of the Project Completion Report

17. PVRs are posted on IED's website, following approval by the relevant IED director. The validation is mainly based on a desk review of the PCR, RRP, and associated documents. The draft PVR is peer reviewed within IED and then circulated for review and comments by the department that prepared the PCR. In its assessment and project ratings, the PVR may consider updated information that has become available after PCR completion, particularly when a significant amount of time has passed between the PCR mission and preparation of the PVR. Guidance for the preparation of PVRs and a sample template are provided in Appendix 2.

18. The PCR validation process has the following steps:

(i) IED makes a random sample of PCRs, stratified by sector, to validate in a given period (1 July–31 December of the preceding year and 1 January–30 June of the effective year).

(ii) IED assigns a technical expert, an IED initial reviewer, an IED evaluator, and a quality reviewer to each project. The quality reviewer has the responsibility of coordinating the validation work and ensuring the overall quality of the final PVR. For each PCR to be validated, an externally hired technical expert is often assigned to provide an initial draft of the PVR. This draft is subsequently reviewed and, if necessary, improved, by the following IED staff: the initial reviewer—an IED national officer, the evaluator—an IED specialist in the sector or country of the PCR, and the quality reviewer.

(iii) The PVR secretariat provides the technical expert with the relevant project documents and data needed to draft the PVR. The main documents are the RRP for the project or program, the PCR, and ADB strategy documents, which are available on the ADB website.

---

[8] This is not done for PVRs as the consultation on the findings should have been done at the PCR stage.

(iv) The regional department that prepared the PCR is responsible for the timely provision of relevant documents and data, particularly those not readily accessible to IED. These include back-to-office reports of the mid-term and final project implementation review missions, feasibility studies and survey reports if available, the spreadsheets used for economic and financial analysis, the client's or consultant's final reports, and other relevant documents. IED may communicate with relevant regional staff and the executing agency if there are questions.

(v) With support from the quality reviewer, the initial reviewer undertakes the review of the draft PVR and works with the technical expert to improve it before submitting it for a peer review process. During this phase, the quality reviewer and/or the initial reviewer may contact the project officer in the regional department as necessary to collect views about the project and the validation's initial findings. Key points of this interaction are summarized and shared with the initial reviewer and the evaluator.

(vi) The evaluator reviews the draft PVR. This review stage is critical in two aspects. First, the evaluator needs to ensure the draft PVR takes into account, and is consistent with, the other sector and country or region-focused studies prepared by IED and ADB in general. If there are pertinent findings from such studies they should be referenced in the PVR. Inconsistencies in findings between the PVR and other IED studies should be flagged and resolved. Second, the evaluator needs to provide views on the soundness of the ratings proposed in the PVR against those in the PCR. The evaluator reads the relevant PCR and the RRP with the draft PVR prepared by the technical consultant, and may contact the project officer as necessary to weigh his or her views about the project. The evaluator may also contact the technical expert to discuss any issues in the draft PVR.

(vii) The PVR secretariat sends the draft PVR to the quality reviewer, with the suggested revisions and comments incorporated in the draft PVR by the evaluator.

(viii) After reviewing the inputs of the evaluator, the quality reviewer may seek further assistance from the initial reviewer and other relevant IED staff (including the evaluator) to revise and further improve the PVR.

(ix) The relevant IED director subsequently reviews and endorses the draft PVR for IED management discussion. After it is cleared by the IED management, the draft PVR is circulated to the concerned regional department for comments.

(x) An e-mail requesting interdepartmental comments on the draft PVR is sent from the PVR secretariat on behalf of IED, with a request for comments to be returned within 2 weeks.

(xi) The quality reviewer considers the comments received from the department that prepared the PCR and seeks assistance from other IED staff, including the initial reviewer and evaluator, as necessary. IED makes changes to the draft as needed, and prepares a comments matrix with the key actions taken by IED. Once the comments matrix has been endorsed by the relevant IED director, it is shared with the concerned regional department for information. A consultation with relevant staff of the regional department may be needed if there is substantive disagreement. If there is continuing disagreement with the department that prepared the PCR, this will be noted in the PVR (normally as footnotes in the assessment sections). The contents and final rating of the validation report are ultimately IED's responsibility.

(xii) The quality reviewer submits the final draft PVR together with the interdepartmental comments matrix, if any, to the relevant IED director for approval. The IED director may request inputs from all concerned in finalizing and clearing the validation. Upon the director's approval, the PVR report is finalized.

(xiii) Should the department disagree with IED's overall assessment rating in the posted validation report, it has the option of indicating its disagreement in its response. This response will be attached to the final validation report. IED may prepare a final response, if this clarifies issues and adds value, and this will also be attached to the final validation report before it is posted. The final validation is posted on the IED website within 14 days of its approval and an e-mail notification is sent to ADB Management and Board of Directors.

(xiv) In an exceptional instance, the director general of IED can initiate a review of a concluded PVR rating, and on the basis of the review change the rating if necessary.

(xv) The PVR preparation process is summarized in the flowchart below.

PVR Preparation Process Flowchart

Technical consultant	Prepares the draft PVR including proposed ratings. Confirms proposed project ratings with initial reviewer.
Initial reviewer	**Checks Draft PVR for adherence to project evaluation guidelines and PVR guidelines.** Proposed changes to PVR text including ratings are discussed with technical consultant.
Evaluator	**Determines the project ratings.** (i) Reviews PCR and RRP, revises draft PVR and determines individual and overall project ratings; (ii) discusses with technical consultant, if necessary; (iii) responds to interdepartmental comments, if necessary; and (iv) attends discussions with departments, if necessary.
Quality reviewer	**Checks internal consistency of the PVR arguments.** (i) Reviews draft PVR, and revises draft as needed for logic, completeness, language and presentation; and (ii) discusses ratings with evaluator and notes differences.
Director	**Finalizes the project ratings.** (i) Finalizes ratings; (ii) discusses differences with evaluator/quality reviewer; (iii) approves document for IED management team; and (iv) approves final report for uploading to IED website.
IED management	Endorses the PVR for interdepartmental circulation.
Regional department	Reviews draft and sends comments to IED.

IED = Independent Evaluation Department, PVR = project completion report validation report, RRP = report and recommendation of the President.