

# LINKED DOCUMENT D: PERFORMANCE OF ADB FINANCE SECTOR OPERATIONS, 2011–2021

## A. Sovereign

1. Among the evaluation criteria, efficiency was the lowest at 55% (Table 1). Under the inclusive finance objective, most of the less-than-successful programs that were assessed as less than efficient faced significant delays and process efficiencies associated with the lack of government commitment to implement reforms, the shortfall in counterpart funding, or countervailing measures that were unfavorable to the program.<sup>1</sup> Similarly, of the three programs under the foundation for financial sector development, two experienced significant delays due to the slow process of consultant selection, procurement, and disbursement.<sup>2</sup>

**Table 1: Sovereign Success Rating by Criteria and Primary FSOP Objective**

Criteria	Financial Stability and Integrity (n = 2)	Foundation for Financial Sector Development (n = 3)	Infrastructure Finance and Access to Capital Markets (n = 19)	Inclusive Finance (n = 25)	Finance Sector (n = 49)
Relevance	50%	67%	95%	72%	80%
Effectiveness	0%	67%	63%	60%	59%
Efficiency	0%	33%	63%	56%	55%
Sustainability	50%	67%	84%	56%	67%
<b>Total Sovereign</b>	0%	67%	74%	60%	63%

FSOP = financial sector operational plan, n = number of validated or evaluated projects.

Note: Projects with multiple tagging were counted multiple times.

Source: ADB (Independent Evaluation Department).

2. Interventions under the infrastructure finance and access to capital market objective performed best in East Asia and South Asia subregions (Table 2). All the nine sovereign projects under this objective in these two subregions were rated successful; of which, six were implemented through development financial institutions. Within the infrastructure finance and access to capital market objective, access to capital market performed worse (Figure 1). In Southeast Asia, seven of the eight projects under the infrastructure finance and access to capital market objective were mainly supporting access to capital markets. Of the seven, three programs were rated less than successful as they did not result in the full achievement of their envisaged outcomes.<sup>3</sup>

<sup>1</sup> IED. 2019. *Project Validation Report: Women's Entrepreneurship Support Sector Development Program in Armenia*. Manila; IED. 2015. *Project Validation Report: Rural Cooperative Credit Restructuring and Development Program in India*. Manila; IED. 2014. *Project Validation Report: Financial Market Regulation and Intermediation Program in the Philippines*. Manila; and IED. 2013. *Project Validation Report: Rural Finance Sector Development Program in Sri Lanka*. Manila.

<sup>2</sup> IED. 2013. *Project Validation Report: Rural Finance Sector Development Cluster Program in Nepal*. Manila; and IED. 2013. *Project Validation Report: Rural Finance Sector Development in Sri Lanka*. Manila.

<sup>3</sup> IED. 2018 *Project Validation Report: Financial Market Development and Integration Program in Indonesia*. Manila; IED. 2015. *Project Validation Report: Third Financial Sector Program in Viet Nam*. Manila; and IED. 2014. *Project Validation Report: Financial Market Regulation and Intermediation Program in the Philippines*. Manila.

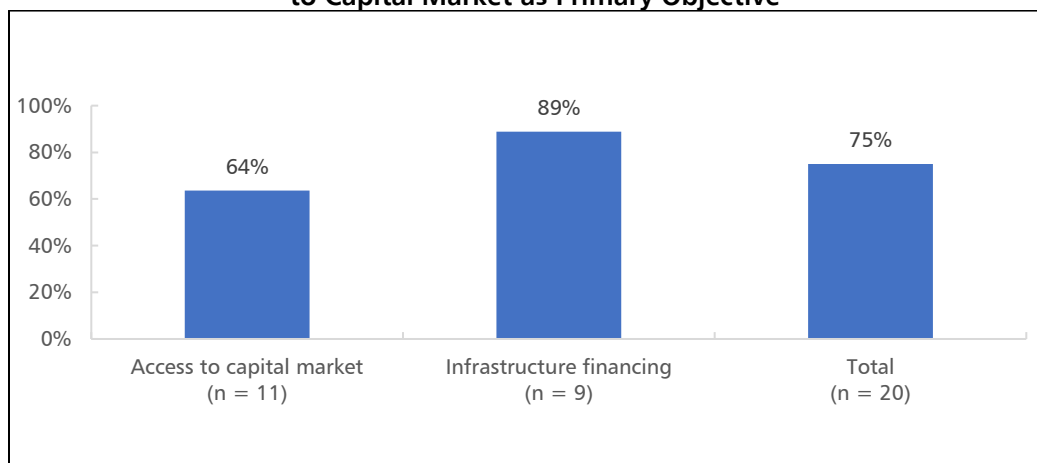
**Table 2: Sovereign Success Rating by Subregion and Primary FSOP Objective**

Subregion	FSOP Objective	Success Rating (%)
Central and West Asia	Infrastructure finance and access to capital markets (n = 3)	50
	Inclusive finance (n = 9)	44
	Total (n = 12)	46
East Asia	Financial stability and integrity (n = 1)	0
	Infrastructure finance and access to capital markets (n = 3)	100
	Inclusive finance (n = 1)	100
	Total (n = 5)	80
South Asia	Foundation for financial sector development (n = 2)	50
	Infrastructure finance and access to capital markets (n = 6)	100
	Inclusive finance (n = 8)	67
	Total (n = 17)	76
Southeast Asia	Financial stability and integrity (n = 1)	0
	Foundation for financial sector development (n = 1)	100
	Infrastructure finance and access to capital markets (n = 8)	50
	Inclusive finance (n = 6)	67
	Total (n = 16)	56

FSOP = financial sector operational plan, n = number of validated or evaluated projects.

Note: Projects with multiple tagging were counted multiple times.

Source: ADB (Independent Evaluation Department).

**Figure 1: Performance of Sovereign Operations with Infrastructure Finance and Access to Capital Market as Primary Objective**

n = number of validated or evaluated projects.

Note: Projects with multiple tagging were counted multiple times.

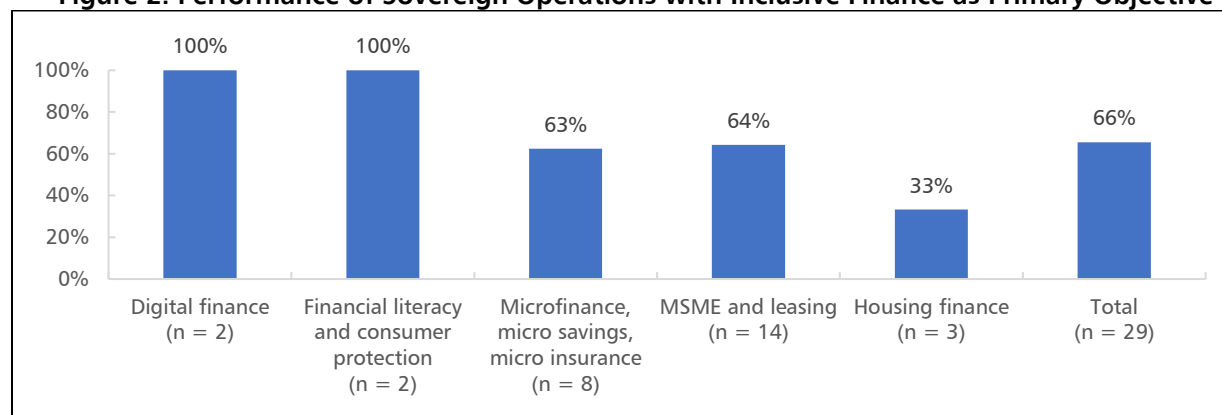
Source: ADB (Independent Evaluation Department).

3. **Interventions under the inclusive finance objective performed least in Central and West Asia subregion (Table 2).** Within the inclusive finance objective, micro, small, and medium-sized enterprises (MSMEs) and leasing had the largest number of evaluated projects (Figure 2). Of these, eight were implemented in the Central and West Asia subregion. Of these eight, half were rated less than successful. Except for one that was assessed as effective in achieving program objectives,<sup>4</sup> three projects

<sup>4</sup> IED. 2019. *Project Validation Report: Women's Entrepreneurship Support Sector Development Program in Armenia*. Manila.

were not able to fully deliver the expected outcome and outputs.<sup>5</sup> All the four projects were assessed as less likely sustainable either because financial viability cannot be ascertained or constraints to sustain small and medium-enterprise finance were not addressed.

**Figure 2: Performance of Sovereign Operations with Inclusive Finance as Primary Objective**



MSME = micro, small, and medium-sized enterprise, n = number of validated or evaluated projects.

Note: Projects with multiple tagging were counted multiple times.

Source: ADB (Independent Evaluation Department).

4. **The two evaluated sovereign projects supporting strengthened financial stability and integrity were rated less than successful.** Both interventions were policy-based loans aimed at enhancing stability of the finance sector in Mongolia and the Philippines. The Financial Market Regulation and Intermediation Program in the Philippines was a complex project with two subprograms that targeted enhanced financial system stability, strengthened nonbank finance sector governance, and improved securities market efficiency. It was rated less than successful. While the program was seen as relevant, program implementation was delayed and the achievement of outputs and outcomes envisaged at appraisal were not satisfactory.<sup>6</sup> The Banking Sector Rehabilitation and Financial Stability Strengthening Program in Mongolia targeted key reforms to strengthen and stabilize the banking industry, address governance, risk management issues, and its limited competitiveness. While the program was responsive to developing member countries' needs, it was rated less than successful due to a weak results chain in the program design and it was less than effective in achieving the envisaged outcomes, including the target of lowering the banking sector's nonperforming loan (NPL) ratio.<sup>7</sup>

5. **Three sovereign operations projects that targeted strengthened foundation for financial sector development were moderately successful.** All three projects in this area were program/policy-based loans or grants with the objective of upgrading the finance sector's legal, regulatory, policy framework. Two of the three sovereign projects were rated successful (67% success rate), while the remaining project was rated less than successful. The Financial Market Development and Inclusion Program in Indonesia was a complex \$1.3 billion program that targeted multiple objectives of financial market development, financial stability, capital market development, and inclusive finance. It was rated successful as it was relevant and effective in establishing Ortorigas Jasa Keuangan as an integrated and independent financial services regulator through proper sequencing of reforms.<sup>8</sup> The Rural Finance Sector Development Program in Nepal was rated successful as properly sequenced reforms and capacity building helped create a favorable policy environment that led to the restructuring, recapitalization and

<sup>5</sup> IED. 2019. *Project Validation Report: Small and Medium Enterprise Investment Program (Tranche 2) in Kazakhstan*. Manila; IED. 2016. *Project Validation Report: Small and Medium Enterprise Investment Program (Tranche 1) in Kazakhstan*. Manila; and IED. 2015. *Sustainable Cotton Subsector Project*. Manila.

<sup>6</sup> IED. 2014. *Project Validation Report: Financial Market Regulation and Intermediation Program in the Philippines*. Manila: ADB.

<sup>7</sup> IED. 2021. *Project Validation Report: Banking Sector Rehabilitation and Financial Stability Strengthening Program in Mongolia*. Manila: ADB.

<sup>8</sup> IED. 2021. *Project Validation Report: Financial Market Development and Inclusion Program in Indonesia*. Manila: ADB.

privatization of three key public rural financial institutions.<sup>9</sup> The full operation of the microfinance credit information system is likely to sustain the program’s achievements. Meanwhile, the lone less than successful project, the Rural Finance Sector Development Program in Sri Lanka suffered from a weak assessment of government commitment and institutional capacity of implementing agencies.<sup>10</sup>

## B. Nonsovereign

6. **Among the evaluation criteria, work quality was the lowest at 44%.** Poor performance in ADB’s screening, appraisal, and structuring (SAS) pulled the work quality criterion down. Eighty percent of projects which obtained an unsatisfactory or less than satisfactory SAS rating and also obtained failing work quality ratings, the bulk of which comes from transactions classified under inclusive finance (Table 3). The most common type of issues identified were (i) poor due diligence activities particularly in the selection of fund managers in ADB’s private equity fund investments (14 projects), and (ii) several project structuring issues in bank and nonbank loan and guarantee transactions.

**Table 3: Nonsovereign Success Rating by Criteria and Primary FSOP Objective**

Criteria	Infrastructure Finance and Access to Capital Markets (n = 28)	Inclusive Finance (n =54)	Finance Sector (n = 82)
Development Result	50%	61%	57%
Additionality	57%	61%	60%
Investment and Profitability	50%	67%	61%
Work Quality	50%	41%	44%
<b>Total Nonsovereign</b>	50%	61%	57%

FSOP = financial sector operational plan, n = number of validated or evaluated projects.

Source: ADB (Independent Evaluation Department).

7. **East Asia and South Asia subregions had the lowest performance under the infrastructure finance and access to capital market objective, at 50% (Table 4).** There was no disparity in the performance between the two subobjectives under the infrastructure finance and access to capital market objective, albeit the latter has a greater number of projects evaluated (Figure 3). [Confidential information deleted.]

<sup>9</sup> IED. 2013. *Project Validation Report: Rural Finance Sector Development Cluster Program in Nepal*. Manila: ADB.

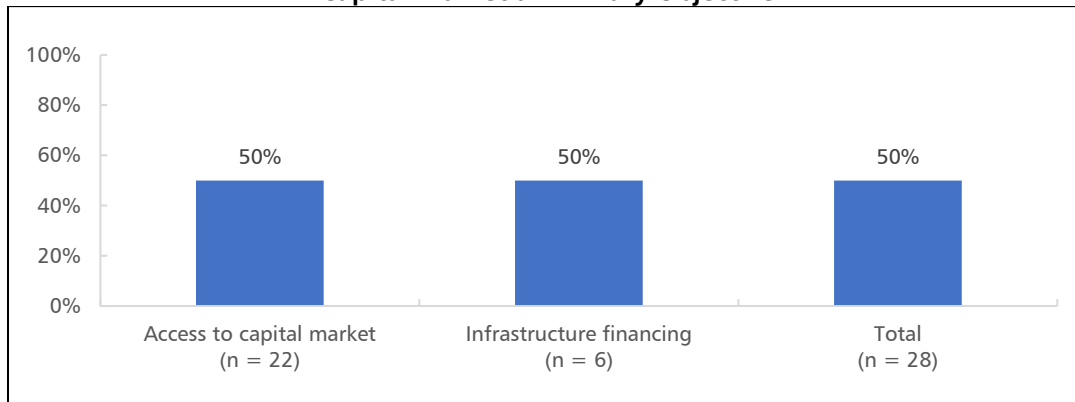
<sup>10</sup> IED. 2013. *Project Validation Report Sri Lanka: Rural Finance Sector Development Program*. Manila.

**Table 4: Nonsovereign Success Rating by Subregion and Primary FSOP Objective**

Subregion	FSOP Objective	Success Rating (%)
Central and West Asia	Infrastructure finance and access to capital markets (n = 3)	67
	Inclusive finance (n = 13)	62
	Total (n = 16)	63
East Asia	Infrastructure finance and access to capital markets (n = 8)	50
	Inclusive finance (n = 4)	25
	Total (n = 12)	42
South Asia	Infrastructure finance and access to capital markets (n = 6)	50
	Inclusive finance (n = 20)	70
	Total (n = 26)	65
Southeast Asia	Infrastructure finance and access to capital markets (n = 5)	80
	Inclusive finance (n = 9)	67
	Total (n = 14)	71
Regional	Infrastructure finance and access to capital markets (n = 6)	17
	Inclusive finance (n = 8)	50
	Total (n = 14)	36

FSOP = financial sector operational plan, n = number of validated or evaluated projects.  
 Source: ADB (Independent Evaluation Department).

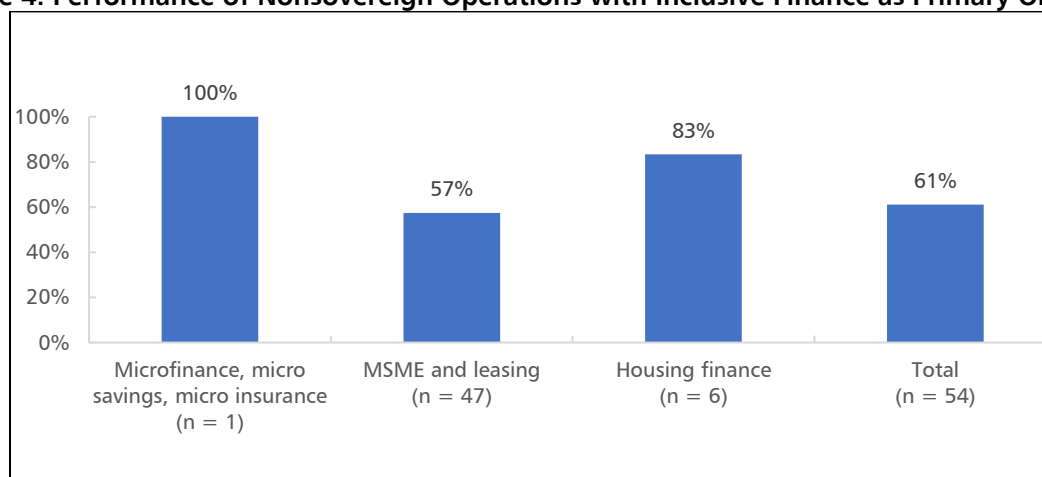
**Figure 3: Performance of Nonsovereign Operations with Infrastructure Finance and Access to Capital Market as Primary Objective**



n = number of validated or evaluated projects.  
 Source: ADB (Independent Evaluation Department).

8. For projects with inclusive finance objectives, East Asia also obtained the lowest success rate at 25%, while South Asia performed best at 70% (Table 4). Most of the interventions in inclusive finance were focused on MSME and leasing (Figure 4). [Confidential information deleted] Fourteen of the 20 evaluated projects in South Asia obtained satisfactory ratings, mostly from India and Sri Lanka. Five of the 10 successful evaluated projects in India were made to banks while all seven interventions in Sri Lanka were made to established financial intermediaries whose objectives were fully aligned with ADB’s and the government’s strategies.

9. There were only a few nonsovereign interventions in housing finance, which yielded an 83% success rate, and one successful project in microfinance, micro savings, and insurance (Figure 4).[Confidential information deleted.]

**Figure 4: Performance of Nonsovereign Operations with Inclusive Finance as Primary Objective**

MSME = micro, small, and medium-sized enterprise, n = number of validated or evaluated projects.  
Source: ADB (Independent Evaluation Department).

### C. Overall Performance

10. Table 5, and Figures 5 and 6 present the combined ratings for sovereign and nonsovereign operations in the finance sector during 2011–2021.

**Table 5: Overall Success Rating by Subregion and Primary FSOP Objective**

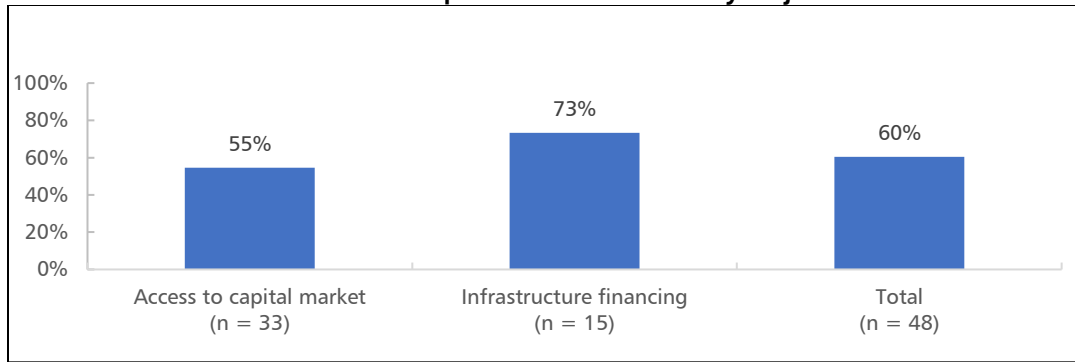
Subregion	FSOP Objective	Success Rating (%)
Central and West Asia	Infrastructure finance and access to capital markets (n = 5)	60
	Inclusive finance (n = 22)	55
	Total (n = 27)	56
East Asia	Financial stability and integrity (n = 1)	0
	Infrastructure finance and access to capital markets (n = 11)	64
	Inclusive finance (n = 5)	40
	Total (n = 17)	53
South Asia	Foundation for financial sector development (n = 2)	50
	Infrastructure finance and access to capital markets (n = 12)	75
	Inclusive finance (n = 29)	69
	Total (n = 43)	70
Southeast Asia	Financial stability and integrity (n = 1)	0
	Foundation for financial sector development (n = 1)	100
	Infrastructure finance and access to capital markets (n = 13)	62
	Inclusive finance (n = 15)	67
	Total (n = 30)	63
Regional	Infrastructure finance and access to capital markets (n = 6)	17
	Inclusive finance (n = 8)	50
	Total (n = 14)	36

FSOP = financial sector operational plan, n = number of validated or evaluated projects.

Note: Projects with multiple tagging were counted multiple times.

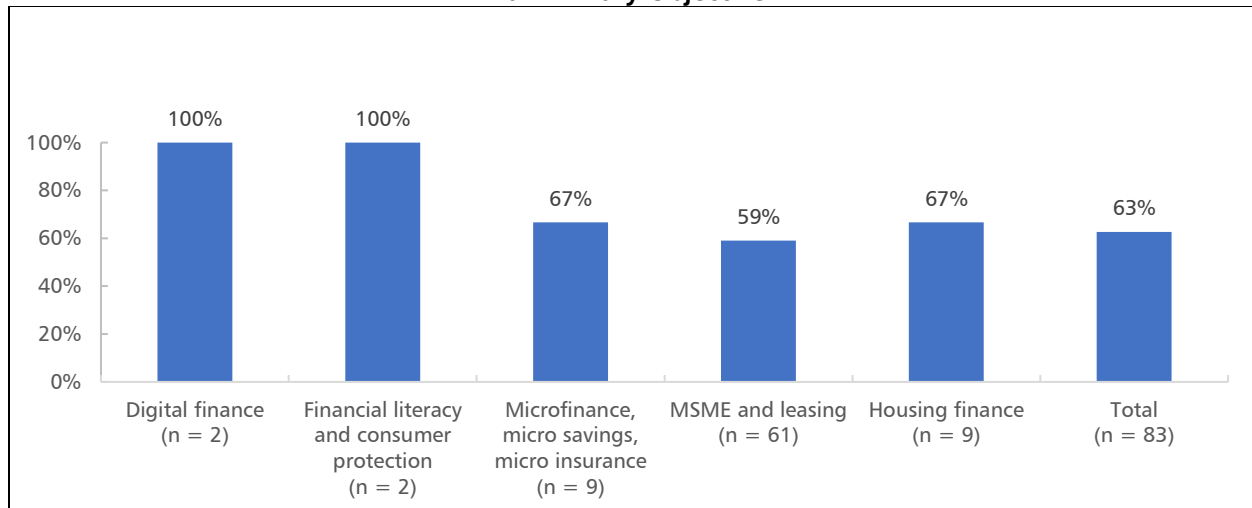
Source: ADB (Independent Evaluation Department).

**Figure 5: Overall Performance of Finance Sector Operations with Infrastructure Finance and Access to Capital Market as Primary Objective**



n = number of validated or evaluated projects.  
 Note: Projects with multiple tagging were counted multiple times.  
 Source: ADB (Independent Evaluation Department).

**Figure 6: Overall Performance of Finance Sector Operations with Inclusive Finance as Primary Objective**



MSME = micro, small, and medium-sized enterprise, n = number of validated or evaluated projects.  
 Note: Projects with multiple tagging were counted multiple times.  
 Source: ADB (Independent Evaluation Department).

11. **There is limited performance information in the focus area of regional monetary and financial cooperation and integration (RMFCI).** There were no evaluated projects that supported RMFCI during the evaluation period. This focus area was mostly addressed through regional technical assistance (TAs) involving the ASEAN+3. Of the 28 regional TAs, 13 were self-assessed with a 92% success rate. Only two out of the 13 self-assessed TAs have been validated, with one rated as successful and the other as highly successful. The Creating a Regional Settlement Intermediary in ASEAN+3: Cross-Border Settlement Infrastructure Forum TA aimed to create system linkages among key market settlement infrastructures in the ASEAN+3. It was rated highly successful as it was viewed as highly relevant and effective in achieving its outputs, the most notable of which was the establishment of a pilot linkage between a central bank (Bank of Japan) and a central securities depository (the Hong Kong Monetary Authority).<sup>11</sup> Such linkage is expected to facilitate cross-border portfolio investment.

<sup>11</sup> IED. 2021. *Validation Report: Technical Assistance for Creating a Regional Settlement Intermediary in ASEAN+3: Cross-Border Settlement Infrastructure Forum*. Manila: ADB.