

The logo for the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font on a black square background.

# Guidelines for Preparing Performance Evaluation Reports for Public Sector Operations

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Operations Evaluation Department  
Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
OED	–	Operations Evaluation Department
OEM	–	operations evaluation mission
PCR	–	project/program completion report
PPER	–	project performance evaluation report
RRP	–	report and recommendation of the President
TA	–	technical assistance

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ADDENDUM 1: Evaluating Program Lending

ADDENDUM 2: Contents of a Technical Assistance Performance Evaluation Report

## I. GENERAL

### A. Introduction

1. These guidelines cover the preparation of performance evaluation reports for Asian Development Bank (ADB) projects, programs, and technical assistance (TA) in the public sector.<sup>1</sup> They replace ADB's *Guidelines for Preparation of Project Performance Audit Reports* (2000) and *Guidelines for Preparation of Technical Assistance Performance Audit Reports* (1992). Adoption of these new guidelines represents a further step in the process of harmonizing ADB's performance evaluation process with those of its major development partners.<sup>2</sup>

2. Compared with the 2000 guidelines for project performance audit reports, the number of core criteria for rating a project's success have been reduced from five to four. Changes have also been made to the weights applied to the core evaluation criteria for aggregation purposes and to the cutoff points used to assign an overall rating. In addition, the report structure has been revised. Finally, the term "audit" in report titles has been changed to "evaluation" to reflect the process more accurately. Revisions have also been made to the 1992 guidelines for TA performance audit reports and new guidelines have been prepared for evaluating program loans.

3. Evaluation is an important part of ADB's project cycle. Evaluation has two major dimensions: (i) self-evaluation by the operations departments responsible for preparing and implementing projects, programs, and TA operations; and (ii) independent evaluation by the Operations Evaluation Department (OED). Self-evaluation entails the use of a number of instruments, including (i) project/program performance reports; (ii) review reports prepared during the course of project implementation, typically at midterm; (iii) project/program completion reports (PCRs); (iv) TA completion reports; and (v) country portfolio performance reviews. With the exception of project preparation TA resulting in a loan, ADB policy is to conduct PCRs and TA completion reports on all completed projects, programs, and TA. Such reports can be viewed at <http://www.adb.org/projects/reports.asp>.

4. The basic instruments for independent evaluations of projects and programs are the project performance evaluation report (PPER) and the program performance evaluation report, respectively, prepared by OED. These evaluations contribute to other OED studies, including country and sector evaluations and special evaluation studies, which focus on particular issues or subjects of broader relevance to ADB's operations, policies, and procedures. Broader evaluations are becoming an increasingly important part of OED's work. OED also carries out independent evaluations of TA, typically following a cluster approach or evaluating TAs provided in conjunction with a loan in the corresponding project or program performance evaluation report. To be useful, evaluations must be forward looking (i.e., identifying issues, lessons, and recommendations that will be useful for future operations) in addition to assessing past performance.

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<sup>1</sup> Separate guidelines are available for performance evaluation of ADB private sector operations.

<sup>2</sup> Good practice standards for evaluating public sector operations agreed to by the Evaluation Cooperation Group of the multilateral development banks have been incorporated into the revised guidelines.

5. The basis for successful evaluation work is established at the project, program, or TA design stage with the preparation of the design and monitoring framework.<sup>3</sup> Along with key performance assumptions, this specifies a hierarchy of objectives, the indicators of success with their targets, and the methods for measuring the indicators. Key elements of the design and monitoring framework form the basis of the project, program, or TA performance report and the other performance monitoring reports produced during project implementation as part of ADB's project performance management system. The performance management system, primarily through the project and program performance reports and PCRs, provides information needed for self-assessments and for OED's subsequent performance evaluation. Understanding the political economy in which the project or program is operating is fundamental to assessing the long term sustainability, effectiveness, and efficiency of the project/program.

6. OED's target is to postevaluate 25% of completed projects for which PCRs are available and that have at least 3 years of operational history.<sup>4</sup> The PPER focuses on achievements and their sustainability; on an overall assessment of the project's performance; and on issues, lessons, and follow-up recommendations. OED helps operations departments prepare about half of all PCRs with the objective being to ensure the maintenance of satisfactory self-evaluation standards.<sup>5</sup> Prior to 2004, OED carried out performance evaluations of all completed program loans. Since then, program evaluations have been conducted selectively, particularly in sectors or areas where they have not been produced before or as required as inputs for other evaluations. In accordance with ADB's public communications policy, a performance evaluation schedule for the coming year, together with the selection criteria to be used, is published each December.

## **B. Borrower and Beneficiary Participation in Evaluation**

7. Project ownership by borrowers and beneficiaries is necessary to ensure project quality. Accordingly, by means of participatory processes, ADB seeks the views of borrowers, executing agencies, and beneficiaries when assessing the success or otherwise of projects and programs. Most loan documents require that the borrower and/or executing agency prepare a completion report for submission to ADB, and this document is reviewed during performance evaluation.

## **C. Position Paper**

8. The leader of the operations evaluation mission (OEM) prepares a position paper at an early stage of the performance evaluation process for approval by the director general, OED. This highlights the approach of and major issues to be addressed by the evaluation. It will typically include information about (i) the way in which the borrower and beneficiaries will be involved; (ii) the need for any studies; (iii) the subcriteria to be used in the ranking process; (iv) a re-statement, if required,<sup>6</sup> of the impact and outcome statements in the design and monitoring

<sup>3</sup> In 2005, ADB changed the term "project framework," used in previous guidelines, to "design and monitoring framework." The terminology used in framework summaries has also changed, with "goal" becoming "impact" and "purpose" becoming "outcome."

<sup>4</sup> Selection is based on a random sample stratified by sector and modified by the following factors: (i) rating proportions of completion reports, (ii) accumulated sector coverage, (iii) upcoming country and sector assistance program evaluations and special evaluation studies, and (iv) accumulated country coverage.

<sup>5</sup> OED is considering the use of an abbreviated PPER for projects that are selected for performance evaluation during its sampling process and for which in-depth assistance has already been provided at the PCR stage.

<sup>6</sup> This might be the case if the OEM considers that the objectives were unrealistic or if confusion between outputs and outcome is apparent in the design and monitoring framework. The intent is to reconcile sometimes contradictory statements and/or there is a need to "read between the lines" to determine what the expected outcome was.

framework; (v) the main conclusions of the PCR; (vi) the budget estimate for the evaluation; and (vii) the implementation schedule.

#### **D. Format and Finalization of Performance Evaluation Reports**

9. The style and format of performance evaluation reports adheres to ADB's *Handbook of Style and Usage*.<sup>7</sup> A typical report is 16 to 18 pages of single-spaced text plus appendixes. Reports use the terminology of ADB's design and monitoring framework. The PPER uses the term "output" to describe the goods and services that were to be generated by the project, such as a road or service capability, and that correspond approximately to the project scope in the report and recommendation of the President (RRP).<sup>8</sup> The term "outcome" is used to describe the project's immediate objective or purpose. Finally, "impact" refers to the higher order, medium-term result to which the outcome will contribute, typically within 2 to 5 years of project completion.

10. A performance evaluation report should follow the structure outlined in these guidelines to ensure consistency between evaluations and ease of locating information in reports; however, 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.

11. An initial draft of the report is peer reviewed within OED. It is then circulated to pertinent ADB departments and offices and forwarded to the borrower, the executing agency, and to other relevant agencies. Comments received are taken into account when finalizing the report. OED may report major disagreements with other ADB departments and offices, the borrower, and the executing agency on substantive issues in an appendix or a footnote.

#### **E. Dissemination of Reports**

12. All performance evaluation reports (except those relating to ADB lending and investment in the private sector) are available to the public after the director general has approved them. Comments on reports from ADB management and OED's reply, if any, are also made public. For the sample of OED reports reviewed by ADB's Development Effectiveness Committee, the committee chair publishes a summary of the findings within 2 weeks of the meeting. Performance evaluation reports released after 1995 can be downloaded from either the ADB intranet or <http://www.adb.org/evaluation>. Copies of pre-1995 reports are available from OED on request. In addition, the evaluation annual review draws on performance evaluation results as required. These findings and other OED studies provide inputs to ADB's evaluation information system (which is currently only available internally).

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<sup>7</sup> ADB. 2002. *Handbook of Style and Usage*. Manila.

<sup>8</sup> Scope is normally described in terms of inputs or cost components in appraisal reports and RRP's rather than in terms of outputs.

## II. CONTENT OF A PROJECT PERFORMANCE EVALUATION REPORT<sup>9</sup>

13. The format for the PPER cover and other preliminary pages is given in Appendix 1. Chapter headings are as follows:

### Executive Summary

- I. Introduction
- II. Design and Implementation
- III. Performance Assessment
- IV. Other Assessments
- V. Issues, Lessons, and Follow-Up Actions

### A. Executive Summary

14. The executive summary provides a brief roundup of the project's concept and of the outputs and outcome achieved. It presents significant findings, lessons, conclusions, and recommendations and indicates the overall assessment rating. Typical length is two pages (see Appendix 2 for an example).

### B. Chapter I: Introduction

15. This chapter (up to a page long) contains the following sections:

- (i) Evaluation Purpose and Process
- (ii) Expected Results

#### 1. Evaluation Purpose and Process

16. This section describes the purpose of the evaluation, including special reasons, if any, for selecting the particular project and for the timing of the evaluation. It should describe any special studies commissioned for the PPER. It then provides a brief comment on the content and objectivity of the PCR, particularly in relation to the project's overall rating. Important aspects include whether the PCR evaluates all of the project's outcomes, whether such evaluation is supported by evidence, and whether the rating of the project and any associated TA is based on a balanced evaluation as described in the project administration instruction. This section should note that in completing the report, the views of ADB's concerned departments and offices and those of the borrower and executing agencies have been considered, except as otherwise indicated in the report.<sup>10</sup> OED may choose to summarize major dissenting views in an appendix or footnote.

#### 2. Expected Results

17. This section describes the project primarily on the basis of the impact and outcome statements and indicators in the design and monitoring framework. It should also describe key outputs and intended beneficiaries.

<sup>9</sup> The particular requirements for program and TA performance evaluation reports are shown in the addenda to this document.

<sup>10</sup> Where the borrower does not respond to requests that it 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 \_\_\_\_\_ with a request that comments be provided within \_\_\_\_ weeks. Despite subsequent follow-up, no comments were received."

## **C. Chapter II: Design and Implementation**

18. The purpose of this chapter is to provide supporting information for the performance assessment, which follows in Chapter III. Data such as investment cost or outputs would be reported as at the time of the OEM, at appraisal, and at the time of the PCR. PCR findings would be validated, and wherever possible cross-referenced, and summary tables presented. The text would indicate concurrence with PCR findings unless the OEM found otherwise. In the latter case, the PPER would describe its findings and discuss the effects of the OEM's findings on the overall conclusions reached in the PCR. The chapter includes the following sections:

- (i) Formulation
- (ii) Rationale
- (iii) Cost, Financing, and Executing Arrangements
- (iv) Procurement, Construction, and Scheduling
- (v) Design Changes
- (vi) Outputs
- (vii) Consultants
- (viii) Loan Covenants
- (ix) Policy Framework

### **1. Formulation**

19. This section describes how the project was formulated and why a particular modality was chosen. It also discusses the extent to which the feasibility study constituted an adequate basis for project appraisal. Where project preparatory TA was provided, its contribution to the formulation process should be assessed. The extent to which the borrower and beneficiaries were involved in project formulation should be described and comment should be provided on the degree of ownership. Coordination with development partners during the formulation process should be assessed.

### **2. Rationale**

20. This section briefly describes the need for the project at the time of appraisal in the context of the country's development program and ADB's strategies at the time. It should assess the soundness of this rationale both at appraisal and performance evaluation.

### **3. Cost, Financing, and Executing Arrangements**

21. This section summarizes information about the expected and actual project cost and financing arrangements, including cofinancing and associated TA as appropriate. Details should normally be presented in an appendix, and this section refers readers to that appendix. The expected and actual (if different) executing and implementation arrangements are briefly described, including the division of responsibilities between the main stakeholders.

### **4. Procurement, Construction, and Scheduling**

22. This section describes the bidding and contract award procedures, suppliers, contractors, design and supervision consultants, and results of commissioning and performance testing. Technical problems related to procurement and construction, particularly those related to quality, that prevent the project from attaining design outputs or that might affect sustainability are discussed. The section also discusses expected and actual construction schedules and any



remedial action taken during implementation. The PPER may cross-reference and confirm the findings of the PCR or, if it disagrees with these, describe the findings of the OEM.

## **5. Design Changes**

23. This section should describe any major changes in scope or implementation arrangements approved by ADB subsequent to appraisal and whether the project design was flexible enough to accommodate necessary changes. Factors responsible for changes in design or scope and the effects of such changes are discussed under effectiveness in a later section of the report.

## **6. Outputs**

24. This section describes the project's outputs, activities, and inputs, including those for any associated TA, as planned and realized. Tables should clearly illustrate planned and actual achievements. An appropriate basis for describing outputs would be the component structure of the project, following the description of outputs as stated in the design and monitoring framework. Describing the quality of the physical achievements or their ability to deliver the expected benefits, as well as the quantity or size of the achievement with respect to the targets, is important. If unintended outputs occurred that might affect the achievement of the project's outcome, for example, a negative environmental output, these should be explicitly recognized.

## **7. Consultants**

25. This section describes the inputs and outputs of consultants, whether financed under the loan or associated TA, including (i) the quality and timeliness of design work; (ii) the extent of technology transfer through advice, training, and studies; and (iii) the extent of institutional strengthening. Any associated TA is to be evaluated and rated using the guidelines in Addendum 2.<sup>11</sup> A detailed evaluation of the TA will be included as an appendix to the PPER with a summary included in Chapter IV of the report.

## **8. Loan Covenants**

26. This section includes a review of loan covenants applicable until project completion and the compliance with these, particularly as it relates to the achievement of outcome. The discussion about covenants should focus on those for which the PCR had identified noncompliance or for which the OEM disagrees with the PCR. Progress with implementing the PCR's recommendations for compliance should be assessed. Reference should be made to the full list of covenants that is normally included in the PCR.

## **9. Policy Framework**

27. This section considers any significant changes in macroeconomic and other policies through the implementation period. Changes in trade and exchange rate policies could, for example, have a significant effect on the competitiveness of beneficiaries' enterprises and the extent to which new technology is taken up. Changes in the external environment and their effect on prices, in particular, should also be considered. The effect on the project, if any, of changes in government and/or "project champions" should be noted. Major changes in the political economy that had a significant impact on project performance are described.

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<sup>11</sup> Currently only advisory TAs are rated. OED will prepare guidelines for rating project preparatory TAs in due course.

## **D. Chapter III: Performance Assessment**

28. The chapter on performance assessment presents the overall project performance rating. The overall rating is based on separate assessments of four core evaluation criteria, which are then aggregated to produce the overall rating, namely,

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

29. In writing this chapter, evaluators should ensure that the discussion follows a clear and logical path that justifies the conclusions reached, particularly the overall rating. Readers should be able to readily understand how the rating has been derived. The PPER also provides separate assessments of impact and ADB and borrower performance elsewhere, but these are not aggregated into the overall assessment.

### **1. Overall Assessment**

#### **a. Approach**

30. The overall rating is determined by separately evaluating and ranking the four core criteria. Each core criterion is assigned a whole-number rating or scale point between 0 and 3. A clearly defined descriptor corresponding to each scale point is then assigned. An average of the values for the core criteria ratings, weighted using fixed weights, is the overall project assessment rating and ranges between 0 and 3. The assigned weights vary depending on the criterion to reflect the contribution each criterion makes to the overall assessment. Fixed cutoff points are used to assign appropriate descriptors (highly successful, successful, partly successful, or unsuccessful) to the aggregate numeric rating. The table summarizes the approach and shows the relationship between rating values and descriptors. An example of an evaluation matrix spreadsheet, which can be used to estimate core criteria and the overall rating and is available from OED, is included in Appendix 3. The completed matrix is normally included as an appendix to the PPER and is also kept on file.

31. This approach provides a consistent basis for overall assessments. Evaluators are encouraged to carefully appraise and, if necessary, modify the ranking if they come up with large differences between the ranking values of the core criteria. The relative rankings of the core criteria also need to be reviewed for logical consistency, for example, for an ineffective project to have a high rating for sustainability would be unusual. At the aggregate level, for a project to be given an overall ranking of highly successful if its sustainability was in doubt or if its relevance was poor at project completion and beyond would also be unusual. For projects for which an economic internal rate of return (EIRR) is calculated, EIRR should be at least 12% for a project to be rated as highly successful. Particular attention should be given to those assessments where ratings are on the borderline between final rankings.

#### **b. Rating Each Core Criterion**

32. To assist with the process of rating each core criterion and to improve transparency and rigor, subcriteria are assigned to each criterion. Each subcriterion is given a scale value from which the rating value for the criterion is estimated. The subcriteria list appended is not necessarily exhaustive and should be regarded as a checklist. Evaluators are encouraged to

review and modify the list of suggested subcriteria to fit the requirements of a particular evaluation. The proposed list should be included in the position paper. Evaluators will have to decide whether to assign an equal value or a weighted value to each subcriterion, because the contribution of each subcriterion to the criterion rating may not be equal. This judgment should be supported in the position paper.<sup>12</sup> Subcriteria weights may be used to separately rate the contribution of various sector components of multisector projects or of various states or provinces where more than one is involved.

### c. Assessment

33. The overall rating, which is presented in the report as the first sentence in this chapter, could be highly successful, successful, partly successful, or unsuccessful.

- (i) **Highly Successful.** The overall weighted average is greater than 2.7. This rating is given to projects whose achievements exceed expectations and that have a high probability that the outcome and impact will be achieved sustainably and efficiently over the project's life; that the project remains relevant; and that no significant, unintended, negative effects will occur.
- (ii) **Successful.** The overall weighted average falls between 1.6 and less than 2.7. Even though the outcome may not have been completely achieved or some negative results may have occurred that prevent a rating of highly successful, no major shortfall has taken place and the expected outcome and impact will, on the whole, be achieved sustainably over the project's life. The project remains relevant and its implementation and operations are efficient. Any negative effects are small in relation to the gains under the project.
- (iii) **Partly Successful.** The overall weighted average falls between 0.8 and less than 1.6. Even though the evaluation anticipates a significant shortfall in achieving the design outcome and impact and may consider full sustainability unlikely, it expects that some project components will achieve major benefits, for example, equivalent to at least half the level originally expected.
- (iv) **Unsuccessful.** The overall weighted average is less than 0.8. In this case, the evaluation considers that the project is a technical (minimal achievement of outcome) and/or economic failure. Any facilities are expected to operate at a low level of installed capacity or at high cost, necessitating a large subsidy. Negative effects may be apparent.

34. The foregoing procedure should also be used to evaluate projects with two or more subprojects, where a subproject is defined as a set of separately executed activities. Separate financial and economic analyses would typically be carried out at appraisal for each subproject, together with overall financial and economic analyses. For the purposes of the overall rating, such a project would be considered a single project and be evaluated accordingly. Achievement of outcome, for example, would be evaluated taking into account the combined outputs of all the subprojects. Where wide differences in subproject performance are apparent, evaluators are encouraged to carry out stand-alone evaluations of each subproject, with the results being reported in an appendix.

35. A similar approach should be used to evaluate sector projects.

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<sup>12</sup> Where the contributions of subprojects vary widely, the separate assessments may be weighted differently for the purposes of aggregation.

## Overall Assessment Methodology

Criterion	Weight (%)	Definition	Rating Description	Rating Value
1. Relevance	20	Relevance is the consistency of a project's impact and outcome with the government's development strategy, the Asian Development Bank's lending strategy for the country, and the Asian Development Bank's strategic objectives at the time of approval and evaluation and the adequacy of the design.	Highly relevant Relevant Partly relevant Irrelevant	3 2 1 0
2. Effectiveness	30	Effectiveness describes the extent to which the outcome, as specified in the design and monitoring framework, either as agreed at approval or as subsequently modified, has been achieved.	Highly effective Effective Less effective Ineffective	3 2 1 0
3. Efficiency	30	Efficiency describes, ex post, how economically resources have been converted to results, using the economic internal rate of return, or cost-effectiveness, of the investment or other indicators as a measure and the resilience to risk of the net benefit flows over time.	Highly efficient Efficient Less efficient Inefficient	3 2 1 0
4. Sustainability	20	Sustainability considers the likelihood that human, institutional, financial, and other resources are sufficient to maintain the outcome over its economic life.	Most likely Likely Less likely Unlikely	3 2 1 0
<b>Overall Assessment</b> (weighted average of above criteria)	Highly Successful: Overall weighted average is greater than 2.7. Successful: Overall weighted average is between 1.6 <u>and less than</u> 2.7. Partly Successful: Overall weighted average is between 0.8 <u>and less than</u> 1.6. Unsuccessful: Overall weighted average is less than 0.8.			

## 2. Relevance

36. The relevance criterion addresses three main questions: (i) the extent to which the proposed outcome of the project is consistent with the country's development priorities and ADB's country and sector strategies, both at appraisal and at evaluation; (ii) the extent to which the work used to justify project intervention was satisfactory and based on a sound problem-tree analysis, including consideration of the main constraints to the achievement of results; and (iii) the extent to which the design<sup>13</sup> and the financing instrument selected were an appropriate response to the identified development problem.

37. In assessing relevance, the project impact and outcome are considered in light of ADB's country strategy and program and annual updates; the country's governance, macroeconomic, and sector policy framework; priorities identified in the country's development plans; and

<sup>13</sup> Considered in terms of a series of necessary and sufficient conditions being met such that the inputs proposed were necessary and sufficient to carry out the proposed activities; the activities were necessary and sufficient to produce the planned outputs; the outputs were necessary and sufficient to produce the desired outcome; and the agreed impact objective, adequacy, and quality of risk analysis supporting each necessary and sufficient condition contributed to the outcome.

sociocultural conditions. External factors, such as economic shocks, export prices, and weather and the peace and security situation, which may affect the project's continuing relevance, are discussed as are changes in the political economy. Because projects that ADB approves have to be relevant at the approval stage, assessing the continued relevance of the project as it moves from approval to implementation and operation is important. Accordingly, the evaluation considers the relevance of a project both at the time of approval (ex ante) and at the time of evaluation (ex post). Consideration should also be given to changes made during implementation to ensure that the project remained relevant. If changes were made for reasons that should have been foreseen or as a result of design deficiencies, the need for such changes would be considered a negative in rating this criterion. If changes were needed for reasons that could not reasonably have been foreseen, two possible assessment options arise: a timely response would be considered positive, while an inadequate or delayed response would be viewed as negative. Evaluations should recognize that a good project design has a certain degree of flexibility.

38. The ex post concept is adopted to avoid giving a highly relevant rating to a project that was relevant at the time of approval, but is less relevant at the time of evaluation. For example, a project that is highly successful in a distorted market may not be as successful in a more liberalized environment that came about during its implementation. In rare instances, an ex post situation may have been entirely unpredictable, for instance, due to a natural disaster or an unanticipated, rapid increase in world oil prices. In such a case, the evaluator should make a judgment and clearly indicate the reasons for it. Projects that were highly relevant at the time of approval that were not consistent with the country strategy at the time of evaluation would not be rated as highly relevant.

39. From an analysis and design viewpoint, factors affecting relevance include the quality of consultants' work that contributed to feasibility and design studies, the extent of beneficiary participation and ownership, and the adequacy of provisions at appraisal for the design to be adjusted during implementation. The extent to which lessons from previous related experience were incorporated in the design is a particularly important consideration. Quality at entry issues at the time of appraisal are assessed. These could include (i) adequacy of the justification for the proposed intervention; (ii) adequacy of problem diagnosis; (iii) selection of financing instrument; (iv) relevance of any consulting services proposed; and (v) realism of proposed impact and outcome objectives, required output levels, risk management strategies, and implementation schedule. Any significant changes in design that were caused by, or consistent with, changes in the country strategy and program or the developing member country's policy environment after the project was approved should be considered.

40. The subcriteria checklist for relevance includes the following:

- (i) Adequacy of the assessment of problems, opportunities, and lessons at the time of approval:
  - (a) adequacy of the sector analysis and political economy required to establish an economic rationale for the project,
  - (b) consideration of lessons learned from related projects,
  - (c) consideration of constraints to the achievement of results,
  - (d) appropriateness of project outcome and outputs,
  - (e) appropriateness of the timing of the intervention,
  - (f) soundness of the contribution of any project preparatory TA.

- (ii) Consistency of the project's impact, outcome, and outputs with the government's development strategy (stated and real), ADB's strategy and program for the country, and ADB's strategic objectives:
  - (a) consistency or inconsistency at the time of approval,
  - (b) consistency or inconsistency at the time of evaluation,
  - (c) appropriateness and timeliness of changes made to maintain the project's relevance.
- (iii) Extent to which stakeholders saw the project as their own.
- (iv) Choice of modality and instrument:
  - (a) appropriateness of the project's investment modalities compared with available options,
  - (b) balance between public and private provision,
  - (c) appropriateness of associated TA.
- (v) Extent to which project formulation (design) adopted the correct solution for the identified problem:
  - (a) clarity of the statement of expected results,
  - (b) consideration of alternative responses to the identified problem,
  - (c) soundness of the design in terms of a series of necessary and sufficient conditions being met (footnote 13),
  - (d) adequacy and quality of risk analysis supporting each necessary and sufficient condition,
  - (e) adequacy of proposed risk mitigation measures,
  - (f) adequacy of the incorporation of lessons learned from related projects to avoid problems encountered by previous projects,
  - (g) appropriateness of implementation arrangements,
  - (h) appropriateness of service delivery arrangements and incentives,
  - (i) adequacy of the analysis of the counterfactual situation (what might have happened without the project),
  - (j) adequacy of distribution analysis.
- (vi) Degree of coordination and/or complementarity with development partners.

41. The criterion rating for relevance should be stated as the first sentence of this section. A concise summary of the principal factors supporting the rating should be provided.

### **3. Effectiveness**

42. The effectiveness criterion looks at whether the outcome of the project as defined in the design and monitoring framework was achieved or is expected to be achieved. In writing this section, evaluators should aim for a concise narrative describing what went right, what went wrong, and the outcome. The discussion should open with an evaluation of the actual outcome at the time of project completion against the targets listed in the design and monitoring framework. Subsequent changes are assessed under the sustainability criterion. If a change in scope was made during implementation, the reasons for the change are discussed, the effect on outcome described, and the evaluation made against the new outcome. An assessment of the major factors responsible for any shortfall in achievement or exceeded expectations should follow.

43. Major factors responsible for any nonachievement of outcome are discussed. Of particular importance is an analysis of the government's macro and sector policies and how these have affected financial incentives for beneficiary participation and continuing operations. Other issues may include maintenance procedures; staff capabilities; operation and

maintenance costs; prices; actual versus forecast demand; capability and performance of the entity responsible for operations; and availability of inputs, including skilled labor.

44. Effectiveness may also take into account the influence of the implementation process on project outcomes. Even though project outcomes may be as originally expected, problems during the implementation process may mean that outcomes were not available to beneficiaries until later than intended or that their full potential was not realized. The implementation process may also have positive or negative side-effects that should be considered in relation to effectiveness. Implementation issues could lead to a strengthening or a weakening of the executing agency or of the wider institutional and policy framework or could support or impede the performance of other projects or activities.

45. While assessing effectiveness using the targets and indicators in the design and monitoring framework and the results of project performance monitoring during implementation is desirable, either or both may be inadequate for doing so. In this case, the evaluator will need to propose amended or supplementary targets in light of available data or data that can feasibly be gathered during the OEM. Wherever possible, these targets should be included in the position paper. Attribution issues are discussed where necessary. Sometimes evaluating whether intended outputs have led or will lead to the intended outcome is difficult because of factors outside the project's control. Where the evaluator believes that the project's contribution to the observed outcome is less than envisaged, the rating for effectiveness would be adjusted downward.

46. The section describes the implementation of any remedial measures that were recommended and discusses further efforts and measures needed. Other aspects to be considered where appropriate include the role and activities of other aid organizations; the success or otherwise of partnerships, particularly those with nongovernment organizations and community groups; and the changes in ADB's policies since project appraisal. In addition, if a wide variation is apparent between planned and actual numbers of beneficiaries, the reasons should be investigated and discussed. Assumptions about future project performance should be stated and differences from the benefit flow shown in the RRP should be noted, as these are an important consideration for subsequent reestimation of the EIRR.

47. The criterion rating for effectiveness should be stated as the first sentence of this section. A concise summary of the principal factors supporting the rating should be provided. A rating of highly effective would normally be reserved for projects that substantially exceeded expectations.

#### **4. Efficiency**

48. Efficiency is a measure of how well the project used resources in achieving the outcome. It is measured in economic terms, because it examines whether the project was an efficient use of resources for the country and/or society (not merely for the operating entity). Two main questions are addressed: (i) to what extent has the project achieved, or is expected to achieve, an EIRR higher than the opportunity cost of capital; and (ii) have the economic benefits been achieved at least cost? EIRRs should be estimated whenever feasible, with the details presented in an appendix (see Appendix 4 for an example).<sup>14</sup> Where estimating an EIRR is not

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<sup>14</sup> The methodology should follow that given in ADB. 1997. *Guidelines for the Economic Analysis of Projects*. Manila. A comprehensive set of economic analysis material is available at <http://www.adb.org/economics/analysis.asp>, including guidelines for the economic analysis of health, water, and telecommunications projects.

feasible, a least-cost analysis should be carried out, with results summarized in this section. Appendix 5 provides guidelines for converting ex post costs and benefits to constant value terms for purposes of economic analysis. Where the proposed approach to assessing efficiency differs from that used at appraisal or in the PCR, the position paper should discuss the detailed methodology and how the results are to be ranked.

49. The EIRR estimated by OED reflects actual quantifiable benefits and costs realized up to the time of evaluation (expressed in constant values) and judgments as to the most likely pattern of a project's sustainable performance. A critical element in estimating the EIRR is a review of the without project assumptions (the counterfactual) used in the RRP. Experience suggests that without project outputs are frequently underestimated, with the result that incremental benefits ascribed to the project are higher than they would otherwise be. Sensitivity tests on the rates of return based on possible changes in key assumptions are carried out as part of the evaluation. These assumptions should reflect any concerns raised in the assessment of sustainability, for example, the effects if irrigation facilities were not maintained at the levels assumed in the base case analysis, if electricity system losses rose, or if government policies changed. The adoption or rejection of recommendations for improved performance made later in the PPER might also form the basis for sensitivity testing. If the reestimated EIRR is lower than the appraisal estimate but still above the opportunity cost of capital, it is considered acceptable in terms of project efficiency. Where the assumptions made at appraisal, for example, overly optimistic demand forecasts, or the methodology used are found to be inappropriate, this would be reflected in the assessment of ADB's performance.

50. The least-cost or cost-effectiveness analysis carried out at appraisal,<sup>15</sup> especially for projects in public utility sectors, is reexamined and, if practical, a new estimate is made. Cost per beneficiary is important in sectors such as education, health, and urban development, where guidelines for estimating an EIRR were not adopted until relatively recently or where suitable methodologies for doing so may not exist.

51. In cases where the EIRR seems likely to be either quite high or extremely low, arriving at supportable conclusions concerning the level of the EIRR might be possible without making detailed estimates. However, a full analysis is warranted when a project is on the borderline between two assessment categories. Economic benefits and costs for which data or resource constraints prevent quantification may be discussed, supported in some detail, if there are reasons to believe they are significant.

52. The PPER should provide a summary of the reasons for differences between the EIRR at appraisal and as estimated for the PPER. These might include (i) changes in the number of beneficiaries and consequent differences between actual and expected levels of demand, (ii) price changes, (iii) higher than expected procurement and management costs, (iv) implementation delays, (v) higher than expected transaction costs, (vi) unforeseen technical problems, (vii) unforeseen environmental and other mitigation costs, (viii) sustainability concerns, and (ix) changes in scope.

53. When discussing the findings of the EIRR for operating entities that charge for services, comparing these with the findings of a financial internal rate of return (FIRR) analysis may be useful, as this can help reveal the effects of price distortions and subsidies. Care should be

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<sup>15</sup> Cost-effectiveness analysis seeks to select the project alternative that would deliver the required output at minimum cost.



taken to avoid repeating the financial analysis discussion, which should be addressed primarily in the section on project sustainability.

54. In some circumstances, the assessment of efficiency based on the EIRR may need to be adjusted to reflect wider efficiency impacts beyond the project operating entity. For example, the project could become a drain on the government's budget, thereby affecting wider economic efficiency by having adverse fiscal and macroeconomic impacts. Some supporting financial, and possibly macroeconomic, analysis might be needed to help identify such impacts and to justify any adjustment down (or up) of the rating arrived at using the EIRR.

55. The checklist of subcriteria for efficiency includes

- (i) the EIRR as estimated at performance evaluation compared with a benchmark of an opportunity cost of capital of 12%, and
- (ii) the benefits produced at least cost compared with alternatives.

56. Rating cutoff points for each of these subcriteria are given below. While these are provided for guidance, evaluators should use judgment in assigning a rating and in deciding subcriterion weightings to be used in determining the criterion rating.

57. A project for which an EIRR has been estimated at evaluation would be rated highly efficient if the EIRR was greater than 18%, efficient if the EIRR was between 12% and 18%, less efficient if the EIRR was 6% through less than 12%, and inefficient if the EIRR was less than 6%. Not all costs and benefits can be quantified and included in an EIRR analysis. Evaluators would also take unquantified benefits and costs into account when assigning a rating for this subcriterion that could be used to adjust the rating by a maximum of 2%. A project with a 10% EIRR, for example, could be considered efficient if it had substantial unquantified benefits. The unquantified socioeconomic benefits are covered under Other Assessments.

58. Ratings for cost effectiveness would be assigned as follows:

- (i) sector or industry best practice standards exceeded—highly efficient,
- (ii) sector or industry best practice standards met—efficient,
- (iii) somewhat below sector or industry best practice standards—less efficient, and
- (iv) well below sector or industry best practice standards—inefficient.

59. The criterion rating for efficiency should be stated in the opening sentence of this section. A summary of the principal factors supporting the rating should be provided.

## **5. Sustainability**

60. The sustainability criterion looks at the probability that the human, institutional, financial, and natural resources are sufficient to maintain the outcome achieved over the economic lifetime of the project and that any risks need to be or can be managed. Sustainability is an integral part of operational performance and is affected by project design and implementation. This section should not duplicate discussion in other parts of the report. Rather, it should provide a focused assessment of sustainability and present any additional relevant material. Evaluators should be aware that sustainability of outputs alone might not be sufficient to ensure sustainability of outcome because, for example, changes in the economic, business, or political environments may mitigate against a sustained outcome even though outputs are maintained.

61. Because evaluation is carried out during the first few years of a project's operational life, evaluators must make assumptions about the sustainability of operational arrangements and probable future operating performance. Important factors affecting sustainability are the project's financial arrangements, such as tariffs and other cost-recovery arrangements or budget allocations for maintenance, the performance of any operating or service entity, and the profitability of beneficiaries' enterprises along with changes in the competitive environment and environmental impacts. These factors are described in detail in other sections of the report, and this section makes only brief reference to them.

62. In the case of operating entities, that is, where a service output is involved, for instance, an irrigation management company, a company producing and distributing electricity, or an entity providing telecommunication services, an organizational and financial analysis of the operating entity is required. If the financial position of the operating entity is related to that of a parent organization, then financial analysis of the parent organization is also required. The rationale for such an analysis is that if service levels are inadequate or uncompetitive, final outputs are likely to be constrained, and in the long term, sustainability is likely to be compromised. In some cases, depending on the project, the financial incentives for beneficiary participation may also need to be examined. The detailed analysis, including the financial revenue-cost streams, should be shown in an appendix.

63. The financial analysis considers both the current and the projected performance of the operating entity and should normally be based on analyses and projections of financial statements, including estimations of financial ratios. The FIRR may also provide a useful additional analysis, where appropriate. The methodology for financial analysis should follow the *Financial Management and Analysis of Projects (2005)*. The aim is to assess the effects of the financial and operating arrangements on the project's financial viability and sustainability. This section assesses the capacity of the operating entity to operate and maintain project facilities adequately and to achieve cost recovery and/or to secure funds for operation and maintenance, for servicing project and other debt, and for meeting covenanted performance targets. The financial analysis evaluates these issues in light of such constraints as internal inefficiencies; tariffs, subsidies, and prices; and competitive or government-imposed limitations on adjusting tariffs and prices. If the project is relatively large, this section considers its impact on the executing agency. Financial statements and derived financial ratios constitute the main supporting information for the analysis of the operating entity.

64. This section also assesses the rationale for and the magnitude and incidence of any subsidies and their implications for fiscal policy and resource allocation. It also considers the adequacy of internal and/or external auditing arrangements and, if necessary, measures to improve them.

65. In instances when the FIRR is calculated, a project for which an FIRR was estimated at evaluation would be rated highly efficient if the FIRR exceeded the weighted average cost of capital by 20%, efficient if the FIRR was equal to or up to 20% above the weighted average cost of capital, less efficient if the FIRR was up to 20% less than the weighted average cost of capital, and inefficient if the FIRR was more than 20% below the weighted average cost of capital.

66. Important determinants of sustainability might include the following:

- (i) the availability of adequate and effective demand for the project's services or products;

- (ii) the pricing of outputs;
- (iii) the financial viability of operating entities;
- (iv) the presence of appropriate policies and procedures to ensure continued funding for operation and maintenance of both public and private enterprises;
- (v) the application of appropriate policies to ensure the maintenance of required human resources;
- (vi) the adequacy of policies, institutions, markets, and regulatory conditions and the risks of change;
- (vii) the political will to ensure government ownership of and commitment to the project;
- (viii) the adequacy of incentives for continued stakeholder participation; and
- (ix) the environmental, social, technological, and natural resource risks.

67. The criterion rating for sustainability should be stated in the opening sentence of this section. A concise summary of the principal factors supporting the rating should be provided.

## **E. Chapter IV: Other Assessments**

68. This chapter covers three assessments: the impact of the project (a forward-looking assessment), the performance of ADB and the borrower, and the performance of TA.

### **1. Impact**

69. Project impact is assessed against the performance indicators and targets specified in the design and monitoring framework. As this is likely to be a forward-looking consideration, evaluators will need to make judgments based on achievements (including sustainability considerations) up to the time of the evaluation. Depending on the project, specific impacts on poverty, the environment, institutions, socioeconomic conditions, and economic growth may need to be assessed. The evaluation considers both intended and unintended development impacts, whether positive or negative. Unintended impacts are those not specifically included in the project impact statement, for example, a project intended to stimulate economic growth may not intend to affect the environment or institutions or to require resettlement beyond that envisaged, but may end up doing so. Such effects would be discussed here. By contrast, an environmental project would plan to have a specific outcome relating to the environment, and its environmental effects would be discussed in Chapter II. Note that for some projects, depending on the structure of the design and monitoring framework, the impact may already have already been evaluated to some extent under the four core criteria.

70. This section could include the subsections discussed in the following paragraphs, although actual content would depend on the nature of the project.<sup>16</sup> The criterion rating for impact, which should be stated as the opening sentence of this section, could be substantial, significant, moderate, or negligible. A concise summary of the principal factors supporting the rating should be provided.

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<sup>16</sup> These subsections discuss the appropriateness of and compliance with any relevant loan or project covenants.

### a. Impact on Institutions<sup>17</sup>

71. The extent to which a project is likely to improve or weaken a country's ability to make more efficient, equitable, and sustainable use of its human, financial, and natural resources is considered here. Both intended and unintended effects that may result from the project and associated TA are considered. In general, these are broader considerations or spillover effects that extend beyond the explicit institutional development outcomes that are included in many projects. A possible approach to the analysis could be based on the four dimensions of governance: transparency, accountability, predictability, and participation.<sup>18</sup>

72. Other issues to be considered could include the following:

- (i) Better definition, stability, transparency, enforceability, and predictability of institutional arrangements by such means as
  - (a) enhancement of laws, regulations, and procedures;
  - (b) improved coordination of external relationships; and
  - (c) norms and practices.
- (ii) Better alignment of the mission and capacity of an organization with its mandate through
  - (a) improved internal use of resources and improved efficiency of processes,
  - (b) enhanced skill levels, and
  - (c) enhanced reward systems and motivation.

### b. Socioeconomic Impact

73. Assessment of the socioeconomic impact focuses on the major impacts, the distribution of direct economic benefits and economic costs, and on both beneficial and adverse social impacts, including resettlement. The analysis should identify groups of beneficiaries by type and/or cost of impact and note when costs and benefits were incurred. The evaluators should emphasize the poor, gender mix, ethnic minorities and/or low castes, and other marginalized and/or vulnerable groups. If information is available, indirect or second-order impacts, such as the establishment of workshops and restaurants adjacent to new roads, should be described. To the extent that they are not discussed elsewhere, this section also covers such critical factors as participation by beneficiaries or other stakeholders that has influenced these impacts.<sup>19</sup> It examines impacts relevant to ADB's strategic objectives of poverty reduction, human development, gender equity, and inclusive social development. From a poverty reduction perspective, the generation of sustainable job opportunities is important. In addition, this section focuses on any specific measures included in a project to achieve beneficial social impacts or to mitigate the project's impacts on disadvantaged groups, for example, resettlement of families and businesses displaced by infrastructure projects. Other adverse social impacts could include an increase in the incidence of HIV/AIDS and sexually transmitted infections, human trafficking, and use of child labor. Where applicable, the project's impact on private sector development in terms of backward and/or forward linkages and opportunities created for or lost to the private sector should be discussed. As appropriate, the impact of the project or market based incentives and sociocultural conditions would be assessed.

<sup>17</sup> Institutions are defined as organizations and the people who work in them, laws, rules, regulations, and behavior norms.

<sup>18</sup> Explicit institutional development outputs and their contributions to outcome would already have been covered by discussion of the effectiveness criterion.

<sup>19</sup> Where socioeconomic outcomes, including resettlement, are an explicit element of the design and monitoring framework, they should be evaluated under core evaluation criteria.

### **c. Environmental Impact**

74. The review of environmental impact considers both significant impacts and remedial measures that have been taken or may be needed. Examples of adverse impacts include the denudation of upland slopes, the creation of health hazards related to industrial and urban pollution, the salinization of agricultural soils, the pollution of air and water resources, the depletion of fish resources by uncontrolled fishing, and the lowering of water tables because of unregulated use of groundwater. Some of these problems will be due to overexploitation of resources, urbanization, industrialization, and institutional weaknesses, but they are often exacerbated by policy and market failures. A careful analysis of the impact of the borrower's policies and laws on environmental protection is therefore essential, as is an assessment of the project's compliance with relevant environmental legislation and regulations. This section also assesses the adequacy of the environmental mitigation measures and of the environmental monitoring and management requirements adopted at appraisal, the extent to which these measures have been implemented, and the compliance with environment-related loan covenants.

75. Where environmental improvement was an explicit project output or outcome, then it should be evaluated under the effectiveness criterion.

## **2. Asian Development Bank and Borrower Performance**

76. This section presents an overall performance rating for each participant for the entire project cycle, based largely on the description and discussion earlier in the text. In rating ADB's performance, evaluators are encouraged to include an evaluation of the extent to which ADB complied with its governance, anticorruption, and other safeguard policies.

77. A possible checklist for assessing ADB performance includes the following:

- (i) degree to which ADB took ownership of the country's priorities in defining the project/program;
- (ii) quality of ADB supervision at the time of design and the resultant quality of entry;
- (iii) adequacy of the appraisal and the quality of the forecasts on which project approval was based;
- (iv) adequacy of beneficiary targeting and use of annual project planning and progress monitoring;
- (v) ADB support to the executing agency for developing procurement and audit systems;
- (vi) timeliness and quality of ADB's responses to the executing agency's requests for changes during implementation;
- (vii) adequacy of ADB supervision, including ADB staff continuity; frequency, composition, and length of inception and review missions; and use made of the project performance management system;
- (viii) timeliness and quality of midterm review and consultations, integration of findings into implementation plans for the remaining project period, and subsequent monitoring of any remedial measures;
- (ix) extent of ADB efforts to build and maintain good relationships with development partners for the project, including cofinanciers;
- (x) quality and timeliness of the PCR; and
- (xi) efforts made by ADB to reflect its anticorruption and other safeguard policies in project design and implementation.

78. A possible checklist for assessing borrower performance includes the following:
- (i) success in meeting loan effectiveness requirements;
  - (ii) degree of high-level support for the project;
  - (iii) staff quality and continuity in key executing and implementing agencies;
  - (iv) effectiveness of the project steering committee;
  - (v) commitment to complying with loan covenants;
  - (vi) adequacy and timeliness of the provision of counterpart funding;
  - (vii) timeliness of the submission of financial statements and the quality and timeliness of the audit process;
  - (viii) extent of participation at the design stage and of subsequent support for the ADB supervision, review, and performance evaluation process; and
  - (ix) degree and quality of the implementing agencies' engagement with stakeholders.
79. Criterion ratings, which should be stated as the opening sentence for the evaluation of each agency, could be highly satisfactory, satisfactory, less than satisfactory, or unsatisfactory.

### **3. Technical Assistance**

80. A summary of the evaluation of pertinent TA is presented in this section.

## **F. Chapter V: Issues, Lessons, and Follow-Up Actions**

### **A. Issues**

81. This subsection covers project-related issues that either remain unresolved or are crucial for sustainability. Evaluators should review other ongoing projects in the same sector to determine whether their design and implementation addressed lessons identified from earlier evaluations. Broader conclusions emerging from the evaluation that need to be addressed on a longer-term basis by either the developing member country or ADB are discussed. Issues relevant to OED's future work program are also considered. Normally the number of issues discussed is limited to four.

### **B. Lessons**

82. This subsection focuses on general conclusions, both positive and negative, arising from the review of the entire project cycle that are relevant to the future operations and policies of ADB, to the borrower, or to the executing agency, especially operations in the particular sector.<sup>20</sup> This section normally confines lessons regarding any ADB-wide issues—for instance, selection of consultants, participation of beneficiaries, and delays in implementation—to those with particular relevance to the sector or the project being evaluated. The evaluation should briefly examine follow-on operations in the country to determine whether the design of those operations reflected the lessons of the project being evaluated.

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<sup>20</sup> The evaluator should be familiar with lessons raised in previous evaluation reports concerning this sector. This subsection 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.

### **C. Follow-Up Actions**

83. This subsection summarizes project-specific matters that require further action by the executing agency, borrower, or ADB.<sup>21</sup> 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. ADB divisions and executing and implementing agencies responsible for taking actions and monitoring them should be identified and notified. Recommendations for the borrower or executing agency must be discussed in the field, noted in the memorandum of understanding, and explicitly referred to in the cover letter when draft reports are sent for comment. An example of recommendations for follow-up actions is in Appendix 6. After comments on the draft report have been considered, a meeting may be convened between the directors of the concerned OED and operations divisions to discuss the lessons and recommendations to develop commitment to addressing lessons and acting on recommendations.

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<sup>21</sup> This subsection does not include lessons or follow-up actions identified in previous reports for which ADB, the borrower, or the executing agency has already taken remedial action.

**SAMPLE FORMAT FOR THE REPORT COVER  
AND OTHER PRELIMINARY PAGES**

**A. Sample Front Cover of a Project Performance Evaluation Report**



Performance Evaluation Report

PPE: CCC XXXXX

<Name of Project>  
(Loan XXXX-CCC)  
in <Country>

<Month Year>

Operations Evaluation Department  
Asian Development Bank



**B. Sample Inside Front Cover****CURRENCY EQUIVALENTS**

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

	At Appraisal <b>(September 1987)</b>	At Project Completion <b>(December 1996)</b>	At Operations Evaluation <b>(November 1999)</b>
SLRe1.00 =	\$0.0332	\$0.0182	\$0.0139
\$1.00 =	SLRs30.17	SLRs54.84	SLRs71.95

**ABBREVIATIONS**

ADB	–	Asian Development Bank
EIRR	–	economic internal rate of return
HDM	–	highway design and maintenance standards model
IRI	–	international roughness index
km	–	kilometer
OEM	–	Operations Evaluation Mission
PCR	–	project completion report
RCDC	–	Road Construction and Development Corporation
RDA	–	Road Development Authority
SDR	–	special drawing rights
TA	–	technical assistance
VOC	–	vehicle operating cost

**NOTES**

- (i) The fiscal year (FY) of the Government ends on 30 June. FY before a calendar year denotes the year in which the fiscal year ends, for example, FY2006 begins on 1 July 2005 and ends on 30 June 2006.
- (ii) In this report, "\$" refers to US dollars.

<b>Operations Evaluation Department, PE-XXX</b>
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Standard conflict of interest statement to be inserted here.
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**C. Sample Table of Contents**

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B. Rationale		
C. Cost, Financing, and Executing Arrangements		
D. Procurement, Construction, and Scheduling		
E. Design Changes		
F. Outputs		
G. Consultants		
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I. Policy Framework		
III. PERFORMANCE ASSESSMENT		(7 to 9 pages)
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5. Financial and Economic Reestimation		
6. Rating Matrix for Core Evaluation Criteria		

7. Other appendixes as appropriate, such as social survey summaries or technical issues to do with roads and water supplies. This would be the case where a significant piece of primary work had been carried out for the project performance evaluation report, as this could not be cross-referenced. Use the “available on request” option as appropriate. Photographic documentation should be considered where appropriate.

**D. Sample Basic Project Data<sup>a</sup>**

**BASIC DATA**  
**Project Title (Loan No.- Country)**

**Project Preparation/Institution Building**

TA No.	Technical Assistance Name	Type	Person-Months	Amount	Approval Date
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**Key Project Data** (\$ million)

Total project cost

Foreign exchange cost

ADB loan amount/utilization

ADB loan amount/cancellation

Amount of cofinancing

Supplementary ADB loan

Supplementary cofinancing

Per ADB Loan Documents

Actual

**Key Dates**

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)

Expected

Actual

**Internal Rates Of Return** (%)

Economic internal rate of return

Financial internal rate of return

Appraisal

PCR

PPER

**Borrower****Guarantor****Executing Agency****Mission Data****Type of Mission**

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

Operations Evaluation

No. of Missions

No. of Person-Days

<sup>a</sup> Nonapplicable headings to be deleted.

## SAMPLE EXECUTIVE SUMMARY

This report details the findings of a postevaluation of two phases of the Water Supply and Sanitation Rehabilitation Project (WSSRP) in Timor-Leste. This is the first evaluation carried out by the Operations Evaluation Department of the Asian Development Bank (ADB) in this newly independent country. The WSSRP was financed by the Trust Fund for East Timor—a multidonor fund to which ADB did not contribute—but the project was prepared and managed by ADB following ADB procedures.

Timor-Leste was a Portuguese colony for more than 300 years. In 1975, as Portugal was preparing to grant independence to the territory, civil war broke out between those who favored independence and those who advocated integration with Indonesia. Indonesia intervened militarily and integrated Timor-Leste as its 27th province in 1976. The United Nations never recognized this integration. In January 1999, the Government of Indonesia announced its intent to allow the Timorese to vote for either autonomy within Indonesia or independence. The results of the poll on 30 August 1999 favored independence. Violence and destruction followed in September 1999, resulting in extensive damage to some 70% of the physical infrastructure; disruption of agricultural production and trade; and dislocation of about 75% of the population, who faced severe deprivation following the destruction of housing, crops, livestock, and other means of livelihood. At the same time, the outmigration of Indonesians left a large human resources gap, particularly in skilled areas.

The rationale for the project was to support the repair and rehabilitation of water supply and sanitation systems and to reestablish institutions and systems for managing, operating, maintaining, and developing urban and rural water supplies in an appropriate and sustainable manner.

The WSSRP produced many outputs, but the sustainable operation of water supply schemes is problematic. For urban schemes, the main problems are inadequate water sources and a lack of expenditure on maintenance and operation. For rural schemes, the main problem is the lack of viability of the community management model. The project did little in the area of sanitation. Nevertheless, the physical infrastructure of the Water Supply and Sanitation Service (WSS) was reestablished in the capital and in all 12 district towns. The project also helped develop the capacity of WSS staff. Many planning documents were produced, but the large number of these was beyond the absorptive capacity of the emerging government.

There were strong political pressures to spread resources widely and to produce quick results. This reinforced the sense of urgency that prevailed. However, while the postreferendum violence and destruction had resulted in an emergency, by the time the WSSRP had got under way some 15 months after the destruction, the requirement to address water supply and sanitation needs was not urgent, even though a strong development need existed. The undesirable effects of the sense of urgency and of the pressure to spread resources widely include the following:

- (i) an excessive focus on rehabilitating existing poorly performing systems;
- (ii) a lack of consideration of options and insufficient consideration of whether the option chosen would produce the desired development results or meet the requirements for sustainability;
- (iii) a failure to reintroduce service charges, which makes doing so now politically difficult;

- (iv) the fragmentation of available funds across many subprojects, which imposed strong budget constraints on each, limited the choice of options, and resulted in high transaction costs; and
- (v) a less than desirable level of effort in relation to capacity building.

Even though the WSSRP was formulated and implemented prior to ADB's adoption of its current disaster and emergency assistance policy, the experience provides useful lessons for dealing with postdisaster development. The conclusion is that ADB needs to ensure that interventions carried out in an emergency situation are consistent with sound development. Separating the emergency response, which needs to take place quickly, and the development intervention may be preferable to trying to combine the two.

The project is rated as partly successful. It was assessed as being relevant, efficacious (although close to partly efficacious), less efficient, with less likely sustainability and moderate institutional development and other impacts. The performance of ADB and the Government (given the context of the establishment of a completely new administration) were satisfactory.

A challenge for the Government is how to ensure needed operation and maintenance expenditure for urban systems. The Government is moving slowly toward the reintroduction of user charges; however, even if successfully introduced, these will only be made available to WSS via budget provision. The creation of one or more corporate utilities would be one way to ensure the direct availability of user fees for system operation and maintenance, but such entities often encounter problems, so careful consideration of the options in the Timor-Leste context will be needed before moving in this direction.

Although considered to be international good practice, the community management model adopted has not proven to be sustainable. This is because the model was based on incorrect assumptions about the nature of social relationships in the communities involved.

The evaluation did not seek to answer the question as to whether ADB should continue to be involved in the water supply and sanitation sector in Timor-Leste. However, if ADB does stay involved, the report recommends that it focus on urban systems and capacity building of WSS. A number of bilateral and other agencies are active in the rural sector, and ADB should not directly engage in this area.

Bruce Murray  
Director General  
Operations Evaluation Department

## EXAMPLES OF RATING EACH CRITERION AND OVERALL PERFORMANCE ASSESSMENT

### PROJECT PERFORMANCE EVALUATION REPORT HEALTH AND POPULATION PROJECT (Loan 1316-RMI[SF])

#### III. PERFORMANCE ASSESSMENT

##### A. Overall Assessment

1. The overall rating of the Project is **partly successful** (Table 2). The objectives were well founded on national social and economic needs, the Government's population policy, and ADB's health policy and country strategy for the RMI. Although ADB made a sincere effort to address health and population issues in the RMI, given the magnitude of the challenges, the design was based on an overoptimistic assessment of what might realistically be achieved. There were too many objectives and components, given the size of the loan, the scope of consulting services, the duration of the Project, and the capacity of the Government.

**Table 2: Assessment of Project Performance**

Criterion	Weight	Assessment	Rating Value	Weighted Rating
Relevance	20%	Relevant	2	0.4
Effectiveness	30%	Less Effective	1	0.3
Efficiency	30%	Less Efficient	1	0.3
Sustainability	20%	Less Likely	1	0.2
Overall Rating		Partly Successful	not applicable	1.2

Source: Operations Evaluation Mission assessment.

2. During implementation, the performance of the consultants was mixed, and the contracted consulting companies performed below expectation. This undermined the objective of building institutional capacity in Ministry of Health (MOH). During the design phase there was inadequate appreciation of the cultural, environmental, and capacity constraints to achieving the major goals and objectives of the Project, particularly provisions for community and women's participation and health education aimed at producing population awareness and behavior change. An analysis of why the educational and social mobilization measures to promote primary health care (PHC) in the Project were not successful is given in Appendix 2.

3. Although the project design highlights a participatory approach, greater efforts should have made during project preparation to ensure the participation of key PHC personnel in MOH in the formulation of the project design and innovations to ensure ownership and sustained support by MOH of the project strategies.

4. Separate assessments of components and subcomponents are given in Appendix 6. Component A for support of PHC had five subcomponents. Separate assessments of each individual component are made because of their variable performance; they are rated as follows: (i) organization and technical support, unsuccessful; (ii) training of health personnel, partly successful; (iii) physical infrastructure, successful; (iv) repair and maintenance, unsuccessful; and (v) equipment for the Ebeye Hospital, successful. Component B for

institutional strengthening and Component C for support for the PIU are both rated partly successful.

## 1. Relevance

5. The Project is assessed as **relevant**. The component for PHC promotion was consistent with national health and population needs, problems demonstrated by comprehensive statistical indicators for health (1993), and the poor returns on high health per-capita expenditure by Pacific DMC standards. In 1986, the Government adopted the policy to promote a PHC model of preventive health services. The MOH Mission Statement<sup>1</sup> is based on the Alma-Ata Declaration on Primary Health Care (1978).<sup>2</sup> In the Second Five-Year National Development Plan, 1991/92–1995/96, the main objectives of the Government for the health sector were to (i) improve the overall standard of health of the population, (ii) enhance the degree of self-reliance in the delivery of health services to the population, and (iii) overcome special health problems. The PHC approach received further endorsement in the 1990 RMI National Population Policy, which called for a participatory health-oriented approach to population awareness.

6. The project component was consistent with the ADB operational strategy for the Marshall Islands at appraisal, which noted the social and economic problems of high population growth rates, and the need for policy reforms and more cost-effective services. It also reflected ADB policy for the health sector, which emphasized the importance of a PHC approach and encouraged DMCs to allocate sectoral resources more equitably and efficiently. The project strategies reflect the ADB Population Policy,<sup>3</sup> which encourages more effective integration of health and population activities.

7. The main weakness affecting the relevance of the Project arose from insufficient attention during formulation to the need to inspire a sense of ownership of the proposed innovations for PHC among MOH's managers and staff. The proposed innovations were culturally sensitive, so there was a particular need to draw on the ideas, knowledge, and experience of local health professionals in formulating strategies to address women's health needs, encourage community participation, communicate health information, and encourage behavior change. The design assumed that a sense of ownership of key ideas could be promoted post-facto through counterpart arrangements and national seminars during implementation, but it is now evident that a more participatory process during project formulation was needed. Further, in formulating the Project there was insufficient recognition of the likely barriers to success posed by staff shortages and lack of capacity at lower levels. There was also an unanticipated problem in getting the new staff positions that were required approved, and conflict in this regard with policy advice to the Government provided by the policy advisory team (PAT).<sup>4</sup>

<sup>1</sup> To provide high quality, effective, affordable, and efficient health services to all people of the Marshall Islands, through a primary health care program to improve health status and build the capacity of each community, family and individual to care for their own health. To the maximum extent possible, MOH pursues these goals using the national facilities, staff and resources of the Republic of the Marshall Islands.

<sup>2</sup> Alma-Ata Declaration. 1978. International Conference on Primary Health Care, Alma-Ata, USSR, 6-12 September 1978: Essential health care based on practical, scientifically sound and social acceptable methods and technology made universally accessible to individuals and families through their full participation and at a cost that the community can afford and maintain at every stage of their development in the spirit of self reliance and self determination.

<sup>3</sup> ADB. 1994. Population Policy Paper: Framework for Bank Assistance. Manila.

<sup>4</sup> TA-2295-RMI: Policy Advisory Team (PAT) for Economic Management, approved on 31 January 1995 for \$2.5 million. The identification, need, and design of the public sector reform program (Loan 1513-RMI [SF], approved on 30 January 1997 for \$12.0 million) were largely developed from the work of the PAT team.



8. The Project remains relevant. MOH continues to affirm PHC as its priority, and its *Vision 2018* health targets (Appendix 7) reflect PHC-related Millennium Development Goals (MDG). The ADB Assessment of Hardship and Poverty<sup>5</sup> notes the low rank of the RMI on the United Nations Development Programme (UNDP) Pacific Indices for Human Development and Human Poverty, rankings that reflect the serious health challenges in the RMI and their link to poverty and disadvantage. The ADB Country Strategy and Program Update (2005–2006)<sup>6</sup> for the health sector continues to emphasize the importance of the PHC approach and the need to decrease the financial burden on social services. It emphasizes the need to focus on greater community participation in development processes to raise ownership and the demand for social and economic progress.

## 2. Effectiveness

9. The Project is rated **less effective**. Its first expected outcome was improved access to PHC services. This has been partly achieved by the provision of the outer islands health centers (HCs) and specialized centers on Majuro. However, most of the outer islands HCs are still delivering curative rather than PHC and preventive services. The loss of trained female health assistants (HAs) has reduced the effectiveness of the Project in prioritizing the health needs of women. The provision of maternal and child health care (MCH) and other key PHC services to the outer islands still depends on the overstrained capacity of mobile public health teams sent from Majuro.

10. The second expected outcome of the Project is improved public health. On the basis of statistical trends in health there has been little change since the Project was formulated (Appendix 8). There were some improvements in basic health indicators in 1988–1999—for example, life expectancy rose, and infant and child mortality and fertility rates fell. These trends were claimed as indicators of achievement in the revised project framework in the PCR. However, the OEM does not consider that these changes can be attributed to project interventions, as most significant project outputs did not occur until 1998–1999 or later. The RMI's health and social indicators remain at the lower end of the spectrum of Pacific DMCs and the incidence and prevalence of infectious and chronic diseases remain problematic. A recent World Bank study (2004)<sup>7</sup> warns of statistical trends suggesting that the improvements in infant and child mortality rates noted in 2000 are leveling off; it cites recent studies demonstrating the rising prevalence of child malnutrition, teenage pregnancy, low birth weights, and suicide rates (suicide being among the leading causes of death in 2004).

11. Organizational and technical support for PHC was ineffective. The inputs and outputs intended to achieve improvements in the organization of PHC services and to raise public awareness were not achieved. The recommendations made by the first PHC consultant have not been adopted by MOH, nor were the activities commenced under the Project sustained (national seminars on PHC, outer island CHC training, and use of the training manual, for example.) Similarly, the outputs for family health promotion were not utilized by MOH, being considered inappropriate. The training of health personnel was less effective, as the orientation of health services is still towards secondary and tertiary service.

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<sup>5</sup> ADB. 2002. Assessment of Hardship and Poverty. Manila.

<sup>6</sup> ADB. 2004. Country Strategy and Program Update (2005–2006): Marshall Islands. Manila.

<sup>7</sup> World Bank. 2004. Opportunities that Change People's Lives: Human Development Review of the Pacific Islands. Country Case Study: Republic of the Marshall Islands (Draft). Washington, DC and Sydney Australia: Human Development Department and Pacific Islands Country Department, East Asia and the Pacific Region.

12. The institutional strengthening component was less effective. Although the management of MOH and the quality of its diagnostic and clinical services have improved considerably since 1995, few of these improvements can be attributed to the Project. The Project's intended outcome for improved financial management and administration of health services and control of personnel that would support greater emphasis on, and resource allocation to, PHC was not realized. The contracted consulting company was unable to supply the required health management and finance expert for implementation, and the Project succeeded only in providing very limited support for financial management.

13. The Project partly achieved the expected outcome of developing a long-term strategy for the health sector. The associated TA to develop a health management information system (HMIS) and build health planning capacity failed to make the expected contribution. However, the work of the short-term PHC and finance specialists contributed to the development of the MOH Fifteen-Year Plan (2002), making some contribution to the development of MOH's capacity in health planning in the process.

### 3. Efficiency

14. The Project is assessed as **less efficient**. The physical infrastructure and equipment components, which accounted for 60% of the total project cost, have generally been cost effective, providing a reasonable quality of and access to basic health services to the remote island population. However, the support inputs and outputs (40%) were only partly cost effective.

15. The physical infrastructure and equipment components are assessed as efficient. At the time of formulation, the existing facilities were in poor condition, and the provision of new facilities provided a base for PHC activities as well as supporting the traditional function of the centers in dispensing medicine and first aid. Given the geography of the atolls, which are scattered over 181.3 million hectares of ocean, the increased access to health services has resulted in cost savings stemming from reduced transport costs and a decline in referral cases to the Majuro Hospital. In addition, the construction of the new HCs has encouraged the communities to use the basic health services provided despite cultural barriers. Comparative figures on number of outpatient visits before and after the construction of the HCs show increased utilization of health services by the communities. Based on the survey conducted by MOH, the utilization rate of the HCs ranged from 90% to 100% of the catchment population, and the rate of satisfied clients, also from 90% to 100% (Appendix 9). The equipment provision for the Ebeye hospital was cost effective although its contribution to the project goals and objectives, being mainly for secondary services, is minimal. While the OEM was able to identify some of the economic benefits of the project investments, the economic internal rate of return was not calculated due to difficulty in the valuation of benefits.<sup>8</sup>

16. Organizational support for PHC was inefficient. The campaigns, seminars, and workshops; surveys; and PHC and family health promotion consultants did not deliver the expected outcomes (para. 60). Training of health personnel was only partly achieved, and the services of the training coordination consultant were not effectively utilized due to conflicting objectives of the Project and the TA for public sector reform (footnote 4). Furthermore, the allocations for repair workshops and for a repair and maintenance consultant produced no useful results.

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<sup>8</sup> No economic and financial analysis was done during project preparation and completion.

17. The institutional strengthening component is assessed as less efficient. Although it was a major element in the expected impact of the Project, it accounted for only 3.2% of total expenditure, being for consultant services. It was not cost effective due to weak implementation.

#### 4. Sustainability

18. The sustainability of the Project is assessed as **less likely**. The participatory, community-based model of PHC, which the Project sought to promote, is still not a significant or effective part of the RMI national health services. Improving the quality and coverage of PHC services remains a challenge, and there are still major issues to be addressed in changing public attitudes to health.

19. Community participation has been weakly sustained. The results of the OEM survey (Appendix 4) of the beneficiary communities where the 26 new HCs were built under the Project show that only 13 (50%) of the CHCs were still in existence. These all said that they provided occasional help to the HAs with cleaning the HCs and surrounding areas, and seven mentioned that they promoted PHC messages in the community and helped visiting teams during their visits. The beneficiary communities appear to lack the resources and capacity to maintain and repair their HCs. The reasons for lack of sustainability of the CHCs include (i) migration of CHC leaders, and (ii) lack of understanding of what the role of the CHC should be after the HC was built.

20. Although population growth declined from 4.2% to 1.5% and fertility rates from 7.2 to 5.7 between 1988 and 1999, the change is considered to have been mainly the result of outmigration by people of reproductive age, and the Project appears to have had a limited impact on demographics.

21. Health education, awareness, and outreach programs encouraged by the Project are being implemented, with continuing support from US federal programs and other external agencies. Standard recommended practices, protocols, and approaches advocated by international agencies such as the World Health Organization, UNFPA, the United Nations Program for AIDS, and the South Pacific Community are being applied to the management of public health problems. However, the results of these commendable efforts continue to be disappointing, judging by statistical trends in health, which show little change since the Project was formulated (Appendix 8).

22. Training is less likely to be sustainable. Retraining of HAs and public health nurses was not provided under the Project. The number of women HAs, traditional birth attendants (TBAs), and wives of HAs trained who are in positions to provide a woman-to-woman service is too small to sustain the expected impact of the Project. The limited success of this innovation is due to the lack of more careful planning and supportive measures and has created prejudices against the appointment of women HAs. The Director of Outer Island Health Care System (OIHCS) considers the appointment of women to outer islands HCs an unsuccessful experiment<sup>9</sup> and does not intend to train any more. The most recent OIHCS program trained 14 young male high school graduates for vacant HA positions.

23. The physical infrastructure component is likely to be sustainable. Although the sustainability of the civil works under the Project is currently affected by the lack of adequate

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<sup>9</sup> He argued that women are reluctant to attend emergencies at night; are culturally debarred from using canoes to go to other islands; and are likely to take frequent maternity leave, so their posts would be left unattended.

maintenance provisions, a program of repainting and minor renovations is now being carried out. The water catchments and plumbing in many HCs are not being adequately maintained. However, an inventory of assets has been completed by consultants to the Government, and plans and budgets are in preparation to ensure the maintenance of and sustainability of the investments. Equipment for the Ebeye hospital is likely to be sustainable, as it was procured and is in use. A private contractor has been engaged to maintain both the equipment and the hospital.

24. The institutional strengthening component is assessed as less likely to be sustainable. MOH has yet to achieve the institutional arrangements to effectively support PHC. However, MOH still has not committed resources commensurate with its policy on PHC. PHC services are still subsidiary to clinical services. The MOH goal of four visits to each atoll per year by a team comprising a full complement of staff specialists in the PHC program is not being achieved (Appendix 10). An analysis of PHC service delivery issues<sup>10</sup> shows that most HAs are not actively promoting the PHC approach in the communities. Most still see themselves as “doctors” dispensing medicine and first aid to sick people.

25. The PCR considered that policy development, particularly the Government’s decision to allow MOH to make its own appointments of medical and allied staff, was an indicator of sustainability. While acknowledging this progress and its advocacy by the Project, the OEM notes that health expenditures in the RMI continue to account for about 15% of gross domestic product, and are significantly higher per capita than in other Pacific DMCs, while the RMI’s health indicators are among the lowest. The pattern of disease is still dominated by childhood communicable diseases, indicating the need to give higher priority to PHC services for immunization, growth monitoring, and family planning. However, the allocation of resources for health continues to be inefficient, and a disproportionate share of MOH financial resources is spent on tertiary services (the management of chronic diseases, mainly those associated with diabetes). The allocations for PHC declined from 25% to 15% of the health budget in 2004–2005, although a number of public health programs are supported by separate US federal grants.

26. Although the Project cannot claim credit, it is relevant that the Ebeye Hospital is attempting, with apparent success, to maximize the investment in its new facilities (including equipment provided under the Project) and medical personnel by requiring its specialists to provide service to all its clients. The identification of the client’s needs or diagnosis of the client’s health problem is followed by referral to specialized clinics, including the PHC clinics for immunization, family planning, and reproductive health. Ebeye Hospital also operates a school-based program targeting the most disadvantaged children, and a number of targeted community-based outreach programs on reproductive health and sexually transmitted infections. The hospital appears to have successfully integrated PHC and clinical services. This model is to be adopted on Majuro following completion of the new hospital, and the Government also plans to improve the integration of OIHCS into the health service centers in Majuro and Ebeye.

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<sup>10</sup> MOH. 2005. Primary Health Care Assessment. Majuro.

## ASSESSMENT OF PROJECT OVERALL PERFORMANCE

### PART A: Support for PHC (78.5%)

#### A1. Organizational and Technical Support for PHC (11.3%)

Criterion	Weight	Assessment	Rating Value	Weighted Rating
Relevance	20%	Relevant	2	0.4
Effectiveness	30%	Ineffective	0	0
Efficiency	30%	Inefficient	0	0
Sustainability	20%	Unlikely	0	0
Overall Rating		Unsuccessful	N/A	0.4

#### A2. Training of Health Personnel (2.6%)

Criterion	Weight	Assessment	Rating Value	Weighted Rating
Relevance	20%	Highly Relevant	3	0.6
Effectiveness	30%	Less Effective	1	0.3
Efficiency	30%	Less Efficient	1	0.3
Sustainability	20%	Less Likely	1	0.2
Overall Rating		Partly Successful	N/A	1.4

#### A3. Physical Infrastructure at the Health Center Level in Support of PHC (42.8%)

Criterion	Weight	Assessment	Rating Value	Weighted Rating
Relevance	20%	Relevant	2	0.4
Effectiveness	30%	Effective	2	0.6
Efficiency	30%	Efficient	2	0.6
Sustainability	20%	Likely	2	0.4
Overall Rating		Successful	N/A	2

#### A4. Repair and Maintenance Activities and Programs (4.4%)

Criterion	Weight	Assessment	Rating Value	Weighted Rating
Relevance	20%	Relevant	2	0.4
Effectiveness	30%	Ineffective	0	0
Efficiency	30%	Inefficient	0	0
Sustainability	20%	Unlikely	0	0
Overall Rating		Unsuccessful	N/A	0.4

#### A5. Equipment for the Ebeye Hospital (17.3%)

Criterion	Weight	Assessment	Rating Value	Weighted Rating
Relevance	20%	Relevant	2	0.4
Effectiveness	30%	Effective	2	0.6
Efficiency	30%	Efficient	2	0.6
Sustainability	20%	Likely	2	0.4
Overall Rating		Successful	N/A	2

**ASSESSMENT OF PROJECT OVERALL PERFORMANCE****PART B: Institutional Strengthening (3.2%)**

<b>Criterion</b>	<b>Weight</b>	<b>Assessment</b>	<b>Rating Value</b>	<b>Weighted Rating</b>
Relevance	20%	Highly Relevant	3	0.6
Effectiveness	30%	Less Effective	1	0.3
Efficiency	30%	Less Efficient	1	0.3
Sustainability	20%	Less Likely	1	0.2
Overall Rating		Partly Successful	N/A	1.4

**PART C: Project Implementation Unit (18.3%)**

<b>Criterion</b>	<b>Weight</b>	<b>Assessment</b>	<b>Rating Value</b>	<b>Weighted Rating</b>
Relevance	30%	Relevant	2	0.6
Effectiveness	40%	Less Effective	1	0.4
Efficiency	30%	Less Efficient	1	0.3
Sustainability		Not Applicable		0
Overall Rating		Partly Successful	N/A	1.3

**OVERALL ASSESSMENT**

<b>Criterion</b>	<b>Weight</b>	<b>Assessment</b>	<b>Rating Value</b>	<b>Weighted Rating</b>
Relevance	20%	Relevant	2	0.4
Effectiveness	30%	Less Effective	1	0.3
Efficiency	30%	Less Efficient	1	0.3
Sustainability	20%	Less Likely	1	0.2
Overall Rating		Partly Successful	N/A	1.2

## SAMPLE OF AN ECONOMIC REEVALUATION

### A. Financial Analysis

#### 1. Affordability

1. An affordability analysis for the Dalian Water Supply Group (DWSG) service area was conducted at appraisal, and a re-evaluation was made at project completion. These data, together with data for 2002 from the Impact Evaluation Study on Water Supply and Sanitation Projects (IESWSS)<sup>1</sup> survey and data supplied by the DWSG for the end of 2002 are used in this analysis. The data, in Table A7.1, gives typical household monthly consumption and incomes for different periods. The affordability ratio, representing the monthly water bill as a proportion of the household income, is below 2% in all cases. The data for 1998 and 2002 shows the ratio was below the rate estimated at appraisal for this period. Average daily consumption was slightly higher in 2002 than was estimated at appraisal for 2000.

**Table A7.1: Affordability: Dalian Water Supply Group Water Tariff**

Item	At Appraisal		Actual		
	1995	2000	1998 <sup>a</sup>	2002 <sup>b</sup>	2002 <sup>c</sup>
Household Income (CNY/month)	896	1,295	1,028	1,628	1,614
Average Household Size (persons)	3.1	3.1	3.1	2.7	2.97
Daily per Capita Consumption (lpcd)	84	96	88	101	102
Household Water Consumption (m <sup>3</sup> /month)	7.812	8.928	8.184	8.200	9.100
Average Water Tariff (CNY/m <sup>3</sup> )	1.20	2.78	1.97	2.49	3.22
Average Household Water Cost (CNY/month) <sup>b</sup>	9.37	24.82	16.12	20.40	29.30
Affordability Ratio <sup>d</sup>	1.05%	1.92%	1.57%	1.3%	1.8%

lpcd = liters per capita per day, m<sup>3</sup> = cubic meter.

<sup>a</sup> Data for 1998 provided by Dalian Water Supply Group (DWSG) in December 1999.

<sup>b</sup> Data from IESWSS survey of 180 households (footnote 1).

<sup>c</sup> Data from DWSG for the end of 2002.

<sup>d</sup> Affordability ratio =  $\frac{\text{Average Household Water Cost}}{\text{Household Income}}$

Source: Impact Evaluation Study on Water Supply and Sanitation Project in Selected Developing Member Countries (December 2002).

2. A survey of Dalian households in August 2002, conducted as part of the IESWSS, found that an average household size of 2.7 persons paid CNY20.40 per month for water, or around 1% of household income. The survey found a high level of satisfaction with the water supply service among respondents, particularly in comparison with the pre-project situation. Respondents also appreciated the better quality of life in the city due to the improved availability of water, and they generally accepted that higher water tariffs were the cost for improved supply and easier access. Rising household incomes have made increased water costs more affordable and acceptable.

3. A small number of commercial and industrial users were included in a separate survey for the impact evaluation study. Average monthly consumption of this group ranged from just

<sup>1</sup> ADB. 2002. *Impact Evaluation Study on Water Supply and Sanitation Projects in Selected Developing Member Countries*. Manila.

more than 900 m<sup>3</sup> to 85,000 m<sup>3</sup>. Most of these respondents were satisfied with the post-project supply system and the service provided by DWSG. In response to tariff increases, the industrial and institutional users have reduced average monthly consumption by more than 25% over the past four years. Commercial enterprises such as hotels and shopping centers can take steps to control water consumption (e.g., installing water saving devices), but they have less scope for large-scale savings than many industrial users.

4. Estimates of the affordability ratio were also made for the Pulandian Water Supply Company at reappraisal and at project completion. The survey's data was consistent with the data in the Project Completion Report (PCR). The PCR data showed an affordability ratio of 3- 4%, an acceptable level. However, the ratio was higher than the 1.2% that had been anticipated due to higher tariffs and lower income than expected at appraisal. Similarly, for the Jinshitan Water Supply Company area, an affordability ratio of about 1% was estimated in the PCR.

## 2. Financial Internal Rates of Return

5. Financial internal rates of return (FIRR) were calculated at project appraisal and again at project completion. Using the estimates in the PCR income statements<sup>2</sup> and the same gross domestic product deflator index for all cost and revenue streams, FIRRs have been recalculated to provide a more consistent basis for comparison with the updating and recalculation of data for this Project Performance Audit Report (PPAR).

6. The FIRRs estimated at project completion were lower than at appraisal for DWSG and the combined companies, but higher for DWDC (Table A 7.2). All FIRRs were above the respective weighted average cost of capital (WACC). The FIRRs have been recalculated in the PPAR based on updated data for DWSG and updated projections to 2010. All costs and revenues were expressed in to 2003 constant prices. The FIRRs are slightly lower than those estimated in the PCR, but are still well above the WACCs. The principal assumptions are in Table A7.3.

7. The results of the sensitivity analysis on the FIRRs are in Table A7.4. The FIRRs remain above the WACCs if operation and maintenance (O&M) costs increase 10% and revenues decrease 10%. In all cases, FIRRs were more sensitive to a reduction in revenues than to increases in O&M costs. Switching values shows that changes in costs or revenues would have to be significant for FIRRs to fall to the respective WACCs.

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<sup>2</sup> ADB. 2000. Project Completion Report for the *Dalian Water Supply Project* (for the respective income statements and the assumptions used for their estimation).



**Table A7.2: Financial Internal Rates of Return (%)**

Item	Appraisal		PCR		PPAR
	WACC	FIRR	WACC	FIRR	FIRR
DWDC	4.30	8.60	4.49	7.80	8.80
DWSG	4.30	9.90	4.52	10.20	9.40
DWDC + DWSG	4.30	9.60	4.51	9.50	9.30

DWDC = Dalian Water Delivery Company, DWSG = Dalian Water Supply Group, FIRR = financial internal rate of return, PPAR = project performance audit report, WACC = weighted average cost of capital.

**Table A7.3: PPAR Assumptions**

Item	Details
Costs and Revenues	Costs and revenues were adjusted to 2003 prices, using a) an index based on PCR inflation projections for 2000–2010, and b) an index based on actual data for 2000–2002 and current projections for 2003–2010.
O&M Costs	O&M costs were based on income statement projections. From 2003, salaries are increased in line with projected inflation (2%) and all other costs are increased in line with projected increases in water sales (3%).
Incremental Revenues	Incremental revenues were based on actual data until 2002. From 2003, water sales increases were set at 3%, lower than in PCR since actual sales since 1999 have been below PCR projections.
Tariffs	Tariffs increase at 6% per year, based on historical record of tariff increases.
Replacement Costs	Replacement costs for equipment was assumed after 20 years of operation.
Depreciation	Depreciation was estimated on straight line basis over 25 years based on the assumed value of project assets in DWSG books of CNY965 million.

DWSG = Dalian Water Supply Group, O&M = operation and maintenance, PCR = project completion report, PPAR = project performance audit report.

Source: Operations Evaluation Mission (2003).

**Table A7.4: Sensitivity Analysis for FIRR**  
(%)

Item	% Change	Project Completion			PPAR		
		DWDC+ DWSG	DWDC	DWSG	DWDC+ DWSG	DWDC	DWSG
<b>Base Case</b>		9.4	8.9	9.6	9.3	8.8	9.4
A: O&M Costs	+10%	8.0	8.2	7.8	8.1	8.0	8.1
B: Revenues	-10%	7.1	7.3	7.0	7.3	7.2	7.4
A& B		5.5	6.6	5.0	6.0	6.4	5.9
<b>Switching Values</b>							
A: O&M Costs		+31.8%	+58.4%	+26.9%	+38%	+53%	+35%
B: Revenues		-19.6%	-25.4%	-18.1%	-22%	-25%	-22%

DWDC = Dalian Water Delivery Company, DWSG = Dalian Water Supply Group, FIRR = financial internal rate of return, O&M = operation and maintenance, PPAR = project performance audit report.  
Source: Project Completion Report (2000), Operations Evaluation Mission (2003).

## B. Economic Analysis

### 1. Economic Internal Rates of Return

8. In computing the economic internal rate of return (EIRR) for the additional quantities of water supplied by DWSG, the OEM followed ADB's *Guidelines for Economic Analysis of Water Supply Projects*. The analysis was on an incremental basis between the without-project and with-project demand, and the benefits were valued separately for residential, commercial and industrial consumption. The costs and benefits were expressed in 2003 constant prices at the domestic price numeraire. Commercial and industrial consumers, which pay higher tariffs than residential consumers, reduced their consumption after 2000 (para. 32). The benefits to commercial and industrial consumers were valued using the industrial tariff for each year converted to 2003 prices. Dalian has had severe water shortage, and residential consumers have no alternative source of water. Historically, in the PRC, water was provided more as a social good and tariffs were generally low. Residential consumption was assumed to consist of nonincremental consumption of 80 lpcd (as stated in the appraisal report), while incremental consumption would be the difference between that amount and current consumption (102 lpcd for 2002, increasing at 1% per year until 2010, and then constant). DWSG has raised tariffs significantly (para. 33) to achieve cost recovery. Tariffs are projected to increase from 2003 to 2010 at a real annual rate of 4% and then remain constant. The incremental consumption was valued using the residential tariff of each year in 1999 prices. The appraisal report and the PCR did not estimate the EIRR, as information was not available on the willingness to pay for water. The analysis is for 25 years from the start of project implementation. The OEM estimated that to achieve an EIRR of 12%, the willingness to pay for the nonincremental portion of water consumed by the residential consumers would have to be CNY2.0/m<sup>3</sup> in 2003 constant prices.<sup>3</sup> This price is about 20% above the residential tariff in 1997, the year the Project started to deliver water. If the nonincremental residential consumption were valued at the 2002 domestic tariff of CNY2.3/m<sup>3</sup>, the EIRR would be 13.4%.

<sup>3</sup> The OEM obtained data on willingness to pay for water in PRC estimated in ongoing ADB PPTAs. The amount ranges from Y2.0-Y3.0 per cubic meter in 2003 constant prices.

## 2. Average Incremental Costs

9. The appraisal report estimated the average incremental financial and economic costs for the Project. The average incremental economic cost (AIEC) calculation included an estimate of incremental wastewater treatment costs, reflecting the cost of disposing of wastewater generated by the Project. The average incremental costs were re-estimated in the PCR, but as seen with the re-calculation of FIRRs,<sup>4</sup> there were some inconsistencies in the conversion of the data to constant prices. In the PPAR, the average incremental financial costs (AIFC) were calculated using the WACC as the discount rate, while the AIEC was calculated using the economic opportunity cost of capital. This gives an AIFC of CNY2.0 per cubic meter and an AIEC of CNY3.1 per cubic meter. In financial terms, subsidies are not needed since the AIFC is below the average tariff. The results are compared in Table A7.5.

**Table A7.5: Average Incremental Costs (CNY/m<sup>3</sup>)**

Item	Appraisal <sup>a</sup>		Project Completion				PPAR	
	AIFC	AIEC	AIFC	AIEC	AIFC <sup>b</sup>	AIEC <sup>b</sup>	AIFC	AIEC
DWSG	1.8	3.8	1.8	3.4	1.6	2.3	2.0	3.1
Jinshitan	—	—	3.6	9.8	4.0	7.0	—	—
Pulandian	—	—	2.8	3.6	2.6	3.0	—	—

AIEC = average incremental economic cost, AIFC = average incremental financial cost,  
 DWSG = Dalian Water Supply Group, m<sub>3</sub> = cubic meter, PPAR = project performance audit report  
 — = not calculated.

<sup>a</sup> AIFC at a discount rate of 6% and AIEC at a discount rate of 14%.

<sup>b</sup> Recalculated from PCR in 2003 constant prices.

Source: Project Completion Report (2000), Operations Evaluation Mission (2003).

<sup>4</sup> See Appendix 7: Financial Analysis.

**Table A7.6: Financial Internal Rates of Return**  
(CNY million)

Year	Northern and Southern Components					Northern Component: DWDC					Southern Component: DWSG				
	Capital Costs	O&M Costs	Total Costs	Total Revenue	Net Revenue	Capital Costs	O&M Costs	Total Costs	Total Revenue	Net Revenue	Capital Costs	O&M Costs	Total Costs	Total Revenue	Net Revenue
1995	1,005.4		1,005.4		(1,005.4)	220.7		220.7		(220.7)	784.7		784.7		(784.7)
1996	1,098.1		1,098.1		(1,098.1)	361.5		361.5		(361.5)	736.6		736.6		(736.6)
1997	591.4		591.4		(591.4)	353.4		353.4		(353.4)	238.0		238.0		(238.0)
1998	76.2	430.2	506.4	541.1	34.7	40.3	85.3	125.6	142.6	17.0	35.9	344.9	380.8	398.5	17.7
1999	10.3	405.2	415.5	561.5	146.0	10.3	70.7	81.0	143.1	62.1		334.5	334.5	418.4	83.9
2000		425.9	425.9	579.8	153.9		77.8	77.8	146.2	68.3		348.1	348.1	433.7	85.6
2001		415.8	415.8	551.4	135.6		76.8	76.8	158.6	81.8		339.0	339.0	392.8	53.8
2002		479.3	479.3	619.4	140.1		77.2	77.2	159.0	81.8		402.0	402.0	460.4	58.3
2003		484.8	484.8	658.2	173.3		79.3	79.3	165.4	86.1		405.6	405.6	492.8	87.2
2004		490.6	490.6	699.5	208.9		81.4	81.4	172.0	90.6		409.2	409.2	527.4	118.3
2005		496.5	496.5	743.5	247.0		83.7	83.7	178.9	95.2		412.8	412.8	564.6	151.8
2006		502.5	502.5	790.4	287.9		86.1	86.1	186.1	100.0		416.5	416.5	604.3	187.9
2007		508.7	508.7	840.4	331.7		88.6	88.6	193.6	105.0		420.2	420.2	646.9	226.7
2008		515.1	515.1	893.7	378.6		91.2	91.2	201.3	110.1		423.9	423.9	692.4	268.5
2009		521.7	521.7	950.5	428.8		94.1	94.1	209.4	115.3		427.7	427.7	741.1	313.5
2010		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2011		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2012		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2013		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2014		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2015		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2016	137.9	528.5	666.4	1,011.1	344.7	56.4	97.0	153.4	217.8	64.3	81.5	431.5	513.0	793.3	280.3
2017		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2018		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2019		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2020		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2021		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2022		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2023		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2024		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2025		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2026		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2027		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2028		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2029		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2030		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2031		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2032		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2033		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2034		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2035		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2036		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2037		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
2038		528.5	528.5	1,011.1	482.6		97.0	97.0	217.8	120.7		431.5	431.5	793.3	361.8
<b>NPV</b>					<b>3,094.1</b>					<b>774.3</b>					<b>2,314.9</b>
<b>FIRR</b>					<b>9.25%</b>					<b>8.78%</b>					<b>9.44%</b>
<b>Real Weighted Average Cost of Capital</b>					<b>4.51%</b>					<b>4.49%</b>					<b>4.52%</b>

DWDC = Dalian Water Delivery Company, DWSG = Dalian Water Supply Group, FIRR = financial internal rate of return, NPV = net present value, O&M = operation and maintenance.

Source: Operations Evaluation Mission (2003).

**Table A7.7: Dalian Water Supply Group: Average Incremental Costs of Water**  
(CNY million)

Year	Average Incremental Financial Cost						Average Incremental Economic Cost							
	Water (mcm)	Water Supply Costs			O&M Costs	Total Financial Costs	Water Supply Costs			O&M Costs	Total Economic Costs	Total Economic Costs		
		Capital Costs					Capital Costs							
		Foreign	Local	Total			Foreign	Local	Total					
SCF						1.1	1.0		1.0					
1995		33.7	751.0	784.7	0.0	784.7	37.4	751.0	788.4	0.0	788.4	139.9	14.0	942.3
1996		382.9	353.7	736.6	0.0	736.6	425.0	353.7	778.7	0.0	778.7	232.6	37.2	1,048.5
1997		196.1	41.9	238.0	0.0	238.0	217.7	41.9	259.6	0.0	259.6	124.3	49.7	433.6
1998	259.9	35.9		35.9	344.9	380.8	39.8		39.8	344.9	384.8	114.2	61.1	560.1
1999	231.5				334.5	334.5				334.5	334.5	106.0	71.7	512.2
2000	241.7				348.1	348.1				348.1	348.1	95.8	81.3	525.2
2001	215.6				339.0	339.0				339.0	339.0	93.9	90.7	523.6
2002	179.7				402.0	402.0				402.0	402.0	92.1	99.9	594.0
2003	185.1				405.6	405.6				405.6	405.6	89.4	108.8	603.8
2004	190.6				409.2	409.2				409.2	409.2	95.7	118.4	623.3
2005	196.3				412.8	412.8				412.8	412.8	92.9	127.7	633.4
2006	202.2				416.5	416.5				416.5	416.5	201.3	147.8	765.6
2007	208.3				420.2	420.2				420.2	420.2	195.5	167.3	783.0
2008	214.5				423.9	423.9				423.9	423.9	144.3	181.8	750.0
2009	221.0				427.7	427.7				427.7	427.7	38.4	185.6	651.7
2010	227.6				431.5	431.5				431.5	431.5	37.3	189.3	658.1
2011	227.6				431.5	431.5				431.5	431.5	36.2	193.0	660.7
2012	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2013	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2014	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2015	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2016	227.6				431.5	513.0				431.5	431.5		193.0	624.5
2017	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2018	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2019	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2020	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2021	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2022	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2023	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2024	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2025	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2026	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2027	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2028	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2029	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2030	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2031	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2032	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2033	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2034	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2035	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2036	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2037	227.6				431.5	431.5				431.5	431.5		193.0	624.5
2038	227.6				431.5	431.5				431.5	431.5		193.0	624.5
NPVs	4,087.8					8,321.0	1,813.9			2,298.2	3,833.0		823.3	5,550.1
AIC/m <sup>3</sup>						2.04								3.06
Discount Rate:		4.5%					12.0%							

m<sup>3</sup> = cubic meter, mcm = million cubic meter NPV = net present value, O&M = operation and maintenance, SCF = standard conversion factor.

Source: Operations Evaluation Mission (2003).

**Table A7.8: Dalian Water Supply Group - Economic Internal Rate of Return**  
(2003 constant prices, domestic prices numeraire, CNY million)

Year	Population Served	Incremental Costs (Capital + O&M)	Benefits			Net Benefits
			Domestic Consumption	Nondomestic Consumption	Total	
1995	1,945,000	788.41	62.47	150.03	212.50	(575.91)
1996	1,993,500	778.72	64.03	200.09	264.12	(514.60)
1997	2,043,300	259.57	65.63	236.63	302.26	42.69
1998	2,094,200	384.79	67.27	313.79	381.05	(3.74)
1999	2,146,500	334.52	74.69	353.79	428.48	93.96
2000	2,200,000	348.06	82.46	364.09	446.55	98.48
2001	2,227,400	338.97	91.45	342.92	434.37	95.40
2002	2,255,200	402.01	102.81	300.26	403.08	1.07
2003	2,255,200	405.57	105.52	333.66	439.19	33.61
2004	2,255,200	409.17	108.44	370.56	479.00	69.83
2005	2,255,200	412.80	111.59	411.29	522.89	110.09
2006	2,255,200	416.46	114.99	456.26	571.26	154.80
2007	2,255,200	420.16	118.67	505.89	624.55	204.39
2008	2,255,200	423.90	122.63	560.63	683.26	259.37
2009	2,255,200	427.67	126.91	621.02	747.93	320.26
2010	2,255,200	431.48	131.54	687.59	819.13	387.65
2011	2,255,200	431.48	132.45	736.38	868.83	437.34
2012	2,255,200	431.48	133.37	787.92	921.29	489.80
2013	2,255,200	431.48	134.31	842.35	976.66	545.18
2014	2,255,200	431.48	135.27	899.82	1,035.10	603.61
2015	2,255,200	431.48	136.26	960.50	1,096.76	665.27
2016	2,255,200	431.48	137.26	1,024.56	1,161.81	730.33
2017	2,255,200	431.48	138.28	1,092.16	1,230.44	798.95
2018	2,255,200	431.48	139.32	1,163.50	1,302.82	871.33
2019	2,255,200	431.48	140.38	1,238.77	1,379.15	947.67
2020	2,255,200	431.48	141.46	1,318.18	1,459.64	1,028.16
<b>EIRR</b>						<b>13.4%</b>

EIRR = economic internal rate of return, O&M = operation and maintenance.

Source: Operations Evaluation Mission (2003).

## TREATMENT OF EXCHANGE RATE AND PRICE VARIATIONS IN THE ANALYSIS OF COMPLETED PROJECTS

### A. Estimation of Financial Cost in Constant Prices

1. The financial cost of a completed project is estimated in constant or real prices that are obtained by expressing all prices in a unit of either local currency or foreign exchange at a certain date. Let us assume that we are interested in determining in real terms the cost of a completed project with foreign exchange and local currency cost components. All local project items follow local price trends and all foreign project items follow foreign price trends. Because foreign exchange prices are expressed in dollars, an exchange rate, for example, pesos per dollar, is needed to make the two cost components comparable. The relative price between foreign and local components is given by the ratio between the foreign price expressed in this example in pesos and the local price. This is alternatively described as the ratio between the foreign price index expressed in pesos (FPI<sup>₱</sup>) and the local price index. Changes in the FPI<sup>₱</sup> will be determined by changes in the foreign dollar price of imported items and the exchange rate.

2. Given foreign and local cost streams denominated in current dollars and pesos, our task is to express both streams in constant prices in terms of local currency. This appendix presents a simple strained procedure for calculating project costs in constant prices after accounting for variations in exchange rate, foreign prices, and local prices.

3. Consider a project that was started in 1995 and completed in 1999 (Table A5.1). Following current practice of the Asian Development Bank (ADB), the year of project completion is taken as the starting point for ex post financial analysis.

**Table A5.1: Illustrative Data for a Completed Project**

Item	1995	1996	1997	1998	1999
Foreign Exchange Cost: Current (\$ million)	20	30	65	80	120
Foreign Price Index (FPI <sup>\$</sup> )	113	108	103	99	100
Local Currency Cost: Current (₱ million)	40	60	90	120	180
Local Price Index	73	78	83	92	100
Official Exchange Rate (₱ per \$)	26	26	29	41	39

4. All local and foreign costs are expressed in constant 1999 prices using a domestic deflator for domestic costs and a dollar deflator for costs expressed in foreign exchange. The benefits and costs are then expressed in the domestic currency by converting the foreign exchange cost outflow using the 1999 exchange rate. Table A5.2 shows the procedure to be followed.

5. Following current ADB practice, the manufacturing unit value index is used for the FPI<sup>\$</sup> shown in Table A5.1. Similarly, the deflator of gross domestic product (or if not available, the general wholesale or consumer price indexes) for the country under consideration is used for the local price index. The average exchange rate for the year under reference will not be estimated.

**Table A5.2: Procedure for Estimating Total Project Cost in Constant Local Currency**

Item	1995	1996	1997	1998	1999	Total
1. Foreign Cost in Current \$	20.0	30.0	65.0	80.0	120.0	315.0
2. Foreign Price Index (1999 = 100)	113.0	108.0	103.0	99.0	100.0	
3. Foreign Cost in 1999 \$ = [(1) x 100]/(2)	17.7	27.8	63.1	80.8	120.0	309.4
4. Foreign Cost in 1999 ₱ = (3) x ₱39	690.3	1,084.3	2,461.2	3,151.5	4,680.0	12,066.3
5. Local Cost in Current ₱	40.0	60.0	90.0	120.0	180.0	490.0
6. Local Price Index (1999 = 100)	73.0	78.0	83.0	92.0	100.0	
7. Local Cost in 1999 ₱ (million) = [(5) x 100]/(6)	54.8	76.9	108.4	130.4	180.0	550.6
8. Total Cost in 1999 ₱ = (4) + (7)	745.1	1160.3	2,569.6	3,281.9	4,860.0	12,616.9

## B. Estimation of Economic Cost

6. ADB's *Guidelines for Economic Analysis of Projects* recommend that foreign and local components be expressed in border prices expressed in local currency at the official exchange rate. It is in this context that the recommended procedure, wherein the foreign dollar cost stream is expressed in 1999 prices using the FPI<sup>5</sup> and then converted to pesos by using the 1999 exchange rate, is particularly relevant. To make the recommended procedure in paras. 1–5 compatible with economic analysis, we need to express the local cost component in border pesos. Having derived the foreign and local cost streams in constant financial prices, the methodology recommended in the *Guidelines for Economic Analysis of Projects* can be used to derive the border price equivalents.



### SAMPLE OF FOLLOW-UP ACTIONS

Recommendations for Follow-Up Action	Unit Responsible For		
	Action	Monitoring	Timing
<b>Reevaluation of the Fuel Conversion Project (Loan 880-PRC)</b>			
Mitigation measures related to good housekeeping, waste disposal, and risk minimization need to be fine-tuned to further ensure environmentally clean operations. The Reevaluation Mission observed problems with the ash pond handling system. The issue of dust storms arising from coal ash dispersion and the occasional spillover from the ash pond due to saturation must be addressed with urgency given the important health and ecological impacts associated with both factors. The following measures need to be taken to minimize or remedy the project's impacts on the environment:		IEEN	
(i) improve ash pond management by raising the dike to avoid accidental spills of ash water or flying ash (the work has already started);	CTPP	EPB/ PRCRM	ASAP
(ii) increase environmental monitoring from the present once a year sampling to more frequent or continuous monitoring and include more parameters, such as total suspended particulates in flue gas and heavy metals in wastewater;	CTPP	EPB/ PRCRM	Within a year
(iii) consider adopting more strengthened pollution control measures, such as electrostatic precipitators (electric scrubbers) and sulfur-removal devices;	CTPP	EPB/ PRCRM	3–5 years
(iv) improve wastewater treatment—particularly ash water treatment—by increasing the degree of treatment to remove not only suspended solids but also heavy metals to minimize groundwater contamination; and	CTPP	EPB	Within 5 years
(v) undertake associated research activities and invest in more efficient and cleaner technologies.	Huaneng Power Group	EPB	Ongoing

Recommendations for Follow-Up Action	Unit Responsible For		
	Action	Monitoring	Timing
<p>The challenges facing CTPP are those most other state-owned enterprises face: how to survive the tough market competition conditions and still carry many of the planned economy's burdens, such as overstaffing and lack of freedom in electricity pricing. Despite the constraints, CTPP could improve its management of economic and environmental resources in many areas. In the economic sphere, the following measures are recommended:</p>			
(i) improve staff job training in equipment operation and maintenance, particularly in the area of occupational health and safety;	CTPP	Huaneng Power Group	Immediately
(ii) gradually disperse the surplus workforce to other sectors, such as related service sectors;	Jilin Provincial Government	Jilin Provincial Government	Up to 5 years
(iii) vastly improve office work efficiency by reducing the ranks of officials; and	CTPP/ Huaneng Power Group	Huaneng Power Group	Within 2 years
(iv) provide better economic information management and forecasting in association with the Huaneng Power Group and JEPAB to adapt to the ever-changing electricity market.	Huaneng Power Group	IEEN	Immediately

ASAP = as soon as possible; CTPP = Changshan Thermal Power Plant; EPB = Environmental Protection Bureau; IEEN = Energy Division, Infrastructure, Energy, and Financial Sectors Department (East); JEPAB = Jilin Provincial Electric Power Administrative Bureau; PRCRM = People's Republic of China Resident Mission.

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## I. EVALUATING PROGRAM LENDING<sup>1</sup>

### A. Why Program Lending Merits Special Interpretation

1. From an evaluation perspective, program lending<sup>2</sup> differs from project lending in many respects. Disbursement in program lending is against completion of reform measures, whereas disbursements under a project loan are typically made against authorized claims for work done or supplies delivered. Program loans are complex operations that impact upon a large array of stakeholders. Typically, a program loan is provided by ADB to assist the development of a sector, sectors or a subsector as a whole while improving medium to long term sector performance through policy and institutional improvements. They may also be initiated in response to a need to contribute to the restoration of macroeconomic stability, although this may not be explicitly declared in the project documentation. It is more difficult to assess, isolate, and attribute the impacts of program lending, because program loans aim to make non-marginal changes to the rules and incentive systems under which economies operate. Rarely is there a “control” against which progress can be measured since assessing a counterfactual may be highly speculative. Policy and institutional reforms may take longer to implement (political processes are often involved), or for the impacts to become evident, than for the life of the loan. Typically, program loan objectives are broader, implementation schedules less precise, and loan funds utilization less clearly defined, compared with project lending.

2. Preparation and implementation of program loans is often compressed into a shorter time period than for project loans. The combination of short preparation periods and time-sensitive implementation limits the extent to which program design may include baseline studies, ex-ante impact assessment, or other inputs that provide a solid foundation for self and independent evaluation. The theory underlying the dynamic linkages between complex, multifaceted policy and institutional reform packages and socioeconomic changes is not well established and political economy factors often play a decisive role in determining the results achieved.

### B. Evaluation of Program Lending: Key Issues

3. A program loan is assessed as an external assistance instrument in which agreed upon inputs contribute to outputs, which in turn give rise to outcomes, which in turn contribute to impacts. Inputs include agreed upon policy conditions, finance, and TA. Outputs arise from the adoption of program conditionalities—legislative changes, for example. Program loan outcomes refer to changes in the policy or institutional enabling environment that occur as a result of the implementation of a package of agreed upon reforms. This could include, for example, changes in the role of the public and private sectors, governance practice, competitiveness, openness, public expenditure incidence, prudential soundness of the financial system, stakeholder voice in decision making, sector development regimes, and/or distribution of decision-making authorities between central and local governments. Impacts typically refer to sector-level changes in economic, social, environmental, and human development performance directly attributable, in part at least, to policy reform supported by the program. For non-sector specific program loans,

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<sup>1</sup> For supporting information, see Evaluation Cooperation Group. 2005. *Good Practices for the Evaluation of Policy-Based Lending by Multilateral Development Banks*. Manila: ADB, and Multilateral Development Bank Evaluation Cooperation Group. December 2004. *Good Practice Standards for Evaluation of MDB Supported Public Sector Operations; Addendum—Good Practices for the Evaluation of Policy-Based Lending*. Manila: ADB. Available: <<http://www.adb.org/Evaluation/r-pbl.pdf>>.

<sup>2</sup> Program lending may also be described as policy based lending.

changes in economic output, incomes, exports, inflation, health and education levels, poverty incidence, and environmental conditions are some of the impacts that can be assessed.

4. Program performance (including lessons) is assessed from the various levels of inputs to impacts. Core criteria of relevance, effectiveness, efficiency, sustainability, institutional development and impact, together with supplementary criteria of ADB and borrower performance, are used as a basis for the assessment. However, the subcriteria are different from those used for the evaluation of project lending.

## **II. CONTENTS OF A PROGRAM PERFORMANCE EVALUATION REPORT (PrPER)**

5. This addendum is to be read in conjunction with the main text of the guidelines, particularly Chapter 2 (Content of a Project Performance Evaluation Report). The focus of the addendum is a description of the specific requirements for performance evaluation of program loans.

6. The formats of the PrPER cover and other preliminary pages are given in Appendix 1. Chapter headings are as follows:

- Executive Summary
  - I. Introduction
  - II. Design and Implementation
  - III. Performance Assessment
  - IV. Other Assessments
  - V. Issues, Lessons, and Follow-Up Actions

### **A. Executive Summary**

7. This provides a summary of the program rationale and expected results, and the outputs and outcome achieved. Significant findings, lessons, conclusions and recommendations are presented. The overall assessment rating is given. A typical length is 2 pages.

### **B. Chapter I: Introduction**

8. This chapter contains the following sections.

#### **1. Evaluation Purpose and Process**

9. This section describes the purpose of the evaluation, including special reasons, if any, for selection of the program and for the timing of the evaluation. Any special studies commissioned for the evaluation should be described. A brief comment on the content and objectivity of the PCR, particularly in relation to the overall success rating given, is then made. This section should note that in completing the report, the views of ADB's concerned departments and offices and those of the government and EA have been considered, except as otherwise indicated in the report.<sup>3</sup> OED may choose to summarise major dissenting views on substantive issues that affect the ratings in an appendix or footnote.

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<sup>3</sup> Where the government does not respond to requests that it provide comments, the following statement is included in this section: "Copies of the draft PrPER were forwarded to the government and executing agency on \_\_\_\_\_ with a request that comments be provided within \_\_\_\_ weeks. Although the request was subsequently followed up, no comments were received."

## **2. Program Objectives**

10. This section describes the program primarily on the basis of the outcome and impact statements in the design and monitoring framework, both as approved and if modified for the evaluation (such modification, if necessary, should only aim to clarify contradictory or unclear statements in the Report and Recommendation of the President). The extent to which monitoring information is available for the evaluation should also be described.

## **C. Chapter II: Design and Implementation**

11. The purpose of this chapter is to provide supporting information for the performance assessment, which follows in Chapter III. PCR findings are validated and wherever possible cross-referenced, and summary tables presented. The text will indicate concurrence with PCR findings unless the OEM finds otherwise. In this latter case, the PrPER would describe its findings and discuss the effect of the OEM findings on the overall conclusions reached in the PCR. The chapter includes the following sections:

- (i) Rationale
- (ii) Formulation
- (iii) Cost, Financing, and Executing Arrangements
- (iv) Application of Counterpart Funds
- (v) Consultants
- (vi) Outputs

### **1. Rationale**

12. This section briefly describes the need for the program at approval in the context of the country's development program and ADB's strategies at the time. The soundness of this rationale both at approval and performance evaluation should be assessed.

### **2. Formulation**

13. This section describes how the program was formulated. The discussion should cover the analytical basis for the design (in particular, the soundness of the sector analysis underpinning the program), political considerations at the time, government ownership, institutional feasibility, and consistency with good reform practice.

### **3. Cost, Financing, and Executing Arrangements**

14. This section summarizes information about the expected and actual program cost, the detailed adjustment costs, tranches, and cofinancing. Details should be presented in an appendix. The expected and actual (if different) executing and implementation arrangements are briefly described.

### **4. Application of Counterpart Funds**

15. This section describes the proposed use of the additional budgetary resources generated by the program loan.

## 5. Consultants

16. This section describes the inputs and outputs of consultants financed under any associated technical assistance (TA), using the guidelines in Addendum 2. The detailed evaluation will be included as an appendix to the evaluation report, with a summary included in the other assessments chapter of the report. The effect of any divergence from the approved consultant skill mix or implementation schedule on achievement of outputs should be discussed.

## 6. Outputs

17. This section describes the program outputs, along with their associated activities and inputs, including those for any TA, as planned and realized. Evaluators should assess not only the extent to which inputs were made (e.g., design of specific reform measures), but also the degree to which complementary measures necessary for their implementation occurred; this could include changes in legislation, regulation, public awareness, and institutional arrangements. Depending on the number and complexity of the policy reform measures, this section could comprise a significant part of the evaluation report.

### D. Chapter III: Performance Assessment<sup>4</sup>

18. In this chapter, the overall program performance assessment rating is presented with justification for the assessment provided under six core evaluation criteria:

- (i) relevance,
- (ii) effectiveness,
- (iii) efficiency,
- (iv) sustainability,
- (v) institutional development, and
- (vi) impact.

19. Each criterion is evaluated and rated, with the ratings then aggregated to produce the overall assessment rating. In writing this chapter, the evaluator should ensure that the discussion follows a clear and logical path leading to the conclusion, particularly with respect to the overall assessment. It should be clear to the reader how the assessment has been derived.

20. There are two important differences between the rating methodology for programs and projects. First, as program lending typically has major institutional development effects, and because the impact of a program loan may override all other evaluation criteria, institutional development and impact are treated as core criteria for the evaluation. Second, given that some criteria are more readily assessed in some evaluations than in others, the assignment of weights used to aggregate the core criteria is left to the evaluator. For those programs, for example, where efficiency can be measured only at a high cost, the weight for this criterion could be reduced relative to others. The proposed weights would be included in the position paper.

21. As discussed in Section E of this chapter, separate assessments for ADB and borrower performance, and attached technical assistance are also made, although they are not aggregated into the overall assessment.

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<sup>4</sup> In general, assessment of performance follows the approach detailed in the PPER guidelines.

## 1. Overall Assessment

22. The overall assessment rating, which is presented as the first sentence of this section, could be highly successful, successful, partly successful or unsuccessful.

## 2. Relevance

23. Under this criterion, three main questions are addressed (i) to what extent was the proposed outcome or objectives of the program consistent with the country's development priorities and ADB country and sector strategies, both at appraisal and at evaluation, (ii) was the work used to justify the program satisfactory and based on a sound problem-tree analysis, and (iii) was the program design<sup>5</sup> an appropriate response to the identified development problem?

24. A possible checklist for assessing relevance includes:<sup>6</sup>

- (i) Evidence of diagnostic assessment of problems and opportunities:
  - (a) Adequate sector study for defining program outcome and outputs
  - (b) Adequate policy dialogue on alternative direction of reform
  - (c) Linkages between macroeconomic assessment and loan conditions
  - (d) Contribution of any program preparatory TA
- (ii) Consistency of a program's goals, purposes, and outputs with the government's development strategy, ADB's strategy and program for the country, and ADB's strategic objectives.
  - (a) Inconsistent at time of approval?
  - (b) Consistent or inconsistent at time of evaluation?
  - (c) Appropriate and timely changes made to maintain the program's relevance
- (iii) Importance of implicit objectives
  - (a) Balance of payments and fiscal contributions
- (iv) Sequencing of reforms-country context
  - (a) Complementarity with policy changes and institutional developments in other sectors
- (v) Consistency with stakeholders' objectives and government structure
- (vi) Choice of modality and instrument
  - (a) Appropriateness of program modality compared with available options
  - (b) Appropriateness of associated TA
- (vii) Program formulation
  - (a) Choice of program components
  - (b) Consistency with program goal and purposes
  - (c) Coherence and consistency among program components
  - (d) Coordination with other programs, particularly with those of the International Monetary Fund and the World Bank
  - (e) Responsiveness to constraints and opportunities

---

<sup>5</sup> Considered in terms of a series of necessary and sufficient conditions being met such that inputs proposed being necessary and sufficient to carry out the proposed activities; activities being necessary and sufficient to produce the planned outputs; outputs being necessary and sufficient to produce the desired outcome; contribution of the outcome to the agreed impact objective, adequacy and quality of risk analysis supporting each necessary and sufficient condition.

<sup>6</sup> A more comprehensive subcriteria list from which additional or alternative evaluation subcriteria can be drawn is in Appendix 2.



- (viii) Degree of coordination and/or complementarity with activities of development partners

25. **The criterion rating** for relevance, which should be stated as the first sentence of this section, could be highly relevant with a value of 3; relevant, 2; partly relevant, 1; or irrelevant, 0. A concise summary of the principal factors supporting the rating should be provided.

### 3. Effectiveness

26. This criterion addresses the question: was the expected outcome of the program as defined in the design and monitoring framework, achieved, or is it likely to be achieved? In writing this section, the evaluator should aim for a concise narrative describing what went right, what went wrong, and the outcome. The discussion would open with an evaluation of actual outcome as at the time of program completion, against the targets listed in the design and monitoring framework. An assessment of the major factors responsible for any shortfall in achievement (or exceeded expectations) would follow.<sup>7</sup>

27. **The criterion rating** for effectiveness, which should be stated as the first sentence of this section, could be highly effective with a value of 3; effective, 2; less effective, 1; or ineffective, 0. A concise summary of the principal factors supporting the rating should be provided. A rating of highly effective would normally be reserved for programs where expectations were substantially exceeded.

### 4. Efficiency

28. This is a measure of how well resources were used by the program in achieving the outcome. In practice, it may not be possible to make a comprehensive estimate of efficiency within a realistic time or cost framework. Generally, efficiency can be assessed only in a second-best manner, through an analysis of timeliness of finance, with specific evidence on transaction costs or with partial assessment of reform costs and returns. To the extent that available data permit, the efficiency of major reforms should be assessed. Where a direct assessment of efficiency is not possible, evaluations should as a minimum assess the efficiency of the preparation and implementation processes. The proposed approach for assessing efficiency should be stated in the position paper.

29. A possible checklist for assessing efficiency includes:
- (i) Achievement of program outcome with economic use of program measures (including counterpart funds)
    - (a) Program effects relative to program costs
    - (b) Cost effective use of counterpart funds
  - (ii) Efficiency of process
    - (a) ADB's internal management of the program
    - (b) Organization and management of executing and implementing agencies
    - (c) Funding of program cost
    - (d) Program management costs
  - (iii) Timeliness of outcomes
    - (a) Gestation period of program measures
  - (iv) Counterfactual and program options

<sup>7</sup> Additional issues to be considered in assessing effectiveness are in Chapter II of the PPER guidelines.

30. **The criterion rating** for efficiency, which should be stated as the opening sentence of the section could be highly efficient with a value of 3; efficient, 2; less efficient, 1; or inefficient, 0. A summary of the principal factors supporting the rating should be provided.

## 5. Sustainability

31. This criterion addresses the question: what is the probability that human, institutional, and financial resources are sufficient to sustain the outcome achieved? Of particular importance is the likelihood that the results of any capacity building initiatives will be maintained.

32. Important determinants of sustainability could include the following:

- (i) Likelihood that human, institutional, and financial conditions are sufficient to support program outcomes
  - (a) Political will on the part of government to maintain support of key stakeholders
  - (b) Institutional capacity to take appropriate follow-up actions
  - (c) Degree that the outcome of policy reforms is resilient to changing financial, social, economic and political conditions
- (ii) Continued support for program outcomes from key stakeholders
  - (a) Distribution of benefits and continued sociopolitical support from adversely affected groups
  - (b) Resilience to changes in government and institutional arrangements
- (iii) Absence of major policy reversals

33. **The criterion rating** for sustainability which should be stated as the opening sentence could be most likely with a value of 3; likely, 2; less likely, 1; or unlikely, 0. A concise summary of the principal factors supporting the rating should be provided.

## 6. Institutional Development

34. Under this criterion, the contribution of the program to institutional development is assessed. In particular, whether or not improved governance practices, or improved skills, procedures, incentives, structures, or institutional mechanisms came into effect, should be considered. The contribution made by the program to building capacity to lead and manage the policy reform process should also be assessed.

35. A possible checklist for assessing institutional development effects includes:

- (i) Better definition, stability, transparency, enforceability, and predictability of institutional arrangements:
  - (a) enhancement of laws, regulations, and procedures;
  - (b) improved coordination of external relationships; and
  - (c) norms and practices.
- (ii) Better alignment of the mission and capacity of an organization with its mandate, through
  - (a) improved internal use of resources and improved efficiency of processes,
  - (b) enhanced skill levels, and
  - (c) enhanced reward systems and motivation.

36. **The criterion rating** for institutional development, which should be stated as the opening sentence, could be substantial with a rating of 3; significant, 2; moderate, 1; or negligible, 0. A concise summary of the principal factors supporting the rating should be provided.

## 7. Impact

37. Program loan impacts are likely to be felt across many sectors of the economy and to affect a wide stratum of society. Performance evaluations should attempt to identify what might have happened without the policy reforms (the counterfactual) to provide a basis against which to assess the extent of program-induced socio-economic change. The additionality that the program brought to the policy reform process should be assessed. An appropriate basis for such an evaluation could consider whether or not the program (i) accelerated or delayed reform, (ii) strengthened the hand and credibility of reformers, (iii) fostered policy learning, (iv) built capacity for policy formulation, and (v) improved the public debate on policy development.

38. A possible checklist for assessing impact includes:

- (i) Anticipated and unanticipated (positive and negative) impacts identified
- (ii) Impacts attributable to the program isolated from those caused by other factors
- (iii) Counterfactual scenario identified and used in impact assessment
- (iv) Before and after conditions identified and used in impact assessment
- (v) Key development impacts assessed, either qualitatively or quantitatively, including
  - (a) economic impacts
  - (b) impacts on poverty
  - (c) impacts on sector activity
  - (d) impacts on the environment
  - (e) impacts on social conditions (gender, participation, and others)
  - (f) impacts on political conditions
- (vi) Additional contribution of the program to the policy reform process identified

39. **The criterion rating** for impact which should be stated as the opening sentence could be substantial with a rating of 3; significant, 2; moderate, 1; or negligible, 0. A concise summary of the principal factors supporting the rating should be provided.

## E. Chapter IV: Other Assessments

### 1. ADB Performance

40. A possible checklist for assessing ADB performance is:

- (i) Quality of program design/objectives at entry
  - (a) appropriate degree of selectivity of policy measures
  - (b) grounding in recent economic and sector work
  - (c) adequate economic and financial rationale including quality of forecasting
  - (d) adequate risk assessment
  - (e) incorporation of lessons identified from other program loan evaluations
  - (f) adequate institutional analysis
  - (g) adequate poverty, social (including gender), environmental, and stakeholder analysis

- (h) incorporation of monitoring and evaluation indicators and reporting procedures
- (ii) Quality of ADB supervision
  - (a) extent to which supervision contributed to achieving desired reform
  - (b) degree to which supervision focused on achieving objectives (versus conditionality compliance)
  - (c) degree to which civil society participation was fostered in implementation (i.e., awareness fostered, prior notice given before reforms)
  - (d) problems identified during implementation were expeditiously assessed and resolved
  - (e) flexibility demonstrated in suggesting and approving modifications to achieve desired policy outcomes and impacts
  - (f) supervision used to foster institutional learning, awareness about policy reform and maintenance of good relations with development partners
  - (g) attention paid to monitoring and evaluation data and processes
  - (h) quality and timeliness of self-assessment (i.e., completion reporting)

## 2. Borrower Performance

41. A possible checklist for assessing borrower performance is:

- (i) Quality of preparation
  - (a) degree of ownership and involvement in identification and design
  - (b) political support for reform secured
  - (c) adequate institutional arrangements for program implementation
- (ii) Quality of implementation
  - (a) well-functioning economic policy management team
  - (b) effective leadership and management of the reform process
  - (c) supportive macropolicies and complementary structural and sector policies
  - (d) adequate public outreach, disclosure, and awareness building throughout program with quality engagement with stakeholders
  - (e) key staff assigned to implement reforms and retained
  - (f) executing agencies had adequate incentives to undertake reforms
  - (g) satisfactory use of TA
  - (h) suitable mid-course adjustments made where necessary
  - (i) covenants complied with or waivers requested
- (iii) Adequacy of monitoring, evaluation, and reporting

42. **Criterion ratings**, which should be stated as the opening sentence for the evaluation of each agency, could be highly satisfactory, satisfactory, less than satisfactory, or unsatisfactory.

## 3. Technical Assistance

43. A summary of the evaluation of attached technical assistance is presented here.

## F. Chapter V: Issues, Lessons, and Follow-Up Actions

44. See relevant section of the main text for guidance.

**EXAMPLE FORMAT OF THE PrPER COVER AND OTHER PRELIMINARY PAGES**

**A. Example Front Cover for Program Performance Evaluation Report**



Performance Evaluation Report

PPE: CCC XXXXX

<Name of Program >  
(Loan XXXX-CCC)  
in <Country >

<Month Year >

Operations Evaluation Department  
Asian Development Bank

**B. Example of Inside Front Cover**

**CURRENCY EQUIVALENTS**

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

	At Appraisal <b>(September 1987)</b>	At TA Completion <b>(December 1996)</b>	At Operations Evaluation <b>(November 1999)</b>
SLRe1.00 =	\$0.0332	\$0.0182	\$0.0139
\$1.00 =	SLRs30.17	SLRs54.84	SLRs71.95

**ABBREVIATIONS**

ADB	–	Asian Development Bank
EIRR	–	economic internal rate of return
HDM	-	highway design and maintenance standards model
IRI	–	international roughness index
km	–	ilometre
OEM	–	Operations Evaluation Mission
TCR	–	TA completion report
RCDC	–	Road Construction and Development Corporation
RDA	–	Road Development Authority
SDR	–	special drawing rights
TA	–	technical assistance
VOC	–	vehicle operating cost

**GLOSSARY**

**WEIGHTS AND MEASURES**

**NOTES**

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

**Operations Evaluation Department, PrPE-**

Standard conflict of interest statement to be inserted here.

**C. Example of Table of Contents****CONTENTS**

BASIC DATA EXECUTIVE SUMMARY MAP	(2 pages)
I. INTRODUCTION	(Up to 1 page)
A. Evaluation Purpose and Process	
B. Program Objectives	
II. DESIGN AND IMPLEMENTATION	(3 to 4 pages)
A. Rationale	
B. Formulation	
C. Cost, Financing, and Executing Arrangements	
D. Application of Counterpart Funds	
E. Consultants	
F. Outputs	
III. PERFORMANCE ASSESSMENT	(6 to 8 pages)
A. Overall Assessment	
B. Relevance	
C. Effectiveness	
D. Efficiency	
E. Sustainability	
F. Institutional Development	
G. Impact	
IV. OTHER ASSESSMENTS	(1 to 2 pages)
A. ADB and Executing Agency Performance	
B. Technical Assistance	
V. ISSUES, LESSONS, AND FOLLOW-UP ACTIONS	(1 to 2 pages)
A. Issues	
B. Lessons	
C. Follow-up Actions	
<b>APPENDIXES</b>	
1. Design and Monitoring Framework	
2. Summary Status of Program Measures (Policy Matrix)	
3. Follow-up Actions (if there were a large number of recommendations)	
4. Rating Matrix for Core Evaluation Criteria	
5. Technical Assistance Performance Evaluation	
6. Summary of Compliance With Loan Covenants	
7. Other appendixes as needed. Could include:	
a. Sector description/key indicator tables	
b. Organizational charts	

**D. Example of Basic Program Data**

**BASIC DATA**  
**Agriculture Sector Program (Loan 1340-VIE)**

**Program Preparation/Institutional Building**

TA No.	TA Name	Type	No. of Person-Months	Amount (\$'000)	Approval Date
2224	Rice Market Monitoring and Policy Options Study	ADTA	22.0	832.0	8 Dec 1994
2225	Land Information System and Agricultural Taxation Study	ADTA	25.0	646.0	8 Dec 1994
2540	Agricultural Policy and Program Support	ADTA	3.5	100.0	8 Mar 1996

Key Program Data (\$ million)	As per ADB	
	Loan Documents	Actual
Total Program Cost <sup>1</sup>	78.9	78.9
ADB Loan Amount/Utilization	78.9	78.9

Key Dates	Expected	Actual
First Country Consultation		9–21 Nov 1992
Second Country Consultation		9 Mar–3 Apr 1993
Fact-Finding		27 Mar–16 Apr 1994
Appraisal		7–28 Jul 1994
Loan Negotiations		9–11 Nov 1994
Board Approval		8 Dec 1994
Loan Agreement		19 Jan 1995
Loan Effectiveness	17 Apr 1995	17 Apr 1995
First Disbursement		19 May 1995
Loan Closing	30 Jun 1998	30 Jun 1998
Program Completion	30 Jun 1997	30 Jun 1998
Months (effectiveness to completion)	26	38

**Borrower** Socialist Republic of Viet Nam

**Executing Agencies** Ministry of Finance

Type of Mission	No. of Missions	No. of Person-Days
Country Consultation	2	165
Fact-Finding	1	84
Appraisal	1	154
Program Administration		
Inception	1	9
Review	4	23
Consultation	3	18
Program Completion	1	6
Operations Evaluation <sup>2</sup>	1	28

ADTA = advisory technical assistance, TA = technical assistance.

<sup>1</sup> Equivalent to SDR54 million.

<sup>2</sup> The Operations Evaluation Mission comprised R. Keith Leonard, Evaluation Specialist (Mission Leader), John V. Graham (International Consultant), and Pham Lan Huong (Local Consultant).



## **SUBCRITERIA FOR EVALUATING PROGRAM LENDING OPERATIONS**

The list that follows, which is neither a comprehensive nor a minimum checklist, includes subcriteria that have been found to be important determinants of program lending performance in multilateral development bank evaluations and policy research. Evaluators are encouraged to draw on this appendix when preparing the checklist for a particular evaluation. A proposed list will be included in the position paper. An evaluative judgement is also required to assess the degree to which each chosen subcriterion has been achieved.

### **A. Relevance**

1. Consistency with the country's overall development strategy
2. Consistency with ADB's assistance strategy
3. Importance of contextual circumstances (i.e., was there a pressing financing imperative, and if so, to achieve what?)
4. Importance of policy objectives addressed to meet critical development constraints (by category, such as macroeconomic management, structural reform, sector reform, private sector development, institutional development, human development, environmental reform, and infrastructure development)
5. Reform ownership
  - (i) leadership commitment: (a) locus of initiative, (b) level of intellectual conviction among policy makers, (c) expression of political will by top leadership, and (d) efforts towards consensus building among various constituencies
  - (ii) stakeholder support: (a) program designed as win-win reforms; (b) stakeholder assessment underpinning reform; (c) conditionalities structured to have greater chance of success given stakeholder interests; (d) tensions between stakeholder interests and reform resolved during policy dialogue; (e) key interest groups and the public made aware of the purpose, objectives, and likely effects of reform
  - (iii) institutional capacity: (a) ability and willingness of key institutions to reform factored into design, (b) adequate incentives for key institutions to participate in reform, and (c) assistance provided to augment identified gaps in skills or knowledge
  - (iv) participation: quality of stakeholder analysis and contribution
6. Validity of the diagnosis
  - (i) policy dialogue considered alternative policy options and their consequences
  - (ii) sufficient country knowledge base for diagnosis and recommendations
  - (iii) lessons from past reform experience assessed and incorporated
7. Program formulation and design was relevant to achieving objectives
  - (i) adequacy of the external financing case for the operation?
  - (ii) adequacy of the overall external financing arrangements?
  - (iii) extent and appropriateness of the medium-term framework?
  - (iv) adequacy of the program logic as expressed in the design and monitoring framework (identification of the impact to be achieved; the specific objective of the operation; reform measures; their expected outputs, outcomes, and development results; together with the key assumptions and risks to performance all identified)
  - (v) appropriate reform instruments selected (reforms properly sequenced to reach policy targets, internally consistent, relevant, precise, not overly complex or detailed, realistic/feasible, a manageable number selected, aimed at substantial reductions in major distortions, cover key elements, and have clearly defined targets and objectives)

- (vi) adequate tranching arrangements (disbursement phasing matches financing requirements, reform phasing matches disbursement phasing)
  - (vii) impacts (economic, poverty, social, environmental, and institutional) reflected in design
  - (viii) social consequences assessed, and suitable mitigation measures incorporated
  - (ix) performance risks (both internal and external) adequately identified, and suitable strategies for managing risk incorporated
  - (x) reform is coordinated with and coherent with other assistance efforts
  - (xi) suitable implementation arrangements (well-functioning economic management team in place, high-level representation, burden sharing across ministries, and adequate incentives for affected parts of government to buy into the reform effort)
  - (xii) adequate TA available (to fill knowledge gaps, contribute to capacity building, and support program implementation)
  - (xiii) time frame realistic for reforms to be completed, given institutional and other constraints
  - (xiv) best option among alternatives selected
8. Program loan capable of being readily evaluated
- (i) targets well defined, linkages traced, baseline values provided, and performance targets specified
  - (ii) reporting, monitoring, and evaluation responsibilities assigned and funding provided
  - (iii) knowledge gaps identified, and actions identified for securing information needed for decision making

## **B. Effectiveness (Achievement of Outcome)**

1. Extent to which main program objectives were achieved
  - (i) by main written objective (i.e., desired outputs and outcomes achieved)
  - (ii) by main contextual factors (i.e., desired outputs and outcomes achieved)
2. Extent to which the political economy context was conducive to the achievement of program objectives:
  - (i) high social cohesion/low degree of social/ethnic factionalization
  - (ii) recently elected government/politicians will be in office long enough to see the benefits of reform
  - (iii) degree to which a perceived crisis has precipitated reform
  - (iv) lack of large special interests represented in parliament
  - (v) public awareness and support obtained for program-supported reforms
3. Extent to which program financing and contemporaneous macro-reforms contributed to desired macro-outcomes
4. Extent to which program contributed to fulfilling key policy goals (i.e., macro stabilization, improved public investment, expenditures and domestic resource mobilization, financial sector reform, debt sustainability, private sector enabling environment, governance and public sector management, competitive pricing and marketing, labor legislation, sector regulation)
5. Extent to which program contributed to fulfilling key financial goals and objectives (i.e., financial restructuring, financial viability of distressed banks and state enterprises, enhanced cost recovery)
6. Extent to which program, and associated TA, contributed to fulfilling institutional development objectives (i.e., contributed to capacity for economic management and efficient and effective regulation, capacity of the executing agency to implement reforms)

7. Extent to which social objectives were met (i.e., poverty reduction, protection of vulnerable groups, reducing income disparities, community development and participation, gender equality, access and quality of public services, nutrition and food security, health improvement, participation, and empowerment)
8. Extent to which environmental objectives were met (i.e., improved natural resource management; maintenance of biodiversity; maintenance of soil, air, and water quality; improved urban environmental quality)
9. Extent to which program reforms contributed to continuity of the reform process (i.e., did learning, policy research, and dialogue advance the reform agenda and help build the constituency for the next generation of reforms?)
10. Extent to which factors beyond the government's control influenced the outcome of the program (including world markets, natural calamities, cofinanciers, war/civil disturbance)
11. Were other performance assessments reviewed and presented (including those whose findings contradict the evaluation)?

### **C. Efficiency**

1. Socioeconomic benefits of major reforms are, or are expected to be, substantial
2. Socioeconomic benefits exceed costs (i.e., debt plus main adjustment costs)
3. Costs were effective compared with social objectives achieved (i.e., debt assumed and adjustment costs were relatively low compared with achievement of social objectives)
4. Financing was provided in a timely manner
  - (i) identification and appraisal expeditious
  - (ii) financing disbursed in line with external financing requirements
  - (iii) disbursements took place according to plan
5. Transaction costs of providing assistance were a cost-effective use of assistance
  - (i) costs of identifying, appraising, and supervising the operation lower, by volume of assistance, than for contemporaneous investment operations
  - (ii) government burden (i.e., proportion of economic management team resources devoted to design and implementation) did not preclude attention to other policy matters
6. Net economic returns to the reform operation
7. Public expenditures made adequate provision to meet the government's portion of adjustment costs

### **D. Sustainability**

1. Absence of major policy reversals
2. Continued borrower commitment to objectives demonstrated through post-program implementation of related measures
3. Sociopolitical support for the program (including adversely affected groups)
4. Adequacy of institutional arrangements for implementing agreed upon reforms
5. Conducive political setting (i.e., stable and supportive)
6. Conducive macroeconomic setting
7. Degree of reform resilience (i.e., resilience to changing financial, social, economic, and political conditions)

### **E. Institutional Development**

1. Contribution towards improving national capacity (in economic management, civil service reform, legal and regulatory systems, sector development, and others)

2. Contribution towards improving agency capacity (in planning, policy analysis, skills upgrading, public awareness building and consultation, management, restructuring, decentralization, management of information systems, financial controls, financial restructuring, regulatory enforcement, and agency governance)
3. Contribution towards improving private sector capacity
4. Contribution to improving nongovernment organization and civil society capacity (including participatory attitudes and involvement of society in the reform process)
5. Contribution towards improving the governance of the policy reform process (i.e., transparency, checks and balances, public participation and accountability in the process of reform).
6. Extent to which capacity has been developed to manage and lead the reform process within core government agencies

#### **F. Impact**

1. Anticipated and unanticipated (positive and negative) impacts identified
2. Impacts attributable to the program isolated from those caused by other factors
3. Counterfactual scenario identified and used in impact assessment
4. Before and after conditions identified and used in impact assessment
5. Key development impacts assessed, either qualitatively or quantitatively, including
  - (i) economic impacts
  - (ii) impacts on poverty
  - (iii) impacts on sector activity
  - (iv) impacts on the environment
  - (v) impacts on social conditions (gender, participation, and others)
  - (vi) impacts on political conditions
6. Additional contribution of the program to the policy reform process identified

#### **G. ADB Performance**

1. Quality of program design/objectives at entry
  - (i) appropriate degree of selectivity
  - (ii) grounding in recent economic and sector work
  - (iii) adequate economic and financial rationale
  - (iv) adequate risk assessment
  - (v) incorporation of lessons identified
  - (vi) adequate institutional analysis
  - (vii) adequate poverty, social (including gender), environmental, and stakeholder analysis
  - (viii) incorporation of monitoring and evaluation indicators and reporting procedures
2. Quality of ADB supervision
  - (i) extent to which supervision and implementation contributed to achieving desired reform
  - (ii) degree to which supervision focused on achieving objectives (versus conditionality compliance)
  - (iii) degree to which civil society participation was fostered in implementation (i.e., awareness fostered, prior notice given before reforms)
  - (iv) problems identified during implementation were expeditiously assessed and resolved
  - (v) flexibility demonstrated in suggesting and approving modifications to achieve desired policy outcomes and impacts

- (vi) supervision used to foster institutional learning and awareness about policy reform
- (vii) quality of TA and advisory services during implementation
- (viii) adequate resources devoted by ADB to supervision
- (ix) extent to which ADB reporting was complete, candid, and accurate
- (x) attention paid to monitoring and evaluation data and processes
- (xi) quality and timeliness of self-assessment (i.e., completion reporting)

## **H. Borrower Performance**

1. Quality of preparation
  - (i) degree of ownership and involvement in identification and design
  - (ii) political support for reform secured
  - (iii) adequate institutional arrangements for program implementation
2. Quality of implementation
  - (i) well-functioning economic policy management team
  - (ii) effective leadership and management of the reform process
  - (iii) supportive macropolicies and complementary structural and sector policies
  - (iv) adequate public outreach, disclosure, and awareness building throughout program
  - (v) key staff assigned to implement reforms
  - (vi) executing agencies had adequate incentives to undertake reforms
  - (vii) satisfactory use of TA
  - (viii) suitable mid-course adjustments made where necessary
  - (ix) covenants complied with or waivers requested
3. Adequacy of monitoring, evaluation, and reporting

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## **CONTENTS OF A TECHNICAL ASSISTANCE PERFORMANCE EVALUATION REPORT (TPER)**

1. This addendum is to be read in conjunction with the main text of the guidelines, particularly Chapter 2 (Content of a Project Performance Evaluation Report). The focus of the addendum is a description of the specific requirements for performance evaluation of TAs.

2. The formats of the TPER cover and other preliminary pages are given in Appendix 1. Chapter headings are as follows:

### **Executive Summary**

- I. Introduction
- II. Design and Implementation
- III. Performance Assessment
- IV. Other Assessments
- V. Issues, Lessons, and Follow-Up Actions

### **A. Executive Summary**

3. This provides a summary of the TA objectives, and the outputs and outcome achieved. Significant findings, lessons, conclusions and recommendations are discussed. The overall assessment rating is given. A typical length is 2 pages.

### **B. Chapter I: Introduction**

4. This chapter contains the following sections.

#### **1. Evaluation Purpose and Process**

5. This section describes the purpose of the evaluation, including special reasons, if any, for selection of the TA or TA cluster and for the timing of the evaluation. Any studies commissioned for the TPER should be described. A brief comment on the content and objectivity of the TCR, particularly in relation to the TA's overall success rating, is then made. Finally, this section should note that in completing the report, the views of ADB's concerned departments and offices and those of the government and EA have been considered, except as otherwise indicated in the report.<sup>1</sup> OED may choose to summarise major dissenting views on substantive issues that affect the ratings in an appendix or footnote.

#### **2. Technical Assistance Objectives**

6. This section describes the TA primarily on the basis of the outcome and impact statements in the design and monitoring framework. Key outputs and intended beneficiaries (those to be trained, for example) should also be described.

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<sup>1</sup> Where the government does not respond to requests that it provide comments, the following statement is included in this section: "Copies of the draft TPER were forwarded to the government and executing agency on \_\_\_\_\_ with a request that comments be provided within \_\_\_\_ weeks. Although the request was subsequently followed up, no comments were received."

## **C. Chapter II: Design and Implementation**

7. The purpose of this chapter is to provide supporting information for the performance assessment, which follows in Chapter III. TCR findings would be validated and wherever possible cross-referenced, and summary tables presented. In general, the text would indicate concurrence with TCR findings unless the OEM found otherwise. In this latter case, the TPER would describe its findings and discuss the effect of the OEM findings on the overall conclusions reached in the TCR. The chapter includes the following sections:

- (i) Rationale
- (ii) Formulation
- (iii) Cost, Financing, and Executing Arrangements
- (iv) Consultants and Scheduling
- (v) Design Changes
- (vi) Outputs
- (vii) Policy Framework

### **1. Rationale**

8. This section briefly describes the need for the TA at approval in the context of the country's (or region's) development program and ADB's strategies at the time. The soundness of this rationale both at approval and performance evaluation should be assessed.

### **2. Formulation**

9. This section describes how the TA was formulated. The extent to which governments and beneficiaries were involved should be described and comment provided on the degree of ownership.

### **3. Cost, Financing, and Executing Arrangements**

10. This section summarizes information about the expected and actual TA cost and financing arrangements, including any cofinancing. Details should normally be presented in an appendix or within the cover pages. The expected and actual (if different) executing and implementation arrangements are then described.

### **4. Consultants and Scheduling**

11. This section describes the selection of consultants and the TA schedule. The effect of any divergence from the approved consultant skill mix or implementation schedule on achievement of outputs should be discussed.

### **5. Design Changes**

12. Major changes in expected results or implementation arrangements approved by ADB subsequent to TA approval should be described.<sup>2</sup>

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<sup>2</sup> Factors responsible for design changes and the effect of such changes are discussed under effectiveness in a later section of the report.



## 6. Outputs

13. This section describes the TA outputs, activities and inputs, following the descriptions in the design and monitoring framework. It is important to describe the quality of the outputs in relation to the expected outcome of the TA.

## 7. Policy Framework

14. This section considers the effect of any significant changes in macroeconomic and other policies through the implementation period on the success of the TA. Any design changes made in response to policy changes should be discussed.

### D. Chapter III: Performance Assessment<sup>3</sup>

15. In this chapter, the overall TA performance assessment rating is presented with justification for the assessment provided under four core evaluation criteria:

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

16. Each criterion is evaluated and rated, with the ratings then aggregated to produce the overall assessment rating. In writing this chapter, the evaluator should ensure that the discussion follows a clear and logical path leading to the conclusion, particularly the overall assessment. It should be clear to the reader how the assessment has been derived.

17. As discussed in Section E of this chapter, separate assessments for impact, ADB and government performance are also made, although they are not aggregated into the overall assessment.

#### 1. Overall Assessment

18. The overall assessment rating, which is presented as the first sentence of this section, could be highly successful, successful, partly successful or unsuccessful:

- (i) **Highly Successful (HS).** Overall weighted average is greater than 2.7. This rating is given to TAs whose achievements exceed expectations with very high probability that the outcome and impact will be achieved sustainably and efficiently over the TA life, that the TA remains relevant, and that there are no significant unintended negative effects.
- (ii) **Successful (S).** Overall weighted average is between  $1.6 \leq S \leq 2.7$ . Although the outcome may not have been achieved completely or some negative results have occurred that prevents a highly successful rating, there is no major shortfall, and the expected outcome and impact will in large measure be sustained. The TA remains relevant, and any negative effects are small in relation to the overall gains.

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<sup>3</sup> In general, assessment of performance follows the approach detailed in the PPER guidelines.

- (iii) **Partly Successful (PS).** Overall weighted average is between  $0.8 \leq PS < 1.6$ . Although the evaluation anticipates a significant shortfall in achieving the design outcome and impact, and may consider full sustainability unlikely, it expects that some outputs will result in major benefits.
- (iv) **Unsuccessful (US).** Overall weighted average is less than 0.8. In this case, the evaluation considers that the TA is a failure with poor acceptance of TA findings, no commitment to sustainability and with many negative effects.

19. The above procedure should be followed for evaluating an individual TA. It is unlikely to be appropriate, however, for making an overall assessment of a TA cluster, as the objectives of each TA within the cluster can vary widely. Furthermore, the linkages between each TA can be very weak. In this case, individual TA assessments should be reported in an appendix, with the ratings being shown in tabular form in the report. Evaluators will need to make a judgement as to whether and how an overall assessment can be made and reported. One approach could be to summarise by core evaluation criteria, e.g., “while one TA became largely irrelevant due to changes in government policy, overall, the TAs as a group are rated relevant.” The overall ratings of the individual TAs would not be aggregated, however.

## 2. Relevance

20. Under this criterion, three main questions are addressed (i) to what extent was the proposed outcome of the TA consistent with the country’s (or region’s) development priorities and ADB country (regional) and sector strategies, both at appraisal and at evaluation, (ii) was the work used to justify TA intervention satisfactory and based on a sound problem-tree analysis, and (iii) was the TA design<sup>4</sup> an appropriate response to the identified development problem?

21. The checklist for assessing relevance includes

- (i) Evidence of diagnostic assessment of problems and opportunities
  - (a) Sector policy analysis
  - (b) Institutional analysis
  - (c) Stakeholder analysis
  - (d) Appropriate timing
- (ii) Consistency of TA impact, outcome, and outputs with the government’s priorities and strategy; ADB’s strategy and program for the country; and consistency with ADB’s institutional objectives
  - (a) Inconsistent at time of approval?
  - (b) Consistent or inconsistent at time of evaluation?
  - (c) Appropriate and timely changes made to maintain the TA’s relevance
- (iii) TA formulation/design
  - (a) Matching of diagnostic assessment with approved TA
  - (b) Clear results statement
  - (c) Choice of TA outputs and scheduling
  - (d) Links to non-TA operations

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<sup>4</sup> Considered in terms of a series of necessary and sufficient conditions being met such that inputs proposed being necessary and sufficient to carry out the proposed activities; activities being necessary and sufficient to produce the planned outputs; outputs being necessary and sufficient to produce the desired outcome; contribution of the outcome to the agreed impact objective, adequacy and quality of risk analysis supporting each necessary and sufficient condition.

- (e) Extent to which lessons from previous TAs incorporated
- (f) Extent intended output would result in achievement of outcome
- (iv) Evidence of participation or government ownership:
  - (a) Authorship of TA documents
  - (b) Design of implementation arrangements
  - (c) Provision of counterpart funds and staffing
- (v) Degree of coordination and/or complementarity with activities of development partners

22. **The criterion rating** for relevance, which should be stated as the first sentence of this section, could be highly relevant with a value of 3; relevant, 2; partly relevant, 1; or irrelevant, 0. A concise summary of the principal factors supporting the rating should be provided.

### 3. Effectiveness

23. This criterion addresses the question: was the outcome of the TA as defined in the design and monitoring framework, achieved, or is it expected to be achieved? In writing this section, the evaluator should aim for a concise narrative describing what went right, what went wrong, and the outcome. The discussion would open with an evaluation of actual outcome as at the time of TA completion, against the targets listed in the design and monitoring framework. An assessment of the major factors responsible for any shortfall in achievement (or exceeded expectations) would follow.<sup>5</sup>

24. The checklist for assessing effectiveness includes:

- (i) Effectiveness of TA management
  - (a) Appropriate delivery of inputs
  - (b) Quality of TA outputs
- (ii) Achievement of TA outcome, including institutional development (where appropriate)
  - (a) Degree to which outcome achieved
  - (b) Diagnostic evaluation for any failure to achieve outcome
  - (c) Better alignment of the mission and capacity of an organization with its mandate
  - (d) Increased awareness and enhanced ability to make changes
  - (e) Concurrence of training and capacity building with outputs
- (iii) Attribution
  - (a) The extent to which TA inputs and activities contributed to observed achievements of TA outputs, in relation to other factors
  - (b) The extent to which TA outputs led to observed achievement of outcomes, in relation to other factors

25. The criterion rating for effectiveness, which should be stated as the first sentence of this section, could be highly effective with a value of 3; effective, 2; less effective, 1; or ineffective, 0. A concise summary of the principal factors supporting the rating should be provided. A rating of highly effective would normally be reserved for TAs where expectations were substantially exceeded.

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<sup>5</sup> Additional issues to be considered in assessing effectiveness are in Chapter II of the guidelines.

#### 4. Efficiency

26. This is a measure of how well resources were used by the TA in achieving the outcome. As the basis for assessing efficiency can vary widely between TAs, the proposed approach for a particular performance assessment should be described in the position paper.

27. A possible checklist for assessing efficiency includes:

- (i) Achievement of TA outcome with efficient use of inputs
  - (a) TA outcome and impact relative to TA costs
  - (b) Cost effective use of TA funds
  - (c) Effective promotion and management of recommended changes
- (ii) Efficiency of process
  - (a) ADB's internal management of the TA
  - (b) Organization and management of executing and implementing agencies
  - (c) Efficiency in recruitment of consultants and contractual arrangements
  - (d) Adequacy of counterpart arrangements and funding
  - (e) Effective coordination with development partners
- (iii) Timeliness of outcomes
  - (a) Utilization of TA resources
  - (b) Quality of consultations and decision-making
- (iv) Quality of mid-course adjustments and dialogue

28. **The criterion rating** for efficiency, which should be stated as the opening sentence of this section could be highly efficient with a value of 3; efficient, 2; less efficient, 1; or inefficient, 0. A summary of the principal factors supporting the rating should be provided.

#### 5. Sustainability

29. This criterion addresses the question: what is the probability that human, institutional, and financial resources are sufficient to sustain the outcome achieved? Of particular importance is the likelihood that the results of any capacity building initiatives will be maintained.

30. Important determinants of sustainability might include the following:

- (i) Appropriate policies, procedures, and financial structures in place to ensure continued operation of partner organisations;
- (ii) Appropriate policies in place to ensure the maintenance of required human resources in partner organisations;
- (iii) Adequacy or otherwise of policies, institutions, markets and regulatory conditions, and risks of change;
- (iv) Political will to ensure Government or enterprise ownership and commitment to TA outcomes;
- (v) Existence of appropriate legislative structure to support the implementation of TA outcomes; and
- (vi) Political will on the part of government to maintain support of key stakeholders.

31. **The criterion rating** for sustainability which should be stated as the opening sentence could be most likely with a value of 3; likely, 2; less likely, 1; or unlikely, 0. A concise summary of the principal factors supporting the rating should be provided.

## **E. Chapter IV: Other Assessments**

32. Two assessments are made and described in this chapter—TA impact, a forward-looking assessment, and ADB and government performance.

### **1. Impact**

33. TA impact is evaluated against the impact statement of the design and monitoring framework. As this is likely to be a forward-looking consideration, a judgement will need to be made based on achievements (including sustainability considerations) up to the time of the performance evaluation. Depending on the TA, specific impacts on poverty, the environment, institutions, socioeconomic conditions and economic growth may need to be assessed.

34. **The criterion rating** for impact which should be stated as the opening sentence of this section could be substantial; significant, 2; moderate, 1; or negligible, 0. A concise summary of the principal factors supporting the rating should be provided.

### **2. ADB and Executing Agency Performance**

35. In this section, an overall performance rating for each agency for the entire TA cycle is made.

36. A possible checklist for assessing ADB performance is

- (i) quality of ADB supervision at time of design and resultant quality of entry;
- (ii) adequacy of the formulation process;
- (iii) timeliness and quality of ADB response to government and consultant requests for changes during implementation;
- (iv) adequacy or otherwise of ADB supervision, including the frequency, composition, and length of inception and review missions, and use made of the PPMS;
- (v) timeliness and quality of mid-term review and consultations, integration of findings into implementation plans for the remaining TA period, and subsequent monitoring of any remedial measures;
- (vi) ADB efforts to build and maintain good relations with development partners for the TA, including cofinanciers;
- (vii) quality and timeliness of the TCR; and
- (viii) efforts made by ADB to reflect its anticorruption and other safeguard policies in TA design and implementation.

37. A possible checklist for assessing government performance is

- (i) success or otherwise in meeting TA effectiveness requirements;
- (ii) degree of high level support for the TA;
- (iii) staff quality and continuity in key executing/implementing agencies;
- (iv) effectiveness of TA steering committee, if any;
- (v) adequacy and timeliness of counterpart funding;
- (vi) degree of participation at the design stage and subsequent support for the ADB supervision, review, and performance evaluation process;
- (vii) degree and quality of engagement of implementing agencies with stakeholders;
- (viii) degree of support for dissemination of TA findings; and

- (ix) degree of support for change management recommendations including preparation of required legislation.

38. **Criterion ratings**, which should be stated as the opening sentence for the evaluation of each agency, could be highly satisfactory, satisfactory, less than satisfactory, or unsatisfactory.

**F. Chapter V: Issues, Lessons, and Follow-Up Actions**

39. See relevant section of the main text for guidance.

## SAMPLE FORMAT OF THE TPER COVER AND OTHER PRELIMINARY PAGES

### A. Sample Front Cover for Technical Assistance Performance Evaluation Report



Performance Evaluation Report

TPE: CCC XXXX-XX

<Name of Technical Assistance>  
in <Country>

<Month Year>

Operations Evaluation Department  
Asian Development Bank

**B. Sample of Inside Front Cover****CURRENCY EQUIVALENTS**

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

	At Appraisal <b>(September 1987)</b>	At TA Completion <b>(December 1996)</b>	At Operations Evaluation <b>(November 1999)</b>
SLRe1.00 =	\$0.0332	\$0.0182	\$0.0139
\$1.00 =	SLRs30.17	SLRs54.84	SLRs71.95

**ABBREVIATIONS**

ADB	–	Asian Development Bank
EIRR	–	economic internal rate of return
HDM	-	highway design and maintenance standards model
IRI	–	international roughness index
km	–	kilometer
OEM	–	Operations Evaluation Mission
TCR	–	TA completion report
RCDC	–	Road Construction and Development Corporation
RDA	–	Road Development Authority
SDR	–	special drawing rights
TA	–	technical assistance
VOC	–	vehicle operating cost

**GLOSSARY****WEIGHTS AND MEASURES****NOTES**

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

<b>Operations Evaluation Department, TE-</b>
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Standard conflict of interest statement to be inserted here.
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### C. Sample of Table of Contents

#### CONTENTS

BASIC DATA EXECUTIVE SUMMARY MAP	(2 pages)
I. INTRODUCTION	(half page)
A. Evaluation Purpose and Process	
B. Technical Assistance Objectives	
II. DESIGN AND IMPLEMENTATION	(2 to 3 pages)
A. Rationale	
B. Formulation	
C. Cost, Financing, and Executing Arrangements	
D. Consultants and TA Scheduling	
E. Design Changes	
F. Outputs	
G. Policy Framework	
III. PERFORMANCE ASSESSMENT	(7 to 9 pages)
A. Overall Assessment	
B. Relevance	
C. Effectiveness	
D. Efficiency	
E. Sustainability	
IV. OTHER ASSESSMENTS	(2 to 3 pages)
A. Impact	
B. ADB and Executing Agency Performance	
V. ISSUES, LESSONS, AND FOLLOW-UP ACTIONS	(1 to 2 pages)
A. Issues	
B. Lessons	
C. Follow-up Actions	
APPENDIXES	
1. Design and Monitoring Framework	
2. Follow-up Actions (only in the event that there were a large number of recommendations)	
3. Rating Matrix for Core Evaluation Criteria	
4. Other appendixes as required. Could include:	
a. List of related TAs	
b. Performance assessments of individual TAs in cluster	
c. TA costs and funding source	
d. Organizational charts	
e. Sector description	

## D. Sample of Basic TA Data

## BASIC DATA

TA 2345-VIE: Improvement of Financial Management of Power Companies<sup>a</sup>

Part A: National Tariff Study

Part B: Improvement of Financial and Accounting Systems

<b>Cost Financed by ADB (\$'000)<sup>b</sup></b>	<b>Estimated</b>	<b>Actual</b>
Foreign Exchange Cost		
Part A	426	508
Part B	747	411
Local Cost		
Part A	5	—
Part B	25	—
<b>Subtotal Part A</b>	<b>428</b>	<b>508</b>
<b>Subtotal Part B</b>	<b>772</b>	<b>411</b>
<b>Total</b>	<b>1,200</b>	<b>919</b>
<b>Number of Persons-Months</b>		
Part A (Consultants)	15	17
Part B (Consultants)		
<b>Executive Agency:</b>	Electricity of Vietnam	
<b>Milestones</b>		<b>Date</b>
President's/Board Approval		8 June 1995
Signing of TA Agreement		16 June 1995
Fielding of Consultants		
Part A		19 Jan 1996
Part B		24 Jan 1996
TA Completion:	Expected	Aug 1996
	Actual: Part A	Aug 1997
	Part B	Dec 1997
TCR Circulation		Not Required
<b>Mission Data</b>	<b>Number</b>	<b>Date</b>
Programming	1	6 – 16 Dec 1994
Reappraisal	1	16 – 27 Jan 1995
Inception	1	24 -2 6 Jan 1996
Tripartite	1	14 -15 April 1997
Operations Evaluation	1	7 – 18 Jun 2004

— not available, ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

<sup>a</sup> Attached to ADB. 1995. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Socialist Republic of Viet Nam for the Power Distribution Rehabilitation Project*. Manila ( Loan 1358-VIE [SF]).

<sup>b</sup> Financed by the Japan Special Fund.