

Project Administration Instructions

PAI 6.07B
Revised in June 2018
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EXTENDED ANNUAL REVIEW REPORTS FOR NONSOVEREIGN OPERATIONS

A. Scope and Objectives

1. Extended annual review report (XARR)¹ is a tailored form of the project completion report to review nonsovereign operations (NSO)². An NSO may include an ADB guarantee, loan, or equity investment, or any combination thereof.

2. These XARR instructions are based on the *Guidelines for Preparing Performance Evaluation Report on Nonsovereign Operations*³ prepared by the Independent Evaluation Department (IED) and reflect the harmonized good practice standards adopted by the Evaluation Cooperation Group to guide evaluation of NSO by multilateral development banks.⁴ It is envisaged these guidelines and good practice standards will be updated from time to time in the light of experience and changes in circumstances.

3. The XARR has the following main objectives:

- Act as an instrument for self-evaluation of NSO. It is to be conducted once in the lifetime of each project in the ADB portfolio, when the project is sufficiently mature for evaluation.
- Complement independent evaluations and form a key element in the evaluation system for measuring ADB development effectiveness and meeting performance-accountability requirements.
- Serve as a key input in IED's subsequent in-depth project performance evaluation reports (PPERs) and other thematic, sector, and country assistance-oriented evaluation reports.
- Inform future ADB operations and policies for NSO and development programs by presenting relevant findings, conclusions, and lessons from the evaluated projects.

B. Timing of XARR Preparation

4. XARRs are prepared by staff of the relevant department for each NSO of reaching early operating maturity (EOM), which is defined in accordance with the applicable harmonization Good Practice Standards of Evaluation Cooperation Group for private sector evaluation.⁵ The following criteria for EOM apply, depending on the type of NSO:

- Capital expenditure projects involving direct investment in identifiable assets: the project certificate has been obtained for the financed project: minimum 18 months of operating revenues with audited accounts for at least 12 of these months;
- Institutional investments supporting broad corporate investment programs: minimum 36 months after the final material disbursement;

¹ XARRs represent a detailed version of annual reports prepared for each project by operations departments.

² Nonsovereign operations are a distinct category of ADB's operations, and are delineated in para 1 of OM D10/BP

³ ADB. 2014. *Guidelines for Preparing Performance Evaluation Reports on Nonsovereign Operations*. Manila. Available: <https://www.adb.org/documents/guidelines-preparing-performance-evaluation-reports-nonsovereign-operations>

⁴ Multilateral Development Banks (MDB) Evaluation Cooperation Group (ECG) Working Group on Private Sector Evaluation. 2011. *MDB-ECG Good-Practice Standards for Evaluation of Private Sector Investment Operations, Fourth Edition*. Washington. This document can be obtained from the Independent Evaluation Department or accessed on ADB's website, <http://www.adb.org> under the heading "Evaluation."

⁵ The Evaluation Cooperation Group was established in 1996 with the objective of harmonizing evaluation practices and standards among international financial institutions.

- Investments in multiple subprojects via unlisted private equity funds: minimum 36 months after the final material subproject disbursement, and the substantial majority of sub-investments should have been exited;
- Listed private equity funds: minimum 18 months after ADB's final material disbursement to the fund, and the substantial majority of sub-investments should have been exited;
- Financial market operations involving financial diversification, refinancing, or short-term financing: minimum 24 months after final material disbursement;
- Financial intermediation loans: minimum 30 months after final material disbursement;
- Financial market operations involving trade finance: minimum 24 months following project approval.

C. Format, Length and Content of XARRs

5. XARRs follow the format presented in Appendices 1 and 2 and typically do not exceed 7–11 pages plus appendixes.

6. XARRs evaluate NSOs along the following dimensions:

- development results,⁶
- ADB additionality,⁷
- ADB investment profitability,⁸ and
- ADB work quality.⁹

7. Each dimension is rated by the relevant operational department in accordance with the detailed evaluation criteria and standards used by IED to independently prepare PPERs on NSOs.¹⁰ An overall assessment and rating of project performance is provided in accordance with the guidance and template of the PPER Guidelines for NSO.

8. In addition, XARRs include an assessment of

- identified issues and lessons,¹¹ and
- follow-up actions and recommendations.

⁶ Assesses the level of project (i) contributions towards private sector development and ADB strategic development objectives; (ii) economic performance; (iii) environment, social, health, and safety (ESHS) performance; and (iv) business success.

⁷ Assesses whether (i) ADB finance was a necessary condition for the timely realization of the project, either directly or indirectly (by providing sufficient comfort to attract co-financiers); and (ii) the ADB contribution to the project design and function improved the development impact.

⁸ Assesses gross profit contribution of the project.

⁹ Assesses ADB's performance in (i) project screening, appraisal, and structuring; and (ii) project monitoring and supervision.

¹⁰ For detailed guidance refer to IED. 2014. *Guidelines for the Preparation of Project Performance Evaluation Reports on Non-Sovereign Operations*. Manila.

¹¹ To the extent allowed by confidentiality reasons, the XARR should include (i) significant integrity or reputational concerns that were flagged during the Integrity Due Diligence and were requested by OAI to be monitored during the course of the transaction, with details of the status of the concerns, (ii) the outcome or resolution, and the impact on the transaction (if any), and (iii) lessons learned.

D. Guidance Annotations

9. The XARR should be prepared efficiently by:

- the main text focusing on key project development results, financial and operational performance ;
- cross-referencing to source documents;
- providing compact analytical tables and appendixes; and
- avoiding repetition and over-structuring.

10. A series of appendixes is attached to the XARR that support underlying assessments, particularly those related to development results. All XARRs need to include an appendix on indicators and ratings for contributions to private sector development and ADB strategic development objectives, as well as appendixes with detailed assessments pertaining to business success and contributions to economic development following the guidance provided in the PPER guidelines for NSO.¹² Appendixes addressing issues that do not directly form part of the evaluation should use excerpts from regular existing monitoring reports and databases to the greatest possible extent to save time and effort on data collection and reprocessing. Excerpts or appendixes can be sourced from the most recent private sector investment management notes; covenant review checklists; and other financial, technical, social and environmental, health and safety monitoring reports.

E. Client Interface

11. The XARR evaluation may address several dimensions that extend beyond the financed project and may not be directly relevant to the counterparty's financial objectives. Client consultation during XARR preparation should be limited to fact-checking including ascertaining covenant compliance.

F. Process for XARR Preparation

12. Each year relevant departments, in consultation with IED, will prepare a schedule of NSO projects expected to reach early operating maturity in the following year and a list of XARRs that will be produced. All NSO projects reaching EOM are required to be subject to an XARR.

13. XARRs are based on research and analyses drawn from regular monitoring reports and file reviews; and sourcing of relevant industry, market, and country information. Additional data is collected by holding discussions with available staff involved with the operation since its inception. The director general or director in the relevant department determines the XARR team composition and the need for an XARR mission for XARR preparation. A XARR mission includes a site visit where feasible and interviews with management and other parties with insight on project developments. Interested parties can include workers and staff; financiers; auditors; government and regulatory agencies (including bodies responsible for environmental and worker-related health and safety standards); and parties such as local banks, nongovernment organizations, industry associations, host community (where the project is located) and trade representatives. If an XARR mission does not occur, the reasons should be presented in the XARR.

¹² Appendixes 10 –12 of the PPER guidelines for NSO contain sector-based templates to help assess project effects on PSD and other developmental contributions, while Appendix 13 contains guidance for assessing the business success of financial institutions and Appendix 14 provides guidance on the calculation of financial and economic returns.

14. Following clearance by the relevant department, a draft of the XARR is circulated to heads of concerned departments and offices seeking interdepartmental comments with a covering memorandum (Appendix 3). The interdepartmental circulation list for the XARR can include¹³:

- Strategy, Policy and Review Department (SPD), if the project has policy or strategy-related issues;
- Sustainable Development and Climate Change Department (SDCC);
- Office of Cofinancing Operations (OCO), if the project uses official cofinancing;
- Economic Research and Regional Cooperation Department (ERCD), if the project has economic methodological issues;
- Treasury Department (TD), if the project has funding related issues such as local currency financing;
- Procurement, Portfolio and and Financial Management Department (PPFD), if the project has procurement issues;
- Office of Risk Management (ORM);
- Office of General Counsel (OGC) where there are legal issues such as where the financing has defaulted and the project is in a work out;
- Office of Anticorruption and Integrity (OAI) if the project has integrity or reputational issues;
- Concerned regional department; and
- Concerned resident mission.

15. Following receipt of interdepartmental comments (and if required an interdepartmental meeting) and stakeholder responses, the XARR is updated and then finalized, edited,¹⁴ and submitted to the director general and director of the relevant department for approval for circulation to ADB's Board of Directors and Management.

16. The final XARR is circulated to ADB's Board of Directors and senior management team with unique individual numbers of copies, and a cover memorandum noting confidentiality and restricted distribution requirements (Appendix 4). The circulation list for the final XARR includes

- the Board of Directors;
- vice president concerned;
- vice president (finance and administration);
- directors general/heads of IED, PSOD, SPD, SDCC, OCO, ERCD, TD, PPFD, ORM, OGC (as required);
- directors general of concerned regional departments; and
- country director of the concerned resident mission.

17. The relevant department will ask clients (using the referral letter presented in Appendix 5) to identify items that should be redacted, if any, from the publicly available versions of the XARR, and subsequently prepare a redacted version of the XARR for publication.

¹³ At a minimum the departments included in the list would be SDCC (on social and environmental compliance), ORM (for credit issues), and the relevant regional department and resident missions. Other departments maybe included as required.

¹⁴ Sufficient time needs to be included in the process to accommodate a minimum circulation time for interdepartmental comments of 5–10 working days, and editing of 10 working days.

G. Public Disclosure

18. In line with its public disclosure policy, ADB makes evaluation reports available to clients, stakeholders, and the wider public following approval of the director general. Some exceptions apply for confidentiality reasons set forth in ADB's *Public Communications Policy*¹⁵ for NSO performance evaluation reports. Given these exceptions, the relevant department will, among others, to:

- seek client authorization to release information to the public (Appendix 4);
- prepare confidentiality notes on distribution memoranda and individual numbering of evaluation reports on private sector operations circulated within ADB (Appendix 5); and
- seek advice from the OGC on a case-by-case basis to clarify potential legal disclosure concerns.

H. Appendixes of this Project Administration Instruction

19. The following appendixes provide guidance on XARR preparation:

- Appendix 1 presents a standard contents page and shows how the material included in the normal 7–11 pages of single-spaced main text in XARRs is to be allocated across the various sections.
- Appendix 2 provides an example of a standard cover and introductory pages.
- Appendix 3 provides an example of a cover memorandum for internal ADB circulation of draft NSO evaluation reports.
- Appendix 4 provides an example of a standard referral letter issued to NSO clients of draft evaluation reports seeking clearance for public disclosure.
- Appendix 5 presents an example of a cover memorandum for final internal ADB circulation of a completed NSO evaluation report with confidentiality note, and individual numbering.

¹⁵ ADB. 2011. *Public Communications Policy*. Manila.

**STANDARD CONTENTS PAGE FOR AN EXTENDED ANNUAL REVIEW REPORT
 FOR NONSOVEREIGN OPERATIONS**

CONTENTS

	Length (approx.. number of pages)
BASIC DATA	
MAP	
EXECUTIVE SUMMARY	(1–2)
I. THE PROJECT	(1–2)
A. Background	
B. Key Features	
C. Progress Highlights	
II. EVALUATION	(4–5)
A. Project Rationale and Objectives	
B. Development Results	
1. Contributions to Private Sector Development and ADB Strategic Development Objectives	
2. Economic Performance	
3. Environment, Social, Health, and Safety Performance	
4. Business Success	
C. ADB Additionality	
D. ADB Investment Profitability	
E. ADB Work Quality	
F. Overall Evaluation	
III. ISSUES, LESSONS, AND RECOMMENDED FOLLOW-UP ACTIONS	(1–2)
A. Issues and Lessons	
B. Recommended Follow-up Actions	
APPENDIXES (examples) ¹⁶	
1. Project-Related Data (project costs and financial plan, forecast versus actual)	(1–2)
2. Results and Ratings for Project Contributions to Private Sector Development and ADB Strategic Objectives	(2–3)
3. Updated Design and Monitoring Framework	(1–2)
4. Sector Review	(1–2)
5. Environmental Impact	(1–2)
6. Social Impact	(1–2)
7. Financial Statements, Projections and Project Risks	(3–6)
8. Reevaluation of the Financial Internal Rate of Return and Weighted Average Cost of Capital	(1–2)
9. Reevaluation of the Economic Internal Rate of Return	(1–2)
10. Operations Review	(1–2)

¹⁶ These appendixes are exemplary and need to be adjusted to fit specific information needs. In the case of nonsovereign operations with financial intermediaries, data requirements will be much less than for infrastructure projects.

SAMPLE FORMAT FOR COVER AND PRELIMINARY PAGES

A. Sample Cover



Extended Annual Review Report

CONFIDENTIAL

Reference Number: { }
{Month Year}

<Country>: <Name of Project>

This XARR contains information that is subject to disclosure restrictions agreed between ADB and the relevant sponsor or recipient of funds from ADB. Recipients should therefore not disclose its content to third parties, except in connection with the performance of their official duties. ADB shall make publicly available an abbreviated version of this XARR which will exclude confidential information.

Private Sector Operations

Asian Development Bank

B. Sample Inside Front Cover

CURRENCY EQUIVALENTS

Currency Unit – Sri Lanka rupee/s (SLRe/SLRs)

**At Appraisal
(September 1987)**

**SLRe1.00 = \$0.0332
\$1.00 = SLRs30.17**

**At Project Completion
(December 1996)**

**\$0.0182
SLRs54.84**

ABBREVIATIONS

ADB	–	Asian Development Bank
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
IAG	–	Infrastructure Agency of the Government
IIC	–	International Infrastructure Corporation
OEM	–	Operations Evaluation Mission
PCR	–	project completion report (for public sector operations)
PPP	–	public-private partnership
XARR	–	extended annual review report (for private sector investment operations)

GLOSSARY

WEIGHTS AND MEASURES

NOTES

- (i) The fiscal year (FY) of the Government ends on _____.
- (ii) In this report, "\$" refers to US dollars.

Key Words

Vice President	□
Director General	□, Private Sector Operations Department (PSOD)
Director	□, PSOD
Team leader	□, PSOD
Team member	□, PSOD

C. Sample of Basic Project Data^a

BASIC DATA		
Project Title (Investment No(s).-Country)		
Client etc.		
Investee		
Intermediary etc.		
Key Project Data	As per ADB Loan Documents	Actual
(\$ million)		
Total Project Cost		
ADB Investment:		
Loan: Committed, Disbursed, Outstanding		
Equity: Committed, Disbursed, Returned		
Guarantee:		
Amount of Debt Cofinancing		
Amount of Equity Cofinancing		
Debt: Equity Ratio at Completion		
Supplementary ADB Investment		
Supplementary Cofinancing		
Risk Rating		
Financial and Economic Internal Rates of Return (%)	Appraisal	XARR
Financial Internal Rate of Return (FIRR)		
Financial Rate of Return on Equity		
Economic Internal Rate of Return (EIRR)		
Project Screening, Appraisal Structuring, Monitoring and Supervision	Dates	Notes
Concept Clearance Approval		
Board Approval		
Financial Agreements Signed		
Financial Flows: Disbursements, Repayments/Exit, Final Repayment, Work-Out Transfer etc.		
Commercial Operations Date		
Latest Annual Monitoring Report		
Implementation Monitoring Missions		
Operation Monitoring Missions		
Extended Annual Review Report Mission		
Latest Risk Management Report or Exit Note		
Other Critical Events (as appropriate)		

^a Nonapplicable headings to be deleted.

**INTERNAL CIRCULATION MEMORANDUM: FORMAT FOR DRAFT NONSOVEREIGN
PERFORMANCE EVALUATION REPORTS (EXTENDED ANNUAL REVIEW REPORTS)**

[Date]

To: Director General, []
Country Director, []

Through: Director, PSOD/regional department

From: [], PSOD/regional department

Subject: **Investment []; Loan []; Guarantee []: [Investee Company]
Draft Extended Annual Review Report —Request for Comments**

Attached is the draft extended annual review report (XARR) for this Project. The XARR contains information that is subject to disclosure restrictions agreed between ADB and the relevant sponsor or recipient of funds or guarantee from ADB. Therefore, recipients of this XARR should not disclose its content to third parties, except in connection with the performance of their official duties, and only on a similarly confidential basis. Please forward your comments by [date].

Appendix

cc: Directors General, PSOD, IED, SPD, SDCC
Directors/Heads, PSIF/PSOP, IED, ORM, ERCD, TD, PPF, OCO, OGC [as required]
PSOD/regional department central files
Chrono File; Project File

**STANDARD REFERRAL LETTER TO NONSOVEREIGN CLIENTS FOR CLEARANCE
OF ANY PUBLIC DISCLOSURE OF EXTENDED ANNUAL REVIEW REPORTS**

[Address Investee Company]

Dear [],

As part of the accountability framework of the Asian Development Bank (ADB), an extended annual review report (XARR) has been prepared in connection with its investment [] in, loan [], and guarantee for [] to [investee company] in [Country].

In accordance with its *Public Communications Policy*, ADB is required to disclose to the public certain information and reports relating to its operations. However, ADB will not publicly disclose information provided to ADB by a party if the information is confidential or if disclosed would be likely to materially prejudice the commercial interests, financial interests, and/or competitive position of such party. Enclosed is a draft of the XARR. We would be grateful if you would review this draft and inform us if any information in the XARR is confidential or if disclosed would materially prejudice your commercial or financial interests and/or your competitive position, and should therefore be redacted before ADB makes the XARR publicly available.

Thank you for your assistance. If you have any queries in regard to these matters, please do not hesitate to contact [].

Yours sincerely

[]
Director, PSOD/regional department

cc: Country Director
[] Resident Mission

**INTERNAL CIRCULATION MEMORANDUM: FORMAT FOR FINAL NONSOVEREIGN EXTENDED
ANNUAL REVIEW REPORTS**

[Date]

To: Director General, []
Country Director, []

Through: Director, PSOD/regional department

From: [], PSOD/regional department

Subject: **Investment []; Loan []; Guarantee []: [Investee Company]
Extended Annual Review Report (XARR)**

The attached extended annual review report (XARR) contains information that is subject to disclosure restrictions agreed between ADB and the relevant sponsor or recipient of funds or guarantee from ADB. Therefore recipients of this XARR should not disclose its content to third parties, except in connection with the performance of their official duties, and only on a similarly confidential basis. ADB will make publicly available a redacted version of this XARR, which will exclude confidential information and ADB's assessment of project or transaction risks.

Appendix

cc: Directors General, PSOD, IED, SPD, SDCC
Directors/Heads, PSIF/PSOP, IED, ORM, ERCD, TD, PPF, OCO, OGC [as required]
PSOD/regional department Central Files
Chrono File; Project File