

**ASIAN DEVELOPMENT BANK  
Operations Evaluation Office**

**REPORT OF THE PRESIDENT**

**TO THE**

**BOARD OF DIRECTORS**

**ON**

**1999 EVALUATION ACTIVITIES**

**AND**

**THE TWENTY-SECOND ANNUAL REVIEW**

**OF EVALUATION OPERATIONS**

**July 2000**

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
BOL	–	Bank of Lao PDR
BPE	–	Bureau of Private Education
CAPE	–	country assistance program evaluation
CBO	–	community-based organization
CPR	–	country portfolio review
DMC	–	developing member country
EA	–	executing agency
ECG	–	Evaluation Cooperation Group
EIRR	–	economic internal rate of return
GMS	–	Greater Mekong Subregion
Lao PDR	–	Lao People's Democratic Republic
MAF	–	Ministry of Agriculture and Forestry
NGO	–	nongovernment organization
NPC	–	National Power Corporation
O&M	–	operation and maintenance
OEO	–	Operations Evaluation Office
PCR	–	project completion report
PNG	–	Papua New Guinea
PPAR	–	project performance audit report
PPMS	–	project performance monitoring system
PPTA	–	project preparatory technical assistance
PRC	–	People's Republic of China
RME	–	results-oriented monitoring and evaluation
SCB	–	state commercial bank
SDR	–	special drawing rights
SF	–	Special Fund
SOE	–	state-owned enterprise
TA	–	technical assistance
TCR	–	technical assistance completion report
TEVT	–	technical education and vocational training
TPAR	–	technical assistance performance audit report
WSS	–	water supply and sanitation

## NOTE

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

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## REPORT OF THE PRESIDENT TO THE BOARD OF DIRECTORS ON 1999 EVALUATION ACTIVITIES

I submit to the Board of Directors the Report on 1999 Evaluation Activities and the Twenty-Second Annual Review of Evaluation Operations.<sup>1</sup> In 1999, the Operations Evaluation Office (OEO) helped enhance the development effectiveness of the Asian Development Bank's (ADB) operations by providing evaluation and feedback. During the year, OEO completed 41 major reports including 21 project and program performance audit reports (PPARs) covering 24 projects and programs, 4 technical assistance (TA) performance audit reports, 2 reevaluation studies, 3 impact evaluation studies, 6 special evaluation studies, and 1 country assistance program evaluation (CAPE).<sup>2</sup> OEO also produced the inaugural issue of *Evaluation Insights*, the newsletter of the Evaluation Cooperation Group.<sup>3</sup>

Of the 20 loan projects evaluated in 1999, which included one in the private sector, 13 (65 percent) were rated as generally successful, 5 (25 percent) as partly successful, and 2 (10 percent) as unsuccessful. By country group, all three projects in Group A (all in Nepal) were generally successful. Group B1 countries had two generally successful projects, one partly successful, and one unsuccessful. All six Group B2 projects were generally successful. Group C countries had two generally successful projects, four partly successful, and one unsuccessful. By sector, four projects in the agriculture and natural resources sector were rated generally successful and one partly successful. Nine physical infrastructure projects were generally successful, while one—a private sector energy loan—was partly successful. In social infrastructure, two projects were partly successful while two were unsuccessful. The one project evaluated in the financial sector was partly successful.

Four program loans were evaluated; one was rated as generally successful and the remaining three as partly successful. Four TA performance audit reports prepared in 1999 covered 16 TA operations, 9 of which were rated as generally successful, 3 partly successful, and 3 unsuccessful; one TA was not rated. Of the two reevaluation studies, one reconfirmed a partly successful rating, while the other reclassified the project from generally successful to unsuccessful.

Overall, these results show an increase in generally successful ratings over the 1998 evaluations. However, this must be viewed with caution as the sample sizes are small. The cumulative ratings, which have barely changed, present a more conservative picture: in both 1998 and 1999, just under 60 percent were generally successful, 30 percent partly successful, and the remainder unsuccessful.

OEO subjects all program loans to the PPAR process. By the end of 1999, 30 programs had been evaluated. While all lending operations—both public sector (including project and program loans) and private sector—are treated together in the historical data, program loans are also disaggregated this year for separate statistical analysis. Of the 30, 10 (33 percent) have been classified as generally successful and 20 (67 percent) as partly successful.

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<sup>1</sup> This report is renamed this year to reflect that it is more than a review of reports but rather a review of activities.

<sup>2</sup> The remaining major reports consisted of the Twenty-first Annual Review of Evaluation Reports, the 1999 Annual Performance Evaluation Program, Evaluation Highlights of 1998, and Recommendations of the ADF VII Donors Reports: Interim Review of Implementation. In addition, 6 TA completion reports, the Country Synthesis of Evaluation Findings in Nepal, and the Sector Synthesis of Evaluation Findings in Rural and Agricultural Credit were prepared, for a total output of 49 reports.

<sup>3</sup> Comprises the evaluation units of the multilateral development banks.

In 1999, OEO produced its second CAPE. Focusing on Viet Nam, the CAPE assessed the relevance, efficacy, and effectiveness of ADB's lending and TA operations. The evaluation revealed that ADB's country strategy has been appropriate and consistent with Viet Nam's needs and conditions. The country program has broadly followed the strategy through evolving Government priorities. From 1993 through 1995, the country program emphasized infrastructure rehabilitation and improvement. From 1996 to 1998, the program was broadened to increasingly correlate ADB assistance with crosscutting issues of both ADB and Viet Nam and to decentralize interventions. The major recommendations of the CAPE are to strengthen project supervision, provide a framework in the country operational strategy that will define priority areas and sequencing of capacity building to be followed in the country assistance program, and identify performance indicators for monitoring and evaluation.

OEO carried out three impact evaluation studies in 1999. One study on ADB assistance to Indonesia's water supply and sanitation (WSS) sector assessed six completed WSS projects as only partly successful in reaching low-income communities. Eight completed urban development projects with WSS components were also assessed and found to be generally successful. A second study of ADB's program of subregional economic cooperation in the Greater Mekong Subregion supports such involvement where it targets Asian Development Fund donor objectives, provides economies of scale, reduces transaction costs, improves knowledge sharing, and increases opportunities. The third study on ADB assistance for technical education and vocational training assessed the long-term impacts of 10 projects in four countries. Projects in Malaysia were generally successful, but those in Pakistan, Papua New Guinea, and Sri Lanka did not sustain their impact beyond a few years after project completion.

Six special evaluation studies examined a wide range of topics. Two investigated the use of TA to assist public expenditure management, capacity building, and institutional strengthening. As a group, the 27 TAs revealed the importance of TA design: Government ownership is critical; TA design must be comprehensive; and it must include broad participation by the executing agency (EA), including senior officials, if the TA is to be sustainable.

The special evaluation study on the social and environmental impacts of four ADB-financed hydropower projects in four countries reveals no significant negative environmental and social impacts per se, but notes shortcomings that could have been avoided through more diligence on the part of project proponents. Another study on the effectiveness of ADB approaches and assistance to poverty reduction covered four projects each in five countries. It highlights the need to develop a comprehensive strategy and portfolio for a country to ensure broad integration of poverty reduction issues in country and project strategies.

The study of nongovernment organizations and community-based organizations covered 54 projects in 9 countries, assessing such organizations' accelerating involvement in ADB lending and TA operations. There is strong evidence that this activity enhances consultative and participatory project development and improves project effectiveness. The last study, an interim assessment of ADB's lending to Thailand during the economic crisis, showed that policy-based lending can be an effective instrument in the financial sector, and in other sectors as well.

The 1999 report on the Annual Performance Evaluation Program evaluated the quality and effectiveness of ADB's self-evaluation processes. Project completion reports (PCRs) and technical assistance completion reports (TCRs) have a tendency to base assessment upon the achievement of outputs as opposed to the achievement of objectives. Country portfolio reviews focus on implementation issues and do not assess progress toward development objectives.

The Annual Performance Evaluation Program notes that PCRs and TCRs are done too soon after implementation, when information concerning the achievement of objectives may be limited and full impacts may not have been felt.

These conclusions flowed naturally into a special review of a sample of PCRs that were prepared in 1999 to assess their quality and coverage. OEO could not endorse 8 of the 19 PCR generally successful ratings. The review recommends improving the guidelines for PCR preparation, and providing additional resources for the process.

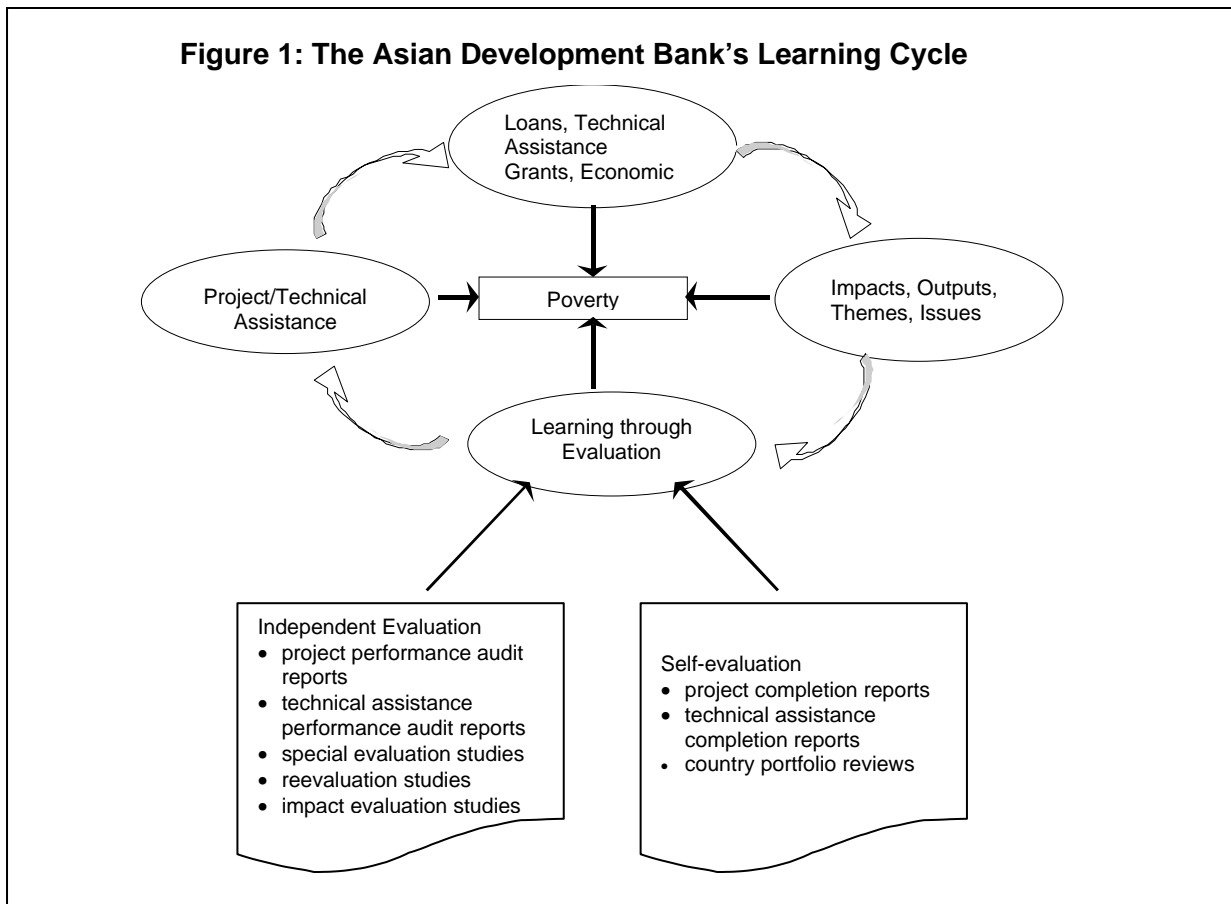
OEO implemented two advisory TAs to build evaluation capability, and prepared six TCRs. OEO also continued its close coordination with peer units in the multilateral development banks through its participation in the Evaluation Cooperation Group.

Based on the evaluation reports prepared in 1999, the following key issues were identified:

- (i) **Benefits of Participatory Approaches.** Several projects revealed the value of participatory methods in project formulation as well as implementation, but such methods are not a panacea, and they can be relied upon too much. One project was a pilot attempt to use participatory evaluation techniques.
- (ii) **Close Attention to Sustainability.** It is in the area of sustainability where many otherwise successful projects are found wanting during OEO evaluation. Even half of the generally successful projects and several of the generally successful TAs were questioned on the grounds of sustainability, covering practically all sectors and a broad range of countries. The common thread is lack of budgetary support for operation and maintenance. Most sustainability problems stem also from faulty design, insufficient consideration by review missions, and/or government/EA inertia.
- (iii) **Use of Accompanying TA.** Advisory TA can be a powerful tool to keep a project moving in the proper direction, to fine-tune project inputs, and to ensure transfer of technology. But it can also function independently of a project and have only a small effect on project outcomes. Closer supervision of TA consultants by review missions and more effective coordination with EAs is called for.
- (iv) **Poverty Reduction.** Poverty reduction is ADB's overarching goal. Two PPARs and an impact evaluation study examined projects specifically targeted at the poor. Other evaluated projects and programs had indirect effects on poverty, such as the education projects, which by their nature benefited lower income groups. Others, while having no direct effect, worked to lift the general level of economic and social development. Starting in 2000, OEO evaluations will comment specifically on poverty reduction issues.
- (v) **The PCR as a Learning Tool.** PCRs are frequently seen as a routine exercise. OEO's in-depth review of a sample of PCRs was controversial. The controversy itself showed the value of the exercise. OEO, projects and programs departments, and the Strategy and Policy Department should together aim at mutual goal setting and the development of new, realistic guidelines for PCR preparation, as well as incentives for staff to place more value on the PCR exercise.

## I. INTRODUCTION

1. The Asian Development Bank's (ADB) increasing concern about the impact of its assistance on poverty reduction has added a new dimension to evaluation. While learning through evaluation remains the key function of the Operations Evaluation Office (OEO), the evaluation and thus the learning activities have a clearer focus on and revolve around ADB's overarching objective (Figure 1). The broader significance that evaluation of poverty impact has assumed means that more rigorous evaluation standards and practices must be applied. Evaluation has to produce results that are operationally useful for OEO's feedback function and position as a source of learning. OEO is therefore paying increased attention to project objectives and designs that can be evaluated. This will facilitate monitoring and verification of ADB's strategic intent to contribute to poverty reduction. In 1999, significant progress was made. The use of the logical framework was made mandatory, and the introduction of the project performance monitoring system (PPMS) enforces the use of specific monitorable parameters that include indicators to measure poverty impact.<sup>1</sup> The development of such indicators for selected sectors is an ongoing activity.



<sup>1</sup> The PPMS was developed to replace the benefit monitoring and evaluation system, which was not successful. The PPMS is an integrated approach to monitoring project implementation and development results. It places emphasis on the formulation and ongoing monitoring of performance indicators for project management. In November 1998, ADB approved the implementation of project performance reports as part of the effort to improve project quality. The project performance reports and the logical framework are the key elements of the PPMS.

2. OEO specifically supported ADB's overarching objective in 1999 with a special study on the effectiveness of ADB approaches and assistance to poverty reduction in five countries (paras. 59-60). In addition, OEO examined crosscutting issues through three special evaluation studies covering governance (public expenditure management, para. 57), nongovernment and community-based organizations (para. 61), and the social and environmental impacts of hydropower projects (para. 58). Other highlights of the year's work are a country assistance program evaluation (CAPE) for Viet Nam (paras. 66-67) and a special evaluation study on ADB's lending operations in Thailand during the economic crisis (paras. 62-63). OEO also supported documentation preparation for the February 2000 discussions on replenishment of the Asian Development Fund (ADF).

3. This review is the twenty-second in the annual series prepared by OEO. It presents a summary of the findings from 49 evaluation reports in 1999 comprising 21 project and program performance audit reports (PPARs), 4 technical assistance performance audit reports, 2 reevaluation studies, 3 impact evaluation studies, 6 special evaluation studies, 1 CAPE, the Twenty-first Annual Review of Evaluation Reports,<sup>2</sup> the 1999 Annual Performance Evaluation Program,<sup>3</sup> Evaluation Highlights of 1998,<sup>4</sup> Recommendations of the ADF VII Donors Report: Interim Review of Implementation,<sup>5</sup> 6 technical assistance completion reports (TCRs), 1 country synthesis, and 1 sector synthesis (Box 1 and Appendix 1). In addition, OEO produced the inaugural issue of *Evaluation Insights*, the newsletter of the Evaluation Cooperation Group, composed of the evaluation units of six multilateral development banks.

### Box 1: Major Types of Evaluation Reports

#### Project or Program Performance Audit Report

- provides a comprehensive evaluation of the effectiveness of a project or program with at least three years of operational history in achieving its objectives and sustaining its benefits
- gives an analytical assessment focusing on issues and lessons of operational significance

#### Technical Assistance Performance Audit Report

- assesses the need for, adequacy of, and effectiveness of technical assistance including its impact on technical, operational, institutional, and socioeconomic aspects

#### Impact Evaluation Study

- provides insights into the extent to which the benefits of ADB lending in a particular sector or subsector are spread and sustained

#### Reevaluation Study

- focuses on an in-depth analysis of project impact and sustainability about five years after the postevaluation stage

#### Special Evaluation Study

- provides intensive analysis of a particular thematic issue across sectors or countries

#### Country Assistance Program Evaluation

- examines all Asian Development Bank country operational strategy studies, country assistance programs, loans, technical assistance, and economic and sector work over a number of years in a particular country

<sup>2</sup> RPE: 99009: *Report of the President to the Board of Directors on 1998 Evaluation Activities and the Twenty-first Annual Review of Evaluation Reports*. June 1999.

<sup>3</sup> APE 99031: *1999 Annual Performance Evaluation Program*. December 1999.

<sup>4</sup> Operations Evaluation Office. 1999. *Evaluation Highlights of 1998*. Asian Development Bank, Manila.

<sup>5</sup> Operations Evaluation Office. December 1999. *Recommendations of the ADF VII Donors Report: Interim Review of Implementation*. Asian Development Bank, Manila.

## II. ASSESSMENT OF 1999 EVALUATION ACTIVITIES

4. By December 1999, OEO had evaluated 566 public sector (including project and program loans) and private sector loans. Two program loans were not rated. Of the remaining 564 loans, 322 (57.1 percent) were rated as generally successful, 179 (31.7 percent) partly successful, and 63 (11.2 percent) unsuccessful (Appendix 2). Economies that have graduated show the highest generally successful rate. Box 2 provides a description of the country classification and the concept of graduation. While Group B2 countries had a slightly higher rate of generally successful projects than Group C countries, there has been a clear progression of the generally successful rating from ADF-only countries (46 percent) to blend countries (54 percent) to countries receiving loans only from ordinary capital resources (58 percent) to graduates (88 percent). Conversely, the highest proportion of unsuccessful projects has been in ADF-only countries (24 percent) and the lowest among graduates (2 percent).

### Box 2: Classification of Countries

A revised classification system for the Asian Development Bank's (ADB) developing member countries was approved by the Board of Directors in December 1998 and took effect on 1 January 1999. Under the revised system, two criteria—per capita gross national product and debt repayment capacity—are used to determine the classification of the borrowing countries into group A, B1, B2, or C.<sup>a</sup> This classification system determines the (i) degree of eligibility to borrow from the Asian Development Fund, (ii) applicable ceiling on ADB financing, and (iii) minimum share of government contribution to technical assistance costs.

Group A includes Afghanistan, Bhutan, Cambodia, Kiribati, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Myanmar, Nepal, Samoa, Solomon Islands, Tajikistan, Tuvalu, and Vanuatu.

Group B1 includes Bangladesh, Cook Islands,<sup>b</sup> Marshall Islands, Federated States of Micronesia, Pakistan, Sri Lanka, Tonga, and Viet Nam.

Group B2 includes People's Republic of China, India, Indonesia,<sup>c</sup> and Nauru.

Group C includes Fiji Islands,<sup>d</sup> Kazakhstan, Malaysia, Papua New Guinea, Philippines, Thailand, and Uzbekistan.

In addition, the criteria for graduation from regular ADB assistance have been established. Four members—Hong Kong, China; Republic of Korea; Singapore; and Taipei, China—have graduated from regular ADB assistance.

<sup>a</sup> Azerbaijan has not been classified.

<sup>b</sup> Limited eligibility for ordinary capital resources will be applied only after the external debt position improves.

<sup>c</sup> On a watch list for graduation from the Asian Development Fund.

<sup>d</sup> Graduation from ADB is to be phased over two years.

### A. Project Performance Audit Reports

5. Seventeen PPARs prepared in 1999 covered 20 projects, reflecting OEO's thrust to look at larger units than single projects or programs. Three projects were in Group A countries, 4 in Group B1 countries, 6 in Group B2 countries, and 7 in Group C countries (Box 2). By sector, 10 were in physical infrastructure, 5 in agriculture and natural resources, 4 in social infrastructure, and 1 in the financial sector.

#### 1. Project Performance Ratings

6. ADB uses three broad performance categories for completed projects and programs: generally successful, partly successful, and unsuccessful. The major focus of the performance assessment is the contribution of the ADB-funded activity to a developing member country's

(DMC) socioeconomic development. The factors that are generally taken into consideration in the assessment of success are summarized in Box 3.

### **Box 3: Criteria for Assessing Project or Program Performance**

Factors used to assess performance include

- (i) reestimated economic internal rate of return (EIRR) based on quantifiable benefits that the operations evaluation mission considers to be reasonably reliable;
- (ii) achievement of a least-cost or cost-effective design;
- (iii) sustainability of future operations;
- (iv) unquantified, but well-perceived, economic benefits and costs that cannot be captured in the EIRR computation;
- (v) socioeconomic impacts that do not enter into the computation of the EIRR; and
- (vi) extent to which the major purposes and goals, either set out at appraisal or as subsequently modified and accepted, have been achieved and are considered commensurate with costs actually incurred.

A project or program is considered generally successful if it is expected to be economically viable or can generate socioeconomic benefits commensurate with original expectations and/or costs incurred. If the benefits of a project or program are believed to be sustainable at reduced levels, with reasonable prospects for improvement when remedial actions are taken, it is classified as partly successful. A partly successful rated project or program should not be viewed as an unsuccessful one. Furthermore, these ratings considered at the time of operations evaluation may change during subsequent reevaluations, which are conducted on some projects or programs about five years after operations evaluation. A project or program that is not technically and/or economically viable is rated as unsuccessful.

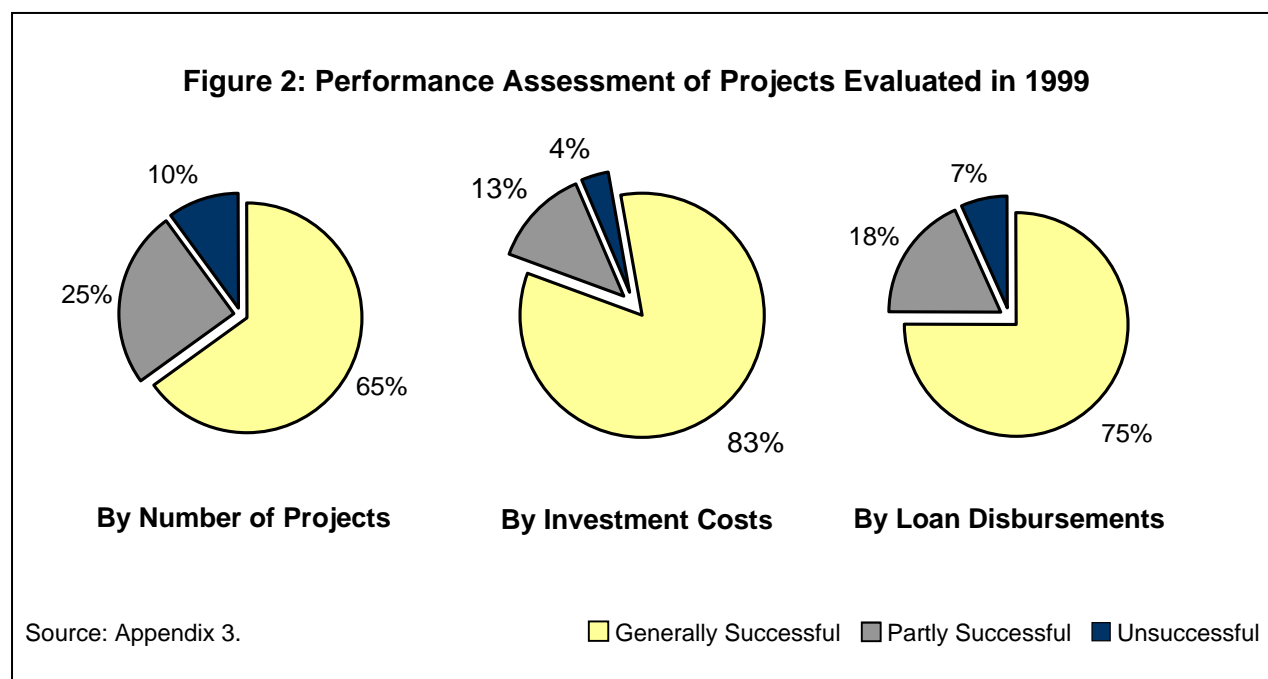
7. Of the 20 projects, 13 (65 percent) were rated as generally successful, 5 (25 percent) as partly successful, and 2 (10 percent) as unsuccessful (Figure 2 and Appendix 3). Of the five projects in the agriculture and natural resources sector, four were rated generally successful and one partly successful. Nine of the 10 physical infrastructure projects were generally successful, the other—a private sector energy loan—partly successful. In social infrastructure, two projects were partly successful, while two were unsuccessful. And the one project evaluated in the financial sector was partly successful. Because of the small sample size, an annual comparison of performance by sector was not made. By country group, all three projects in Nepal, the only Group A country, were generally successful. Group B1 countries had two generally successful projects, one partly successful, and one unsuccessful. All six Group B2 projects were generally successful. Group C countries had two generally successful projects, four partly successful, and one unsuccessful. Again, the sample size is too small to make meaningful comparisons between country groups.

8. In terms of costs, generally successful projects accounted for 83 percent of the actual total investment cost, while the partly successful accounted for 13 percent and unsuccessful projects for 4 percent. By loan amount disbursed, generally successful projects accounted for about 75 percent, partly successful projects for 18 percent, and unsuccessful projects for 7 percent.

## **2. Major Findings**

9. The main goal of operations evaluation is to learn from the implementation experiences of projects, programs, and technical assistance (TA) so that future endeavors will be smoother, more viable, and more supportive of the countries' development objectives and the goals of ADB. While the 20 projects reviewed in 1999 revealed many lessons learned in many areas, the following stand out for having been noted in more than one PPAR: (i) community and beneficiary involvement in the design of project components can be critical to project success;

(ii) success is dependent on having a strong management team that can change the project design if necessary; (iii) ADB should insist on proper maintenance of project facilities through its periodic review missions; (iv) ADB must maintain policy dialogue with executing agencies (EAs) throughout the life of a project; and (v) complex projects, especially those with multiple EAs, need special attention to coordinate and integrate components. A discussion of numerous other lessons that are specific to certain projects is presented here and in subsequent sections of this report.



10. Five projects were evaluated in the agriculture and natural resources sector, all in the irrigation and rural development subsector. Two related projects in Papua New Guinea (PNG), each supported by two loans,<sup>6</sup> were prepared under one project preparatory TA (PPTA). The projects demonstrate that smallholders can effectively cultivate estate crops (cocoa, coconut, and oil palm) with significant socioeconomic benefits given the correct choice of crop, a responsive EA and project management, and appropriate extension support. Minor environmental problems were no hindrance to the generally successful rating at postevaluation. In fact, the operations evaluation mission upgraded the project completion report (PCR) rating of the West New Britain project from partly successful on the basis of a recalculated economic internal rate of return (EIRR).

11. The Nusa Tenggara Agricultural Development Project<sup>7</sup> was complex, having six EAs. Institutional capacity-building activities were not very effective, and the Project's sustainability

<sup>6</sup> Loans 784-PNG(SF): *West New Britain Smallholder Development Project*, for SDR13.91 million, approved on 14 August 1986 and 785-PNG: *West New Britain Smallholder Development Project*, for \$14 million, approved on 14 August 1986; and Loans 852-PNG: *East New Britain Smallholder Development Project*, for \$5 million, approved on 3 November 1987 and 853-PNG(SF): *East New Britain Smallholder Development Project*, for SDR3.91 million, approved on 3 November 1987.

<sup>7</sup> Loans 952-INO(SF): *Nusa Tenggara Agricultural Development Project*, for SDR18.47 million, approved on 7 February 1989 and 953-INO: *Nusa Tenggara Agricultural Development Project*, for \$94 million, approved on 7 February 1989.

was in question. Nevertheless, based on its high EIRR, the Project was rated generally successful. An important lesson learned was that the introduction of a water use fee must be carefully explained at the beginning, and such fees must be set at an affordable level for farmers. Also, agricultural support services must be an integral part of any irrigation project, and agricultural extension staff need logistical support to provide effective services.

12. The Walawe Irrigation Improvement Project<sup>8</sup> also faces a sustainability issue. Irrigation water use is wasteful, including willful damage to outlet structures so some farmers can access additional water, and funds for operation and maintenance (O&M) have declined. Key restorative actions are to strengthen farmer organizations to prepare them to assume responsibility for O&M, and to repair and prevent further damage to structures. The Project underscored the value of beneficiary participation in the design of irrigation projects, as did the Small Dams Project<sup>9</sup> in Pakistan. The latter was plagued by cumbersome government procedures and continues to experience deterioration of canals and watercourses due to insufficient budget for O&M. With a low EIRR, it was rated only partly successful. Part of the difficulties experienced by the Project can be traced to the feasibility study, which identified most of the key constraints to irrigation based on small dams but did not fully define the solutions.

13. In the physical infrastructure sector, four PPARs examined projects in the electric power subsector. One evaluated two rural electrification projects in Nepal.<sup>10</sup> Both were judged generally successful, with a joint EIRR of 15.3 percent, but sustainability depends on future maintenance and upgrading. A major lesson learned was the necessity for the EA to be held accountable. The Water and Power Development Authority Tenth Power (Sector) Project<sup>11</sup> was based on the sound rationale of reducing technical losses, improving reliability, and expanding generation and distribution. With its high EIRR, the Project is considered sustainable. Two significant lessons were learned about appraisal: ADB should be more cautious when targets depend on local financing; and a more time-effective appraisal system should be introduced. The Rayalaseema Thermal Power Project<sup>12</sup> in India also had a sound design and good EIRR, but the operations evaluation mission had concerns about the sustainability of its high level of performance until the onset of reforms in the power sector. The Batangas Power Corporation Project,<sup>13</sup> a private sector loan, is reviewed in paras. 20-22.

14. In the roads and road transport subsector, OEO evaluated one endeavor, the Shanghai-Nanpu Bridge Project.<sup>14</sup> While its consideration by the ADB Board of Directors was delayed, the Project benefited from competent consultants and a strong management team, and was completed two years ahead of schedule with very large retroactive financing from ADB. The Project has a high EIRR and included a well-planned housing and business resettlement scheme. Thanks to a comprehensive participatory planning approach, residents are tremendously satisfied with the bridge. Nevertheless, traffic has increased much faster than anticipated at appraisal and has caused increased air and noise pollution problems.

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<sup>8</sup> Loan 695-SRI(SF): *Walawe Irrigation Improvement Project*, for SDR10.86 million, approved on 27 September 1984.

<sup>9</sup> Loan 750-PAK(SF): *Small Dams Project*, for SDR36.81 million, approved on 31 October 1985.

<sup>10</sup> Loan 670-NEP(SF): *Fifth Power Project*, for \$20 million, approved on 14 December 1983 and Loan 708-NEP(SF): *Sixth Power Project*, for SDR28.13 million, approved on 20 November 1984.

<sup>11</sup> Loan 988-PAK: *WAPDA Tenth Power (Sector) Project*, for \$15 million, approved on 18 December 1986.

<sup>12</sup> Loan 988-IND: *Rayalaseema Thermal Power Project*, for \$230 million, approved on 21 November 1989.

<sup>13</sup> Inv. 7090/1231-PHI: *Batangas Power Corporation Project*, for \$29.5 million, approved on 18 May 1993.

<sup>14</sup> Loan 1082-PRC: *Shanghai-Nanpu Bridge Project*, for \$70 million, approved on 28 May 1991.

15. A single PPAR evaluated the Seventh, Eighth, and Ninth Port Projects<sup>15</sup> in Indonesia. Overall, the three projects were deemed generally successful because the facilities they provided were needed; in most cases, they were of the right type; they are being used; and the EIRRs have been high. Rather than being narrowly focused on the individual projects, the review also undertook a thematic evaluation, looking at the projects' role in the subsector. Regarding the gateway system introduced under a World Bank project in 1982, abandoned in 1985, the PPAR recommends that development plans for a port be based on that port's actual role, not as part of a hierarchical system. Concerning integration of gateway ports with other transport modes, the report recommends that projects for improving inland transport be implemented separately. Regarding strategies for efficient rehabilitation and operation of secondary ports, assistance should use a sector approach.<sup>16</sup> Concerning privatization, port reforms, and infrastructure development, the study found that a significant outcome of container terminal privatization was to raise money for the central Government rather than to improve port efficiency. Also, domestic port tariffs, which are regulated by the Government, are too low to allow a return on investment; the Government is urgently in need of specialized guidance on how to proceed. Finally, private investment in port infrastructure in Indonesia and neighboring countries has been low, as smaller ports are not attractive to the private sector.

16. In the airports and civil aviation subsector, OEO evaluated the Second Tribhuvan International Airport Project<sup>17</sup> in Nepal. Several design assumptions, implementation issues, and external events including robust traffic growth necessitated changes in the original Project's scope and the addition of two supplementary loans, with concomitant serious delays and cost overruns. Nevertheless, with an EIRR of 14.9 percent and the resulting expansion of the tourist industry, the operations evaluation mission rated the Project generally successful. Sustainability will depend on continued good financial and management performance of the airport. A lesson learned is that cross-subsidies to support regional airports should be used only if there is a net revenue surplus from the main airport after O&M and debt retirement.

17. In the social infrastructure sector, OEO evaluated four projects in three subsectors. One in the Philippines water supply and sanitation subsector<sup>18</sup> was a pilot attempt to use participatory evaluation techniques. While the Project was rated partly successful, the operations evaluation mission needed to draw up an action plan—accepted by the Government—to increase the likelihood of sustainability. Financial performance, maintenance, and interagency cooperation were poor, and the water at almost all facilities was unacceptable for drinking. Nevertheless, the Project constructed about 8,000 and rehabilitated about 800 single-source water supply systems. The lessons learned were reflected in a follow-on project. Another project in the Philippines<sup>19</sup> in the education subsector exceeded its physical targets, but gains in education efficiency and access were not sustained due to Government budgetary constraints. At the classroom level, not much changed. There was a need for more substantive policy dialogue with the Government. When designing similar projects, appropriate

<sup>15</sup> Loan 688-INO: *Seventh Port Project*, for \$86 million, approved on 28 August 1984; Loan 797-INO: *Eighth Port Project*, for \$40 million, approved on 18 November 1986; and Loan 951-INO: *Ninth Port Project*, for \$22 million, approved on 7 February 1989.

<sup>16</sup> This suggestion is being taken up in a port sector project recently introduced into the Indonesia program.

<sup>17</sup> Loan 338-NEP(SF): *Second Tribhuvan International Airport Project*, for \$11 million, approved on 22 December 1978; Loan 783-NEP(SF): *Second Tribhuvan International Airport (including Extension) (Supplementary) Project*, for SDR8.72 million, approved on 10 July 1986; and Loan 936-NEP(SF): *Second Tribhuvan International Airport (Second Supplementary Including Extension) Project*, for SDR5.94 million, approved on 15 December 1988.

<sup>18</sup> Loan 1052-PHI(SF): *Second Island Provinces Rural Water Supply Sector Project*, for SDR16.73 million, approved on 20 November 1990.

<sup>19</sup> Loan 898-PHI(SF): *Secondary Education Development Sector Project*, for SDR53.41 million, approved on 11 August 1988.

performance indicators need to be chosen for monitoring to identify the results of project interventions. Bidding documents should include after-sales service proposals in addition to pure cost considerations.

18. The two projects evaluated in the urban development and housing subsector were both deemed unsuccessful. The Karachi Urban Development Project<sup>20</sup> was mounted on the basis of World Bank and Government studies, without ADB PPTA. While its design was deemed generally appropriate, project facilities were deteriorating because of lack of maintenance. Low willingness to pay, falling property prices, and a poor peace and security situation exacerbated problems with one component. The overall EIRR was apparently negative. The Low-Income Housing Development Project<sup>21</sup> in the Fiji Islands, despite three accompanying advisory TAs, ran into trouble because the World Bank suspended a loan for a parallel component. The Housing Authority, one of four EAs, provided weak and inappropriate management. Housing costs were not reduced, and in fact units went to better-off families, indicating poor targeting.

19. In the financial sector, one development finance institution loan<sup>22</sup> was evaluated. Design weaknesses were compounded by weak supervision by both ADB and the EA. There was no inception mission, and the first review mission took place almost two years after loan effectiveness. Lessons learned included the necessity of performing rigorous subsector analysis, ensuring that appropriate banking skills are in place, obtaining a clear understanding of constraints to development, and establishing appropriate indicators of progress at the design stage.

### 3. Private Sector Projects

20. By the end of 1999, eight private sector projects had been evaluated (Appendix 4). Seven were rated generally successful. The Batangas Power Corporation Project (footnote 13), evaluated in 1999, was considered partly successful. The Project was a fast-track initiative, based on the build-operate-transfer mode, to ease Luzon's electricity supply crisis in 1992, and as such was not a typical project. By 1994, the power outages had subsided, and the availability of electricity from the Project contributed to the economic recovery in 1993-1994.

21. While the Project achieved its objective of contributing additional capacity to the Luzon grid, the actual volume of electricity dispatched is significantly less than that assumed at appraisal and is projected to decline. The levelized cost of energy purchased by the National Power Corporation (NPC) from the Batangas Power Corporation is 40 percent higher than the long-run marginal cost of power in the Luzon grid. Optimistic base-load installations, combined with slower growth in demand due to effects of the Asian financial crisis,<sup>23</sup> have produced a surplus of electricity and resulted in a consequent decrease in the Project's effectiveness. The Project had a high cost to the economy due to the combined effects of (i) a decline in electricity demanded by NPC from the plant; and (ii) the duration, inflexibility, and foreign exchange risk of the contract payments under the power purchase agreement with NPC.

<sup>20</sup> Loan 793-PAK(SF): *Karachi Urban Development Project*, for SDR45.62 million, approved on 14 October 1986.

<sup>21</sup> Loan 1005-FIJ: *Low-Income Housing Development Project*, for \$9.6 million, approved on 21 December 1989.

<sup>22</sup> Loan 1088-PHI: *Third Development Bank of the Philippines Project*, for \$100 million, approved on 16 July 1991.

<sup>23</sup> While NPC employs advanced load forecasting and system planning techniques, these could not have detected the Asian currency crisis and its effect on electricity demand.

22. Lessons learned from the Project underscore the importance of (i) reliable electricity demand forecasts and planning capacity;<sup>24</sup> (ii) the competitive bidding process for more reasonable allocation of market and currency risk among parties; (iii) carefully negotiated power purchase agreements including some flexibility for changes in electricity supply and demand, and in currency exchange rates to ensure economic return to the national economy; and (iv) early participation of ADB so it can offer more than resource mobilization.

#### 4. Implementation Arrangements

23. Delays in implementation are the rule more than the exception (Appendix 5). In fact only one of the 20 projects evaluated in 1999 was completed earlier than expected (footnote 14). The others were delayed from a few months up to almost 14 years (para. 16). Often a major cause of implementation delays is the recruitment of project design and management consultants and the preparation and issue of tender documents. Several patterns can be seen. All five projects in the agriculture and natural resources sector showed significant delays, averaging close to three years.<sup>25</sup> While an earthquake in Indonesia and insurgency in Sri Lanka contributed, the main reasons for tardiness were unfamiliarity with ADB procedures and guidelines, nonfulfillment of conditions for loan effectiveness, slow site selection, and cumbersome government procedures. Physical infrastructure projects tended to be delayed by changes of scope due in part to wrong assumptions; problems with ADB procedures on tendering, consultancy, and subproject appraisal; and deficiencies in funding and EA staffing. Social infrastructure projects were delayed for a range of reasons, including loss of cofinancing by the World Bank, suspension of contract awards by ADB, recruitment problems, and difficulties with EA procedures.

24. Two thirds of the projects evaluated in 1999 had cost underruns (Appendix 6), averaging 15 percent and ranging from less than 5 percent to 26 percent. One third of the projects had cost overruns; the average cost overrun was greatly skewed by two projects (footnotes 8 and 17) that concomitantly had long delays. The primary reason for cost underruns was devaluation of the local currency, followed by overestimation at appraisal. Other reasons were unforeseen low bid prices, reduced scope of work, and savings on contingencies. Cost overruns were due to underestimation at appraisal, exchange rate fluctuations, changes in scope, and inflation.

25. While not a general criticism applicable to many projects, a few projects evidenced deficiencies in ADB supervision, particularly follow-up during review missions, which tends to focus on physical components to the detriment of financial and institutional aspects. The postponement or cancellation of review missions should be within ADB's control to remedy. ADB needs to improve its supervision of key sector reform covenants and take appropriate action for noncompliance.<sup>26</sup>

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<sup>24</sup> With the assistance of the ADB-financed TA 1966-PHI: *Long-Term Power Planning Study*, for \$600,000, approved on 20 October 1993, NPC adopted advanced load forecasting in preparing its power development plan in 1995. Power planning capabilities were enhanced in 1997 with the installation of state-of-the-art software capable of handling interconnected systems and environmental aspects.

<sup>25</sup> The *Nusa Tenggara Agricultural Development Project* (footnote 7), with a delay of only one year, actually brought the average down, as the others ranged from 2.7 to 4.4 years.

<sup>26</sup> Management approved the report *Towards Real Portfolio Management* in October 1999 to foster an environment supportive of better portfolio management and to place the quality of portfolio performance at the forefront of ADB's dialogue with its DMCs. As required by the report, the Central Operations Services Office is in the process of developing the portfolio management action plan, which includes preparation of project and portfolio performance indicators to properly monitor achievement of development objectives and implementation progress.

## B. Program Performance Audit Reports

26. By the end of 1999, 30 programs had been evaluated; of these 10 (33 percent) were classified as generally successful and 20 (67 percent) as partly successful (Appendix 7). This review covers four policy-based lending operations in Bangladesh, India, Lao People's Democratic Republic (Lao PDR), and Philippines. Of the four program loans, one was rated as generally successful and the remaining three as partly successful.

27. The performance of program lending evaluated in 1999 highlighted the need for indicators to monitor sector performance, a comprehensive review and analysis of the sector, and policy dialogue on formulating a policy reform package. Attention must be given to the appropriateness and timing of targets established to meet policy objectives, as well as to policy implementation and phasing of tranches.<sup>27</sup> Program designs should (i) incorporate measures to help attain policy objectives (e.g., an information and education campaign); and (ii) allot longer lead times for reform measures dependent on legislation as well as sufficient time for social and technical preparation of those affected or of those involved in policy implementation. Programs that are broad in scope and have complex and dynamic parameters should be designed using a phased development approach to allow for progressive understanding of changing conditions in the program area.

28. When designing policy reforms, ADB needs to carefully assess the EA's capacity to carry out studies and monitor program implementation. Political will must be strengthened and an active constituency built based on sustainable development, resource management, and conservation to ensure the implementation of policies formulated to bring about sector reform. As in the case of India's Financial Sector Program Loan,<sup>28</sup> a strong sense of government authorship, especially in the timing and sequencing of financial reforms, is crucial for the successful implementation of policy-based loans.

### 1. Food Crops Development Program—Bangladesh

29. The main objective of the Program<sup>29</sup> was to achieve sustained growth in food crops, focusing on expanding rice and wheat production during the winter season. It comprised policy measures involving the removal of subsidies on agricultural inputs, tariff and regulatory reform, institutional reorganization, and environmental protection. There was a two-year delay overall, with the release of the second tranche of the loan being delayed by 2.5 years. Because program achievements were mixed, and the sustainability of some policy reforms was in question, the Program was rated as partly successful.

30. The Program contributed to the reform process, particularly in privatizing and liberalizing markets for agricultural inputs and outputs, albeit with some limitations. Private sector participation in the supply of minor irrigation equipment and in food import and distribution increased significantly. The extensive use of shallow tubewells also contributed to increased irrigated rice production. Subsidies for specific fertilizers and minor irrigation equipment under the Program have been withdrawn, while institutional reorganization of concerned government agencies is continuing. On the other hand, private sector involvement in the seed trade has not yet developed as envisaged. The sector objectives of increased foodgrain production and greater food security were not fully achieved. The Government's administrative capacity to

<sup>27</sup> OEO is currently evaluating the relevance, efficacy, and impacts of policy-based lending since the 1987 change from an input-financing operation to the focus on improving the policy environment for enhanced sector efficiency.

<sup>28</sup> Loan 1208-IND: *Financial Sector Program*, for \$300 million, approved on 15 December 1992.

<sup>29</sup> Loan 1045-BAN(SF): *Food Crops Development Program*, for SDR91.53, approved on 6 November 1990.

implement and sustain policy reforms suffered from political constraints and inadequate coordination despite ADB supervision. Key issues revolve around the question of policy reversals, especially for fertilizer subsidies; encouragement of private sector participation in the agricultural economy; trade-offs in maintaining costly stockpiles; and the environmental impact of the Program, especially with the emergence of arsenic in shallow tubewells.

## **2. Financial Sector Program—India**

31. The Program (footnote 28) was to promote a diversified, competitive, and market-based financial sector and thus raise the efficiency of allocating resource savings, increase the overall return on investments, and promote accelerated growth and development of the real economy. Toward this objective, six goals were highlighted, namely (i) enhance private sector access to financial savings; (ii) reduce bank intermediation costs; (iii) enhance competition and diversity in the banking and development finance institution subsectors; (iv) develop autonomous, financially sound banks and development finance institutions; (v) develop government securities and money markets; and (vi) develop the capital market.

32. Program performance is considered generally successful. Of the 55 implemented measures, 37 were done as originally scheduled. The Program was appropriately designed and effectively implemented, and contributed to the development of the country's financial sector. Substantial achievements were made for three of the six goals. Progress on the three other goals is expected in view of the relevance and gestation periods of the concerned program and nonprogram measures implemented to date. Effective linkages of the program components and the reform momentum are supportive factors. Major achievements of the Program—improved competition, diversity, autonomy, and viability of banks—will be the key factors in reducing long-term intermediation costs. Diversification of ownership of Government securities, along with the creation of efficient distribution systems, will gradually shift bank credit allocations from the Government to the private sector. With a proper risk management system for the banks, especially asset and liability management, the money market is expected to be more active. The Government is committed to proceeding with the second phase of the financial sector reform.

## **3. Second Agriculture Program—The Lao PDR**

33. The objective of the Second Agriculture Program<sup>30</sup> was to enhance and consolidate economic performance through policy and institutional reforms. The Program was formulated to deepen and extend the reform process started by the First Agriculture Program. The key reform measures include (i) liberalization of trade, export taxes, agricultural prices, and business requirements; (ii) adoption of agricultural policies and operational plans to favor market-oriented policies, reduce market distortions caused by negative real interest rates and subsidized input pricing, remove restrictions on land transfer and labor mobility, and implement administrative reforms; and (iii) privatization of state-owned enterprises (SOEs) currently under the Ministry of Agriculture and Forestry (MAF).

34. Many of the wide-ranging policy reforms supported by the Program and the capacity building under its associated TA were generally accomplished, although the sustainability of some of the reform measures is not assured, leading to a rating of partly successful. Trade was liberalized with the enactment of laws on business and foreign investment. Prices were deregulated and taxes abolished. Land and labor mobility were improved. While the impact of the Program has yet to be fully felt, macroeconomic and sector data point to improvements in

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<sup>30</sup> Loan 1180-LAO(SF): *Second Agriculture Program*, for SDR20.23 million, approved on 8 October 1992.

agricultural growth; better living conditions for farmers, especially those in well-irrigated schemes; and more opportunities for women to engage in lucrative economic activities. Environmentally, the Program contributed to improved management of the impact of shifting cultivators. The Program also aided institutional strengthening of MAF, which was streamlined, with greater decentralization, and 22 of its SOEs were privatized. The PPTA to prepare a national integrated extension and research program<sup>31</sup> did not result in a project for ADB funding, but the concepts were put into a detailed plan to integrate MAF's extension departments at the national and regional levels. Mandated changes to strengthen the incentives and environment for the functioning of a market economy and for increasing the role of the private sector have occurred, although the Asian financial crisis might have set back some of the liberalization measures. On the other hand, some of the policy reforms pursued under the Program appear to have been either put on hold or reversed. Key issues revolve around the possibility of policy reversal for SOE privatization, the need for continued liberalization and rationalization of taxes, the need to reduce the interest rate subsidy, and the concern for cost recovery in the face of slow progress in the formation of water user associations. The positive real interest rate for agricultural credit could not be sustained. Some SOEs are in danger of reverting to MAF control at the end of their leases.

#### **4. Fisheries Sector Program—The Philippines**

35. The Program<sup>32</sup> supported four major policy reform measures: (i) control of fishing license issuance and reforms of fishpond lease agreements, (ii) decentralization of municipal water management to local governments, (iii) enactment of municipal fishery ordinances, and (iv) provision of trade incentives and privatization of fishing ports. These reforms were effected through a variety of activities involving the public and private sectors to undertake coastal community development, ecological assessment, income diversification, and law enforcement. The Program was expected to rehabilitate the ecological status of the coastal zone, reduce poverty among fisherfolk, and improve sector productivity.

36. The Program achieved mixed results in implementing some of the key policy reform measures and in the investment components, hence its partly successful rating. Its design was complex, with too many activities being implemented by different agencies; these were not properly coordinated. Local government funding was not adequate, and the available administrative and technical resources at the provincial level were not commensurate with program activities. These, coupled with the lack of a specified time frame for achieving targets, resulted in overambitious program targets. Overall delay was almost two years. The investment components showed some patchy results (e.g., artificial reefs, fish sanctuaries, and coastal resource management activities). A satisfactory impact on fisheries was not achieved as envisaged. Nevertheless, the Program constitutes the first comprehensive strategy to address the most pressing problems of the country's fisheries. Its accomplishments were not so much in the more tangible and quantifiable terms of applied fisheries management as in the more fundamental process of laying the foundations for sector change and responsible resource management. Policy directions established under the Program provided the much-needed framework for the Government's initial systematic efforts to address the problems and constraints affecting fisheries. The policy framework continues to be appropriate. The policies formulated continue to guide and influence the thinking of the country's senior government

<sup>31</sup> TA 1765-LAO: *National Integrated Extension and Research Program*, for \$410,000, approved on 8 October 1992.

<sup>32</sup> Loan 971-PHI(SF): *Fisheries Sector Program*, for SDR39.769 million, approved on 26 September 1989, and Loan 972-PHI: *Fisheries Sector Program*, for \$30 million, approved on 26 September 1989.

policymakers, planners, and legislators responsible for fisheries. Although the Government is continuing efforts to achieve the reform targets beyond the program period, progress is slow.

### **C. Technical Assistance Performance Audit Reports**

37. As in previous years, OEO continued to assess the impact and development effectiveness of ADB's TA operations by evaluating groups of TAs with common sector and thematic concerns. Four technical assistance performance audit reports were prepared in 1999 covering 16 TAs. They relate to three advisory TAs on privatization in the energy sector in Thailand, five for reforms in Mongolia's energy sector, and eight supporting private sector education and the financial sector in the Lao PDR. Of the 16 TAs, 9 were rated generally successful, 3 partly successful, and 3—all directed to the financial sector in the Lao PDR—unsuccessful; one was not rated. Successful TAs and components were marked by (i) strong EA interest in the TA outcome; (ii) sufficient time and translation resources for implementation; (iii) competent consultants who focused on impact, not reports, adapting their experience to local needs, which required greater commitment of time in the field; and (iv) training with a defined purpose, structured around EA-approved and implemented systems.

38. The performance of TA operations evaluated in 1999 highlighted the critical importance of designing TAs to ensure that (i) the study rationale is appropriate so that the terms of reference do not overlook important areas for assessment, including financial issues; (ii) they address the intended objectives for counterpart staff to ensure more effective transfer of technical knowledge; and (iii) where recommendations are likely to face skepticism or resistance, (a) consultants are encouraged to allocate initial time to presentations on concepts and issues that may not be understood or accepted, (b) study tours should facilitate involved government officials and employee representatives seeing how systems are working in other countries, (c) adequate time must be allowed for processing comments and reaching a consensus on consultants' recommendations, and (d) the mechanism for bringing study recommendations to the attention of the government must be strengthened to ensure follow-up directives.<sup>33</sup>

39. The sustainability of TA benefits needs to be addressed at design, implementation, and completion. This includes the following: (i) there is sufficient transfer of technology, (ii) adequate technical equipment and computer software are available to carry on the work initiated by the TA, and (iii) resources and management support are available to make training programs sustainable. When ADB initiates work in a new sector and with a new client, substantial time needs to be spent during fact-finding to understand implementation problems (such as lack of instrumentation, inadequacies in the data, and language barriers). Effective TAs include needs assessment and follow-up for skills to improve technical competencies. The TA implementation unit may be encouraged to remain for a specific period until the capacity built under the TA takes root, particularly where turnover of top management positions is high, leading to reduced ownership of the TA benefits and the costs to sustain them. Training of trainers and a budget and a modality to sustain the benefits within the organization should be established in every training program. A high degree of commitment on the part of the EA is essential to the success of capacity building. Management in the recipient agency should continue to provide support to programs initiated prior to their assumption of duties, particularly training programs that enable skills to be retained in the agency even if staff moves on.

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<sup>33</sup> ADB experience has shown that it is relatively more difficult to promote ownership of TAs than of loans because the government often views TA as "free" money. Consequently, TA design should also include mechanisms such as workshops to obtain feedback from the beneficiaries in order to promote ownership.

## **1. Selected Financial Sector TAs—The Lao PDR**

40. Six advisory TAs represent 46 percent of ADB's TA to the Lao PDR financial sector, and form the initial core of ADB's efforts directed at the Bank of Lao PDR (BOL), the central bank, and commercial banking as part of market-oriented reforms. The overarching goals of these TAs to restructure the state bank into a truly functioning central bank and to establish the state commercial banks (SCBs) as sound, efficient mobilizers of resources generally have not been achieved. This is evidenced by the deteriorated condition of seven SCBs, now insolvent due primarily to poor management and credit practices, and by BOL's continuing role in the management and control of the SCBs, as well as its other non-central-bank functions. The experience of the TAs highlights the critical importance of (i) correctly assessing absorptive capacity and political and administrative support for change, (ii) appropriately sequencing priorities in implementation, (iii) requiring substantial achievement of prior component targets for continued funding, (iv) strengthening accountability at all levels through explicit agreements on projected outcomes and monitorable performance indicators, (v) clearly designating those responsible for delivering TA performance, (vi) providing timely and accurate translation, (vii) providing full-time counterpart assistance, and (viii) avoiding overlapping TA or multicomponented TA where EAs lack qualified counterpart staff. The training TAs demonstrate the weakness of applying technical fixes before addressing the key institutional and policy reforms necessary to make improvements in technical competencies sustainable.

41. The design and implementation of the early TAs (1988-1990) reflected ADB's inexperience with financial restructuring of transitional economies at that time. Because this was a pioneering period for international institutions in restructuring transitional economies, there was no real base of experience on which to draw. Consequently, the initial TAs were not based on sufficiently in-depth analysis of the political and institutional environment, including BOL's staff capacity. This was partly due to insufficient time allowed in the field for sector analysis and TA design. Designs were overly ambitious in scope, and expectations of the Government's commitment to a market-driven banking system were too high. Sequencing of TAs to support recapitalization prior to SCB reform was flawed; support for a long-term lending facility was premature. Ownership by the Government and BOL was not sufficient, and counterpart support at critical junctures was absent because of a lack of political will as well as the simple scarcity of qualified English-speaking staff. Although design, implementation, and counterpart participation and ownership substantially improved in the two training TAs, strong implementation components have been lacking and have reduced the acceptance and sustainability of TA output. ADB needs to look for alternatives to BOL as the EA for banking TAs so that BOL's limited resources can be focused on its supervisory role as the central bank.

## **2. Private Sector Education—The Lao PDR**

42. Two advisory TAs supported the Government's policy of encouraging the development of private education given the Government's resource constraints to fully meet the need for schooling. Both TAs succeeded in fulfilling the majority of their objectives and are considered generally successful.

43. The TAs' experience highlights the value of detailed planning and careful consultant recruitment, as well as a phased approach. The success of the TAs can be seen in the operational Bureau of Private Education (BPE), subsequently upgraded to department status, within the Ministry of Education. The two TAs were instrumental in the issuance of the Prime Minister's Decree on Private Education and the ministerial decision issued by the minister of education. These decrees provide the general guidelines for the operation of private education,

and promulgate the required rules and regulations. In addition, private schools grew from 68 with 15,244 students in 1993 to 177 with 37,862 students in 1998. The key issues revolve around mobilizing financial resources to sustain the TAs' achievements. BPE is understaffed in relation to its inspection function, and to rationalize the expansion of private schools, BPE must complete the action plans developed under the TAs. The Consultant Council on Private Education, BPE's advisory body, must be made more functional, and financing mechanisms need to be developed and implemented to encourage development of private schools. Accreditation, teacher training, and textbook provision are additional areas for BPE efforts.

### **3. Advisory and Operational TA to the Energy Sector—Mongolia**

44. The five advisory TAs together represent 45 percent of the total TA amount to Mongolia's energy sector. They have aimed at restructuring the sector to increase efficiency and productivity by increasing market orientation.<sup>34</sup> Overall, the TAs have contributed to institutional and market reforms, and have made the sector consistent with a market-oriented economy. The first four TAs have been completed, and the TCRs judge them all as generally successful.

45. The approach taken in designing the TA activities was relevant and the sequencing was correct, given the pressing need to understand sector weaknesses and formulate ADB's work program. The first TA explored the immediate technical needs of the sector; the second assessed the institutional and financial requirements. Some of the recommendations stemming from them were to be carried out under the three follow-up TAs, which were approved in quick succession. In hindsight, more lag time may have allowed adequate opportunity for (i) changes introduced to take root, (ii) beneficiaries to realize preconditions to maximize the benefits and take responsibility to sustain them, and (iii) relevant recommendations and findings of completed TAs to be fully incorporated in proposed projects.

46. The first TA is assessed as generally successful because, despite input problems (i.e., language barriers, lack of equipment, analysis in consultants' home office), the outputs were of good quality, benefits have accrued to the sector, and capacity exists in the country, particularly in the private sector. Under the second TA, several good quality outputs were generated, and some of its recommendations have resulted in pioneering steps (i.e., tariff reform and the Energy Law) to reform the sector. The focus of the second TA was a needs assessment rather than capacity building, and it is assessed as generally successful. While the third TA laid the framework for subsequent aid activity, its output was not thorough and technology transfer was insufficient because its design did not fully support sustainability of benefits; therefore, it is assessed by OEO as only partly successful. The fourth TA, completed in 1999, is assessed as generally successful because its design was appropriate to achieve the limited objectives of creating a computerized accounting system, and transfer of technology was achieved. However, the rating may be optimistic if benefits are not sustained due to lack of resources or continued management appreciation for the benefits. The fifth TA, which was not yet completed at the time of OEO evaluation, was not rated. It was designed carefully to introduce a billing system to cities outside the capital.

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<sup>34</sup> When Mongolia embarked on market-oriented reforms, ADB was an important player in the energy sector, pioneering most of the key activities. Between 1992 and 1998, ADB assisted the sector through four loans amounting to \$93.8 million and 11 TA grants totaling \$5.6 million. Five of the 11 TAs were advisory and operational.

#### **4. Privatization in the Power, Gas, and Water Sectors—Thailand**

47. The three advisory TAs aimed to support Thailand's move to a more market-based economy and improve operational efficiencies by conducting studies on SOE privatization for power, gas, and water supply. Their common objective was to identify and recommend areas for privatization taking into account timing, legal, economic, financial, regulatory, and environmental issues. All TA study objectives and targets were achieved, and each study was implemented satisfactorily with no major hindrance. All three TAs were generally successful, taking into account each TA's record of achievement measured against stated objectives, targets, overall quality of reports, and appropriateness of recommendations. Under the Government's Master Plan for State Enterprise Sector Reform, approved in September 1998, the privatization of power, gas, and water supply SOEs is scheduled for completion by the end of 2004. The TA studies helped clarify issues and identify the privatization strategies and options available. Following the economic shock of 1997, the rationale and need for privatization to reduce public debt has become more widely understood.

#### **D. Reevaluation Studies**

48. During the year, OEO carried out two reevaluation studies.

##### **1. Third Tea Development Project—Sri Lanka**

49. The reevaluation reconfirmed the PPAR's conclusion that the Project<sup>35</sup> was partly successful. At postevaluation, the key objective of improving the productivity of the tea estates had not been realized due to ineffective and inefficient public sector management. The Project failed to arrest the decline in tea estate yield, resulting in low incremental benefits and delayed gestation of project benefits. The PPAR raised concern about the sustainability of benefits achieved if poor management persisted. At reevaluation, following privatization of estate management and assets starting in 1992, the private sector had brought about significant changes in estate and factory management, and reversed the decline in yield. These resulted in well-maintained and well-operated tea factories, while the smallholders benefited from agricultural extension activities and fertilizer credit. Despite improvements in yields, the overall EIRR remains below appraisal estimates due to significantly less than expected incremental benefits, and to delays in realizing project benefits. The review provides an interesting case of an ADB-financed project that went through two policy environments: public sector management of nationalized estates and privatization. An important lesson learned from this Project is the need to help develop a proper policy environment before funding is approved.

##### **2. Fuel Conversion Project—The PRC**

50. The reevaluation reclassified the Project<sup>36</sup> from generally successful to unsuccessful. The review revealed that long-term success and viability were severely impaired by factors largely exogenous to the Project. The project rationale that encouraged conversion of two units of the Changshan Thermal Power Plant from oil to coal was sound in the context of the national fuel-substitution policy existing at project formulation. However, increased environmental awareness of the adverse impacts of coal use has now prompted the Government to discontinue this policy. The study identified project-related environmental impacts to include increased air emissions of total suspended particulates, sulfur dioxide, and nitrogen oxide;

<sup>35</sup> Loan 472-SRI(SF): *Third Tea Development Project*, for \$12.8 million, approved on 7 October 1980.

<sup>36</sup> Loan 880-PRC: *Fuel Conversion Project*, for \$33.3 million, approved on 21 December 1987.

increased water discharge; and impacts of ash ponds and coal-handling activities on human and wetland ecosystems. While the Project was efficiently implemented and the converted units were adequately maintained and operated at design efficiency, the key objective of generating an economic advantage from fuel substitution was not fully met. Market forces at the local, national, and international levels all combined to make the Project economically as well as financially unattractive. The reevaluation concluded that project sustainability is dependent on the competitiveness of a power plant's cost structure, economic outlook within areas served by the plant, and the direction of environmental policies relative to coal-fired power generation.

## **E. Impact Evaluation Studies**

51. OEO carried out three impact evaluation studies in 1999.

### **1. Assistance to the Water Supply and Sanitation Sector—Indonesia**

52. The study on ADB assistance to the water supply and sanitation (WSS) sector in Indonesia assessed six completed WSS projects and eight completed urban development projects with WSS components. The projects generally had fallen short of achieving some of their targets and objectives, although they were able to deliver real benefits to consumers through lower cost water being made available in greater quantities than before. The completed WSS projects only partly succeeded in reaching low-income communities. O&M resources for project facilities were inadequate, resulting in high unaccounted-for-water costs and reduced cost recovery.

53. The WSS projects evidenced weak implementation capacity of the executing and implementing agencies and lack of political will to implement policy reforms. On the other hand, the urban development projects were found to be generally successful in achieving their objectives based on actual physical accomplishments and project benefits, and on the pioneering role of the integrated urban development approach in these projects. The common shortcomings of urban development projects included counterpart funding problems, poor institutional arrangements, and lack of experience of the implementing agencies with integrated projects. The study findings highlight key WSS issues: (i) urgent need for tariff structure and other reforms; (ii) need for local community and beneficiary participation in project planning, design, and implementation; (iii) high level of unaccounted-for-water contributing to poor financial returns; (iv) weaknesses in institutional capacity and interagency coordination; and (v) need for sanitation to be given more priority.

### **2. ADB's Program of Subregional Economic Cooperation in the Greater Mekong Subregion**

54. This study aimed to assess the relevance, sustainability, and efficiency of ADB development assistance to the Greater Mekong Subregion (GMS) program. The program has (i) provided member countries with the opportunity to evolve a shared vision of the future development of the region; (ii) promoted dialogue and facilitated agreements on steps to increase economic cooperation; and (iii) resulted in an agreement on identifying and monitoring regional projects, and on securing financing for a number of major projects. The GMS program encouraged member country dialogue, notably at the ministerial level, and contributed to better understanding among members, and to willingness to work together for mutual benefit. On a more general level, the findings of the study support ADB involvement in regional cooperation under a framework where it (i) targets the ADF donors' objectives concerning contributions to regional peace, stability, prosperity, and sustainable resource management; and (ii) provides

economies of scale, reduces transaction costs, speeds up development through improved knowledge sharing, and increases opportunities—particularly those that partners on their own are not able to capture (such as improved resource mobilization, private sector development, and gains from trade). The study, while supporting the GMS initiative, finds that the program has been constrained by limitations in ADB operations. To date, staff resources, incentives, organizational structure, and loan and TA funding resources are not aligned to support regional cooperation programs. Changes may be warranted in the process of allocating regional TA resources and in programming loan proposals, and reconsideration may need to be given to establishing a regional cooperation facility.

### **3. Technical and Vocational Projects in Malaysia, Pakistan, Papua New Guinea, and Sri Lanka**

55. The study on ADB assistance for technical education and vocational training (TEVT) assessed the long-term impacts of 10 projects in four countries. It confirmed the conclusions of the PPARs that the projects in Malaysia were generally successful, but those in the other countries did not sustain their impact beyond a few years after project completion. TEVT schools in Malaysia continue to be well provided for in terms of facilities, equipment, teachers, consumables, and other support materials compared with the country's academic schools. On the other hand, with no major reinvestment after project completion, the capacities built with project inputs in Pakistan, Papua New Guinea, and Sri Lanka have gradually dissipated over the years. The study revealed the need to forge strong partnerships between TEVT institutions and industry, bearing in mind that (i) education authorities and heads of TEVT institutions must make a shift from a predominantly "safety net" orientation to a more "source-of-competitive-advantage" orientation, without necessarily discarding the former; (ii) governments, particularly in Pakistan, Papua New Guinea, and Sri Lanka, need to raise their level of commitment to TEVT; and (iii) the countries, with help from aid agencies, need to support TEVT over the long term, given the long development cycle of the subsector.

## **F. Special Evaluation Studies**

56. During the year, OEO carried out six special evaluation studies. Two examined the use of TA to assist public expenditure management, capacity building, and institutional strengthening. Others looked at social, environmental, and economic impacts of ADB operations, and the role of nongovernment organizations (NGOs) in ADB projects.

### **1. Effectiveness and Impact of ADB Assistance to the Reform of Public Expenditure Management in Bhutan, India, Kiribati, and Lao PDR**

57. The study of ADB assistance for public expenditure management reform in Bhutan, India, Kiribati, and Lao PDR examined 11 TAs. It showed how the degree of success of a TA is closely related to its design. The TAs generally did not take a comprehensive approach in analyzing the budget cycle as a whole, or in assessing the budgetary process against ADB's stated governance criteria; their narrow approach limited their effectiveness. One of the main TA weaknesses in terms of capacity building was their focus on one agency; they failed to identify and deal with interinstitutional relationships, and were unable to generate an understanding of and plan for addressing systemic issues. Capacity-building impact was further impeded by the general lack of comprehensive, structured analyses of existing capacities. ADB needs to devise an approach for developing public expenditure management capacities to ensure that its interventions take place in a strategic framework promising optimal sequencing, synergy, and impacts of TAs.

## 2. Social and Environmental Impacts of Selected Hydropower Projects

58. The special evaluation study on the social and environmental impacts of four ADB-financed hydropower projects in PRC, Indonesia, Lao PDR, and Malaysia provides recommendations for improving the design and processing of future hydropower projects to minimize their adverse impacts. The selected study projects did not result in significant negative environmental and social impacts per se, but shortcomings were noted, most of which could have been avoided or compensated for through more diligence on the part of project proponents. The review reveals that the identification and mitigation of project impacts improved with time as ADB began to make sizeable advances in articulating and clarifying its policies on environmental and social issues. The study's recommendations include the need for (i) environmental and social scientists to be an integral part of the design team for a sensitive project; (ii) project preparation to include adequate baseline data on environmental and social aspects along with a description of methodologies for monitoring project impacts; (iii) specific assurances in the loan agreement and verifiable targets to ensure the implementation of important measures such as income restoration programs; (iv) DMC agencies and ADB to rigorously screen the capacity of construction firms bidding on hydropower projects and to ensure that prequalification requirements, penalties, and/or performance bonds are explicitly indicated in their contracts; (v) improved progress reports to ADB and ensuring that project units supervising mitigation measures have the necessary management and technical skills to collect appropriate data, and that the enforcement agency has the capacity to review them; and (vi) increasing ADB internal resources to provide for multiskill supervision teams to evaluate the progress of mitigation measures, especially for Category A projects.<sup>37</sup>

## 3. Effectiveness of ADB Approaches and Assistance to Poverty Reduction in Bangladesh, Kyrgyz Republic, Lao PDR, Nepal, and Philippines

59. The special evaluation study on the effectiveness of ADB approaches and assistance to poverty reduction covered four projects each in five countries—Bangladesh, Kyrgyz Republic, Lao PDR, Nepal, and Philippines. The review highlights the need to develop a comprehensive country strategy and portfolio that ensure consistent and broad integration of poverty reduction issues in the country operational strategy and in project design. The study shows that, where project components are not specifically targeted at a group of people or at an activity that will especially benefit such a target group, such projects show an uneven distribution of benefits, generally favoring the nonpoor. Not enough projects have well-defined poverty reduction objectives or delineation of who will benefit from their initiatives. Project monitoring often provides limited capacity to assess whether poverty-targeted activities can be effectively implemented. More care needs to be taken in defining indicators and in designing data collection and processing methods to facilitate evaluation of benefits to the poor. Country-specific poverty reduction strategies need to guide policy dialogue to determine priorities and the sequencing of interventions. This requires poverty-focused analyses of government policies, public expenditure, the regulatory framework, and the government's awareness of poverty issues.

60. ADB's response to the multidimensional nature of poverty in a country could be identified through a fact-finding mission without a sector focus. The first step is for each DMC to formally adopt a poverty reduction strategy. The government and ADB then need to agree on working together in specific geographic areas, which would be visited by multiskilled teams. Through the

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<sup>37</sup> Those expected to have significant adverse environmental impacts.

use of participatory approaches, the development needs and opportunities of various segments of local communities can be identified and form the basis for designing interventions, i.e., single-sector or integrated multisector approaches.

#### **4. Role of Nongovernment Organizations and Community-Based Organizations in ADB Projects**

61. This study on NGOs and community-based organizations (CBOs) covered 54 projects in 9 countries—Bangladesh, Cambodia, Indonesia, Nepal, Pakistan, Papua New Guinea, Philippines, Sri Lanka, and Viet Nam—and assessed the effectiveness and appropriateness of NGO/CBO involvement in ADB lending and TA operations. The study shows that NGO involvement in ADB projects has increased significantly, with nearly half of all projects now including some such involvement. While performance has varied on a project-to-project and country-to-country basis, there is strong evidence that NGO/CBO involvement enhances consultative and participatory project development, and improves the effectiveness of projects. This applies not only to social sector, rural and community development, and microcredit projects, where NGOs/CBOs have been most visible, but also to technical projects requiring early beneficiary consultation, stakeholder analysis, and consideration of resettlement concerns. In common with other aid agency assessments, however, the study notes that partnerships with NGOs/CBOs are not a panacea for improving project effectiveness. Such involvement should be on a selective basis, taking into account NGO/CBO skills and capacity for involvement in the project and location in question, and the specific country and policy environment. Selection, management, and monitoring of NGO/CBO involvement must be improved, and the respective roles of NGOs/CBOs and EAs must be clearly defined. ADB's capacity to work with NGOs and CBOs should be strengthened, and reporting and information systems improved.

#### **5. Interim Assessment of ADB's Lending to Thailand During the Economic Crisis**

62. The study on Thailand was the first independent evaluation of ongoing ADB operations outside of the CAPE context. As such it focused on processes, inputs, and interim outputs rather than on the achievement of development impacts. The study's aims were to provide more real-time feedback and to draw out lessons learned from responding to the economic crisis. It looked at four specific projects. The Rural Enterprise Credit Project<sup>38</sup> was formulated before the crisis hit, but it proved to be a convenient vehicle, so ADB doubled the envisaged loan amount. The Financial Markets Reform Program loan<sup>39</sup> was ADB's portion of the International Monetary Fund-led rapid deployment package of assistance, an excellent example of aid agencies coordinating efforts. The policy measures were closely coordinated, complementary, and mutually reinforcing. The Social Sector Program loan<sup>40</sup> was ADB's own initiative, implemented in consultation with the International Monetary Fund and the World Bank; it aimed to cushion the adverse impact of the crisis on the most vulnerable sector of society. Another ADB initiative, developed in careful consultation with the Ministry of Finance, the Export Financing Facility,<sup>41</sup> was designed to restore the confidence of the international markets in Thailand's financial sector.

63. The study draws some tentative lessons about crisis lending operations in general. High volatility in financial variables is one of the key risks in project lending through financial

<sup>38</sup> Loan 1540-THA: *Rural Enterprise Credit Project*, for \$200 million, approved on 18 September 1997.

<sup>39</sup> Loan 1600-THA: *Financial Markets Reform Program*, for \$300 million, approved on 19 December 1997.

<sup>40</sup> Loan 1611-THA: *Social Sector Program*, for \$500 million, approved on 12 March 1998.

<sup>41</sup> Loan 1612-THA: *Export Financing Facility*, for \$50 million, approved on 26 March 1998.

intermediaries, as in the case of the Rural Enterprise Credit Project and the Export Financing Facility. When a banking crisis is involved, a credit crunch and excess liquidity in the banking system are potential impediments to loan utilization. In addition, when a currency peg is abandoned, there is a change in risk profile due to currency mismatches between banks' assets and liabilities. Meanwhile, the experience with the Export Financing Facility highlights the need for business processes to be reviewed when a large syndication is considered. This will ensure swift consensus building internally and between lenders responding to changing circumstances. Policy-based lending can be an effective instrument not only in the financial and other economic sectors but also in the social sector. In supporting social safety nets through a program loan, the government's keen attention to the effective and efficient use of counterpart funds is critical.

## **6. Advisory and Operational TA to Kazakhstan and the Kyrgyz Republic**

64. The special study on advisory TA to Kazakhstan and the Kyrgyz Republic covered 16 TAs (5 to Kazakhstan and 11 to the Kyrgyz Republic) and aimed to assess the design, implementation experience, and operational performance of ADB's institutional strengthening program.

65. The study again showed that the degree of success of a TA is closely related to its design. The TAs that involved government participation in their preparation and implementation and obtained a high degree of government commitment had the greatest success. The study also reveals the need to more thoroughly evaluate the training needs of governments, in particular, to assess English language skills. Implementation performance of the TAs in the two countries was generally satisfactory. Notwithstanding this, the overall assessment of advisory TA is only partly successful, with government restructuring having an impact on the training components of the TAs. The major recommendations of the evaluation of advisory TA include the following: (i) design must carefully assess training needs including proficiency in English, (ii) design must ensure the active participation of governments in developing recommendations regarding institutional organization and policy issues to build a better sense of ownership and commitment on behalf of the governments, (iii) design should provide sufficient resources for interpretation and translation services without duplicating translations done under other TAs, and (iv) training should encompass as many government staff as possible, including senior officials, to mitigate the effects of staff attrition due to retrenchment or other reasons.

## **G. Country Assistance Program Evaluation**

66. OEO reviewed ADB's development assistance to Viet Nam from 1993 to 1998. The study aimed to assess the relevance, efficacy, and effectiveness of ADB lending and TA operations. The review revealed that ADB's country strategy has been appropriate and consistent with Viet Nam's needs and conditions. The country program has broadly followed the strategy, albeit more diffused in focus during 1996-1998, and has supported evolving Government priorities. From the resumption of ADB lending operations in 1993 through 1995, the country program, reflecting the findings of economic and sector work undertaken from 1989, emphasized infrastructure rehabilitation and improvement, mostly in agriculture, social infrastructure, and transport and communications. The broadening of the 1996-1998 programs indicates efforts to correlate ADB assistance increasingly with crosscutting issues—not only those of ADB but also those of Viet Nam—and to decentralize interventions, especially for poverty reduction projects. The ADB strategy and country program have been relatively effective in supporting policy reforms through lending operations, although increased efficiency is desirable.

67. The major recommendations of the evaluation are to (i) strengthen project supervision through greater coordination of government officials at the provincial level,<sup>42</sup> more staff time for project processing and implementation, increased staff strength of the Viet Nam Resident Mission, and a sharper geographic focus for ADB operations to narrow down staff time requirements; (ii) provide a framework in the country operational strategy that will define priority areas and sequencing of capacity building to be followed by the country assistance plan; and (iii) identify performance indicators in both the country operational strategy and country assistance plan documents to serve as the basis for monitoring and evaluating ADB's program of assistance.

## **H. Annual Performance Evaluation Program**

68. The 1999 Annual Performance Evaluation Program assessed the quality and effectiveness of ADB's self-evaluation processes concerning project and TA activities, principally PCRs, TCRs, and country portfolio reviews (CPRs). PCRs and TCRs have a tendency to base assessment upon the achievement of outputs as opposed to the achievement of objectives. CPRs, on the other hand, focus on implementation issues and do not assess progress toward development objectives. These findings are supported by other OEO studies. PCR ratings are often higher than PPAR ratings, the higher PCR ratings being due in part to the focus on outputs, as opposed to the focus on impacts that underlies PPAR assessments.

69. The preparation of PCRs and TCRs is constrained by their being done too soon after implementation, when information concerning the achievement of objectives may be limited, and full impacts may not have been felt. Greater resources may be needed to prepare for PCR missions and to write the reports. More rigorous analysis of the limited data would help improve quality, but in some cases only qualified results may be possible. Strengthened guidelines are needed.

70. The terms of reference for CPR studies need strengthening. Expanding the role of CPR missions will have resource implications.

## **III. DMC CAPABILITIES AND FEEDBACK OF EVALUATION FINDINGS**

### **A. Strengthening the Performance Evaluation Capability of the DMCs**

71. In 1999, OEO processed two advisory TAs for building evaluation capability. The TA for strengthening results monitoring and evaluation in the Philippines<sup>43</sup> aims at helping develop and institutionalize processes and procedures for results-oriented monitoring and evaluation (RME). RME refocuses monitoring on assessing impacts and reorients evaluation from postevaluation to concurrent evaluation during project implementation. The TA for evaluation capacity building in the PRC<sup>44</sup> is to continue building performance management capacity in the PRC administration. It focuses on the central government level by promoting a culture of evaluation within the newly created Key Project Inspectorate Office of the State Development Planning Commission.

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<sup>42</sup> During 1996-1998, there was a need for greater coordination at the central level, i.e., Ministry of Planning and Investment, Ministry of Finance, State Bank of Viet Nam, and Office of the Government. Improved coordination played a key role in significantly improving disbursement rates.

<sup>43</sup> TA 3308-PHI: *Strengthening Results Monitoring and Evaluation*, for \$400,000, approved on 24 November 1999.

<sup>44</sup> TA 3375-PRC: *Project Performance Management Capacity Building*, for \$900,000, approved on 27 December 1999.

72. Six TCRs were prepared in 1999; three of these are noteworthy for helping develop and/or strengthen performance evaluation capacity in the DMCs. The TA for strengthening evaluation capacity in the PRC<sup>45</sup> was generally successful in developing a blueprint and strategies for bolstering evaluation as a governance function in the country; associated training generated advocacy for and greater understanding of performance evaluation concepts. The TA for pilot testing a project performance management system in the Philippines<sup>46</sup> was deemed partly successful, with only limited initial institutional impacts, as it was still premature to implement such a complex RME system. Nevertheless, it developed knowledge of and skills in RME techniques and helped promote awareness in the Government of the merits of RME, thereby facilitating its subsequent introduction and acceptance. The TA for strengthening the performance evaluation capability of the Ministry of Plan Implementation and Parliamentary Affairs in Sri Lanka<sup>47</sup> was generally successful in expanding that agency's project performance evaluation information system and made a significant impact within the Government, where project performance management is being institutionalized in the public sector project cycle.

73. Since 1992, 12 TAs have been completed and TCRs prepared.<sup>48</sup> Of these, 11 were considered generally successful in meeting their objectives.

## **B. Feedback of Evaluation Findings**

74. As part of the effort to enhance the effectiveness of the feedback systems within ADB, OEO attends loan management review meetings, as well as staff review committee and loan and TA coordination committee meetings. OEO likewise comments on project and TA documents prepared by various departments and offices. These documents include concept and/or position papers; project briefs; various drafts of the report and recommendation of the President and TA reports; PCRs; TCRs; country assistance program papers; as well as policy, strategy, and other Board papers. This close interaction of OEO with the other departments in ADB facilitates the application of lessons learned to improve new as well as ongoing projects and development activities.

75. A special review was made of a sample of PCRs written in 1999 to provide an assessment of their quality and coverage and thus help determine how they can be used in assessing portfolio performance.<sup>49</sup> Basically, the review addressed three questions: (i) To what degree do PCRs evaluate the projects according to the projects' stated objectives? (ii) Are the claims about project achievement adequately supported by suitable evidence? and (iii) Overall,

<sup>45</sup> TA 2821-PRC: *Strengthening of Evaluation Capacity*, for \$400,000, approved on 4 July 1997.

<sup>46</sup> TA 2782-PHI: *Pilot Implementation of the Project Performance Management System*, for \$250,000, approved on 16 April 1997.

<sup>47</sup> TA 2810-SRI: *Strengthening Project Performance Evaluation Capability of the Ministry of Plan Implementation*, for \$350,000, approved on 16 June 1997.

<sup>48</sup> These comprised 10 advisory TAs for evaluation capacity building in 7 DMCs, and 2 regional TAs for improving evaluation feedback regionwide.

<sup>49</sup> ADB's overall performance rating is currently based on PPARs. This may not give a clear picture of the portfolio's quality and performance, as OEO evaluates all completed programs and only a selection of completed projects; this may not be a fully representative sample. (For example, it often disproportionately includes more complex projects, chosen for undergoing PPAR because of the potential value of the lessons learned from them. Also, country and sector considerations come into the selection to spread the learning.) Other multilateral development banks use PCRs when rating their portfolio performance, which may tend to raise their overall success rate relative to ADB's, although they do adjust PCR ratings after review by OEO counterparts. The *United States Congressional Commission Report on Multilateral Development Banks* (Allan H. Meltzer, Chair, March 2000) praised the ADB practice and criticized the others' procedures, and the Evaluation Cooperation Group is currently addressing this issue.

are PCRs useful in bringing out lessons and recommendations, and are these supported by balanced and well-argued assessments?

76. For the review, 24 (40 percent) of the 60 PCRs prepared in 1999 were randomly selected for study. The reviewed material comprised the PCR, the appraisal report and/or report and recommendation of the President, back-to-office reports of review missions, project performance reviews or project accomplishment notes, and in some cases the feasibility study reports and files concerning PCR preparation. The review thus went considerably deeper than the usual comments made on PCRs, taking up to one week of staff time for each PCR.

77. The reviewed PCRs rate 19 projects as generally successful in meeting their objectives and 5 partly successful. OEO's desk review of the PCRs and related material arrived at a different result. OEO agreed with 15 of the 24 PCR ratings (63 percent). However, OEO rated four of the projects (17 percent) lower than the PCRs, and concluded that a further five PCRs (21 percent) lack sufficient evidence to enable a rating to be given, although additional information is available in related material (Table 1). The major area of disagreement concerns the generally successful rating category given in the PCRs. OEO's assessment downgraded four PCRs in this category to partly successful and did not find enough data to rate a further four. Overall, then, OEO does not agree with 8 of the 19 PCR generally successful ratings (42 percent).

**Table 1: Summary Project Ratings**

<b>Rating</b>	<b>Ratings in PCRs</b>	<b>OEO's Adjusted Ratings</b>
Generally successful	19	11
Partly successful	5	8
Unsuccessful	0	0
Insufficient evidence to rate	0	5
<b>Total</b>	<b>24</b>	<b>24</b>

OEO = Operations Evaluation Office, PCR = project completion report.

78. The large majority of PCRs adequately present the objectives of the projects being reviewed, but 2 of the 24 do not. These two PCRs outline only the expected outputs and not the higher order objectives, namely, the project purpose. Clear and complete statements of both the outputs and purpose are necessary to establish the framework against which a project is to be assessed.

79. In general, the PCR ratings focus on the achievement of outputs and the calculated EIRRs. Claims about the achievement of the project purpose, such as improvements in employment, incomes, sector efficiency, agricultural and industrial output, and social benefits, are made in all PCRs but are adequately substantiated in only 8 of the 24. In some cases, such as for simple economic growth-oriented infrastructure projects, for example, the Telecommunications Project in the PRC,<sup>50</sup> the achievement of expected outputs and an acceptable EIRR are sufficient to assess the degree of project success. This is possible because the achievement of the project purpose is directly implied by the achievement of the outputs. In the example of the Telecommunications Project, the purpose was to relieve communication bottlenecks, which is implied by the measured improvements in the main

<sup>50</sup> Loan 1243-PRC: *Telecommunications Project*, for \$100 million, approved on 17 August 1993.

outputs, namely capacity and service quality. However, additional information is needed if the project is more complex and the achievement of the purpose is not as readily implied by the outputs. An example of such a project is the Fifth Road Improvement Project in the Philippines.<sup>51</sup> The objectives of this Project are couched in terms of enhanced accessibility, efficiency, and economic impacts. The achievement of the outputs, i.e., the completion of the road works and the EIRR, are insufficient to indicate if the objectives will be achieved. Partly, this is because the economic analysis is complex and requires additional information on road quality and changes in vehicle operating costs to support the key assumptions used in the analysis. In addition, full assessment requires information on changes in access and in broader economic impacts, which are not readily evident from statements about the outputs and an EIRR calculation based on vehicle operating cost savings.

80. Despite weaknesses in assessing all the objectives and in supporting claims made, the PCRs are useful in providing descriptions of implementation and in bringing out lessons and recommendations. The use of the project inputs, the history of implementation, and events that affected the project schedule and costs are, with only a few exceptions, well documented. Similarly, the adherence to loan covenants and the performance of consultants, contractors, the EA, and ADB are reasonably well described. The PCRs, however, do not provide any comment on the adequacy of project design, an area found in many PPARs to have contributed to project success, or lack of success. Associated TA is to be described and evaluated in a PCR, but this requirement is poorly addressed in the sample studied. Where associated TA occurred, the PCR provides a brief assessment, but may not describe the TA objectives and generally does not assess the inputs, terms of reference, and implementation arrangements for the TA, or provide evidence to support claims made about the achievements. Another area insufficiently addressed in some, but not all, PCRs is project sustainability. Where relevant, institutional weakness and an insufficiency of funds for maintenance are generally acknowledged, but the impact on future project performance is often not addressed in detail. Economic analyses are invariably done under optimum conditions where, for example, maintenance is assumed to be adequate despite a history of inadequacy.

81. In addition to lack of staff time to do a more thorough job on PCRs, some of the observed weaknesses can be traced to the guidelines for PCR preparation. The format prescribed by the guidelines and its suggested contents focus on project implementation and project inputs rather than project objectives and impact. However, the emphasis on these aspects to some extent emanates also from the usually short period that lies between physical project completion and the time when the PCR is prepared. Obviously, this vantage point makes assessment of impacts difficult. Nonetheless, the guidelines could be strengthened to encourage greater analytical effort. The established practice in PCR preparation is to narrate implementation events and describe provision of inputs in terms of the cost components without much analysis of the implications for project objectives and impacts. Both greater analytical rigor and a substantial revision of the guidelines for PCR preparation could thus contribute to more meaningful project assessment. Until this is achieved, it will not be possible to rely on PCRs as performance indicators of ADB's development effectiveness. Nor are they of great value as a quality improvement mechanism. Improving the guidelines may be a step in the right direction; but this alone will not suffice. While the existing guidelines may be somewhat inadequate, they do not prevent staff from exerting greater intellectual effort. What is needed, therefore, is to identify and analyze the factors within ADB that may constrain the willingness to learn from past experience and to improve project design accordingly. Additional resources may be needed in the form of increased staff time to prepare and review PCRs, and training in certain aspects

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<sup>51</sup> Loan 1058-PHI: *Fifth Road Improvement Project*, for \$150 million, approved on 29 November 1990.

such as evaluating environmental category A projects and those with significant social development issues.

### **C. External Coordination**

82. OEO continued its close coordination with evaluation units in the multilateral development banks through its participation in the Evaluation Cooperation Group (ECG). The purposes of the ECG are to strengthen evaluation for greater effectiveness and accountability, share lessons learned, harmonize performance indicators and methodologies, enhance professionalism, and facilitate the involvement of borrowing countries in evaluation. Work has focused on best practices in the documentation and validation of project performance, feedback of lessons, and accountability reporting. Significant progress has been made in the practice and methods of private sector evaluation, while a working group on public sector evaluation was established in 1999. This latter group initially focused on harmonization of evaluation criteria and then moved on to begin studying institutional development aspects, a key concern of public sector activities. In 1999, OEO produced the first issue of *Evaluation Insights*, the ECG's newsletter, and attended semiannual ECG meetings.

## **IV. KEY ISSUES**

83. Issues seldom disappear entirely. Too many recur year after year. But it is hoped that by addressing them periodically, especially with the benefit of new insights gleaned from new approaches and data, more satisfactory solutions can be found. The issues identified and discussed here are (i) the benefits of participatory approaches, (ii) closer attention to sustainability, (iii) the use of accompanying TA, (iv) poverty reduction, and (v) the PCR as a learning tool.

### **A. Benefits of Participatory Approaches**

84. Several projects reviewed in PPARs in 1999 reveal the benefits of participatory methods in project formulation as well as implementation and even evaluation. The Shanghai-Nanpu Bridge Project involved displacement of 4,200 households and 130 businesses—a major undertaking with the potential for serious protest. But affected residents and business concerns were extensively consulted as part of the PPTA. All residents interviewed by the operations evaluation mission were totally satisfied with their relocation arrangements. The consultation process and the consideration of beneficiary needs appear to have been an important factor in the success of this component, contributing to the generally successful rating of the overall Project. Another generally successful project, the Walawe Irrigation Improvement Project, faces sustainability problems that can be traced in part to the failure of the PPTA feasibility study to fully identify the need to (i) take account of farmers' capacity and adopt the design accordingly, (ii) involve farmers in the design process, and (iii) develop farmers' close involvement in the management and O&M of the system. During implementation the Project promoted farmer participation in irrigation scheme O&M, but only on a pilot scale. While some farmer organizations are operating effectively and maintaining their canals and structures, in other locations there is deliberate damage to structures so that some farmers can avail of additional water. A major lesson learned from this Project is the need to promote understanding of water management issues and general ownership of an irrigation system, which is best accomplished through participatory methods.

85. The Small Dams Project also found that irrigation introduces a potential source of conflict within and between communities, with competition for water between the head and tail

schemes and between the powerful and the not-so-powerful, especially during dry seasons. An attempt was made under the Project to establish water user associations, but they were not formalized or given any responsibility, and they collapsed at the end of the construction phase. The PPAR recommends more effective consultation; needs analysis; and participation at the identification, design, and construction stages. Such activities have resource implications that must be considered during project design.

86. Not all projects lend themselves equally to the adoption of participatory approaches, and such methods are not a panacea. While the Karachi Urban Development Project was processed without ADB PPTA, the *katchi abadi* (urban slum) upgrading component was prepared by domestic consultants, with inputs provided by community groups and NGOs. The Project had well-publicized technical problems. In addition, a major problem was the target population's low level of willingness to pay. An important lesson learned from this unsuccessful Project was the need to involve the ultimate beneficiaries from the beginning.

87. Sometimes participatory approaches to project design can be relied on too much. The design of the Second Island Provincial Rural Water Supply Sector Project in the Philippines relied more on getting on-site assessments of groundwater potential by interviewing community members rather than by using geophysical instruments and correlating the findings with existing data. Operations evaluation concluded that community-level user groups are ill equipped to handle O&M of systems with public and private taps immediately after completion of facilities. Forming such groups should precede actual construction, including legal registration.

88. The same Philippine project was a pilot attempt to use participatory evaluation techniques involving all stakeholders, including beneficiaries, members of neighborhood waterworks and sanitation associations, EA officials, local government representatives, and health workers. This procedure successfully confirmed the findings of field surveys of 92 sites in four provinces on the development impact of the Project.

## **B. Close Attention to Sustainability**

89. OEO uses four criteria to measure project and program success: relevance, efficacy, efficiency, and sustainability. It is in the fourth category, sustainability, where many otherwise successful endeavors are found wanting. More than half of the PPARs, TA performance audit reports, and reevaluation studies from 1999 discuss sustainability issues. While it is to be expected that the three unsuccessful projects (including the reevaluated Fuel Conversion Project) would be questioned on the grounds of sustainability, half of the generally successful projects and several of the generally successful TAs reviewed in TA performance audit reports were as well. These projects, programs, and TAs covered practically all sectors—agriculture and natural resources, physical infrastructure, social infrastructure—and a range of countries in all four country groups.

90. The common thread in many of these studies is lack of budgetary support for O&M, an issue raised last year in the Twenty-first Annual Review. The provision by the government/EA of a recurrent budget to maintain project facilities is a factor so important that it bears repeating. Some projects were not sustainable for want of additional capital investments such as the technical and vocational education projects in Pakistan, Papua New Guinea, and Sri Lanka; the Karachi Urban Development Project; and the two power projects in Nepal. Another problem cited several times was poor management of a project or TA and its facilities (e.g., Low-Income Housing Development Project, Nusa Tenggara Agricultural Development Project, and the TA performance audit report on TAs to the Energy Sector in Mongolia). Wrong or overly ambitious

targeting of beneficiaries was problematic in the Fiji Islands housing project and the Philippine Fisheries Sector Program. Poor institutional capacity figured in the Nusa Tenggara project and the financial sector TAs in the Lao PDR. Other sustainability problems were caused by poor use of equipment in technical and vocational education projects, low transfer of technology in Mongolia's energy sector TAs, inadequate availability of fertilizers and seed stocks in the Bangladesh Food Crops Development Program, safety considerations at Tribhuvan airport, and poor water quality in the Philippines water supply sector project. Arrangements for O&M will be different in revenue-generating and nonrevenue-generating projects—a factor that must be considered in project design.

91. Occasionally sustainability is threatened by exogenous factors, as in the Fuel Conversion Project in the PRC, where the plant's cost competitiveness fell relative to other power generation units, the province's economic outlook changed, and the country's environmental regulations were tightened. But most sustainability problems stem from inadequate recurrent budget, faulty design, insufficient consideration by review missions, and/or government/EA inertia. All point to the need for closer attention to sustainability factors by ADB at all stages of a project, even after it closes, through continued dialogue with the government.

### **C. Use of Accompanying Technical Assistance**

92. One way to pay close attention to project sustainability is through TA that accompanies a loan. Advisory TA can be a powerful tool to keep the project moving in the proper direction, to fine-tune project inputs, and to ensure transfer of technology. But it can also function independently of the project and have only a small effect on project outcomes. Thirteen of the projects and programs reviewed in 1999 had a total of 20 accompanying TAs approved by the ADB Board simultaneously with the respective loans. Of the TAs rated according to OEO's usual three-point scale, four were generally successful, four were partly successful, and one was unsuccessful. Of the others, the majority were deemed satisfactory or successful; only one was described as unsatisfactory. There is thus grounds to say that attached TA is usually worthwhile. However, there is no firm correlation between the rating of the projects and programs and the rating of their accompanying TA. The two unsuccessful projects had satisfactory TAs; conversely both partly and generally successful projects had unsatisfactory TAs.

93. As would be expected, generally successful TAs had characteristics like relevant objectives consistent with the scope of the project, appropriate terms of reference, adequate resources, and effective consultants; and their recommendations tended to be adopted by the EAs. The unsatisfactory TAs evidenced poor ownership by the EAs and consequent nonadoption of TA outputs and recommendations. A problem cited several times was the transfer by the EA of staff trained under a TA to another division, resulting in loss of the learning to the task at hand. Another factor in the less-than-desirable TA outcomes was the EA's failure to provide funding, such as for travel allowances for trainees or for dissemination of TA outputs. EA failure to appoint qualified staff to follow through also prevented some TAs from achieving more success.

94. An answer to these conditions lies in closer supervision of TA consultants by review missions and in more effective coordination with the EAs to provide a high level of EA authorship and ownership. In addition, ADB needs to focus and rationalize the large number of advisory TAs that it is providing to DMCs, critically examining TA deliverables, and sharing lessons learned and best practices.

#### **D. Poverty Reduction**

95. The design and implementation of all projects, programs, and TAs evaluated in 1999 predated the announcement in that year of ADB's overarching goal of poverty reduction. Much of the evaluation work was likewise done before that announcement. While there was an institutional mandate to examine the effects on poverty of all projects classified with poverty reduction as a primary or secondary objective, and of all program loans in recent years, not all 1999 OEO reports, with the exception of course of the poverty reduction study (paras. 59-60), specifically examined effects on poverty.

96. Two PPARs and an impact evaluation study examined projects decidedly targeted at the poor. The Karachi Urban Development Project addressed infrastructure problems especially in the urban slums (part A of the project). It provided for water supply, sewage lines, road and walkway upgrading, and street lighting. However, a design shortcoming was lack of concurrent provision for a sewage treatment facility. Water supply facilities were underutilized because of the drought. Road and walkway upgrading was poorly planned and implemented. Cost recovery through sale of leases for plots of land where facilities were built was low because of low demand and low willingness to pay. Some investments in the sewage system had little impact because of nonutilization. A major lesson learned was that urban upgrading is complex in nature, and that a piecemeal approach is not an optimal solution. The Fiji Islands' housing project's problems have been discussed (para. 18). The Project benefited the better-off, since housing is still unaffordable to the bottom 50 percent income group. In the end, housing costs were not reduced.

97. The Impact Evaluation Study of Bank Assistance in the Water Supply and Sanitation Sector in Indonesia (paras. 52-53) examined 14 completed projects that targeted low-income groups. Where partly successful ratings had been given in PPARs, the reasons were usually weak implementation capacity of the EAs and implementation agencies, and lack of political will to implement policy reforms. Generally successful ratings were awarded because of good physical accomplishments and project benefits, as well as contribution to the integrated urban development approach.

98. The education projects reviewed in 1999—in the public secondary and technical and vocational subsectors—by their nature benefited lower income groups. The two programs and one project evaluated in the agriculture and natural resources sector all helped to reduce poverty, even if only indirectly as in the case of the Food Crops Development Program in Bangladesh. While there was no specific antipoverty component, the decline in real prices of rice benefited the poor, as 70 percent of rural households were net purchasers of rice. The Fisheries Sector Program in the Philippines contributed up to a 20 percent reduction in poverty over the program period through increased income. The PPAR feels that the Walawe Project in Sri Lanka also reduced poverty, but hard data is difficult to come by.

99. A number of the ADB endeavors evaluated in 1999 did not have measurable effects on poverty, especially large infrastructure projects, financial sector projects, and institution-building TAs, yet the hope is that, by working in concert to lift the general level of economic and social development, such activities will concurrently pull up the poor. Now that the ADB's primary goal is seen as poverty reduction, projects, programs, and TAs will more clearly address poverty issues, and OEO evaluations will, starting in 2000, comment specifically on poverty reduction.

## **E. The Project Completion Report as a Learning Tool**

100. The two main components of ADB's evaluation work are self-evaluation by the projects and programs departments and the various independent evaluation activities of OEO. Self-evaluation through PCRs is significant because

- (i) the feedback that it generates does not have to cross departmental boundaries; the lessons learned therefore cause less friction than might occur during interdepartmental review;
- (ii) self-generated feedback enables greater acceptance and ownership when it comes to incorporating the learnings in the designs of new projects and programs; and
- (iii) their proximity to project and program processing subjects lessons to be learned to more direct and reliable reality checks, which should enhance their relevance.

These advantages should, in theory, combine to foster a learning climate and to ensure better project and program quality. Nonetheless, OEO has recently initiated an in-depth review of the quality of PCRs (paras. 75-81), which calls for strengthening of the self-evaluation process. OEO acknowledges the importance of PCRs and has justified the review by the need to expand its statistical base for measuring ADB's overall performance.

101. Until this systematic review of PCRs, the only validity test of PCR findings was provided by OEO's selective PPAR exercise, which covers all completed programs and roughly 30 percent of completed projects. A comparison of the ratings of PCRs and PPARs reveals 100 percent agreement when the PCRs rated the projects as unsuccessful. However, a significant variance and much debate have arisen in cases where PCRs rated projects as generally successful. The ensuing discussions typically center on the issue of whose rating was right or wrong. More importantly, these discussions and their often defensive nature have revealed that past shortcomings were sometimes regarded as blame rather than as a valuable source of learning.

102. Many staff from projects and programs departments are aware of this situation. PCRs are frequently seen as a routine exercise aimed at fulfilling the annual work program. The way to break out of this negative situation is through dialogue. OEO, projects and programs departments, and the Strategy and Policy Department must work together to set goals and develop new, realistic guidelines for PCR preparation as well as training and incentives for staff to place more value on the PCR exercise.

## APPENDIXES

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## PROFILE OF 1999 EVALUATIONS

Type and Title	Report No.	Loan/TA No.	Date Approved	Loan/TA Amount (\$mn)		Project/TA Cost			Completion Date		Time Overrun/ (Underrun) (Years)	Performance
				Approved	Disbursed	Expected (\$ mn)	Actual (\$ mn)	Overrun/ (Underrun) (%)	Expected	Actual		
<b>Project Performance Audit Reports</b>												
Rayalaseema Thermal Power Project	PE0524	988 IND	21/Nov/89	230.00	178.20	610.30	452.30	(25.89)	31-Dec-93	28-Feb-95	1.2	GS
East New Britain Smallholder Development Project	PE0525	852 PNG	3/Nov/87	10.00	9.49	16.70	15.03	(10.00)	31-Dec-93	31-Dec-96	3.0	GS
West New Britain Smallholder Development Project	PE0526	853 PNG(SF)	14/Aug/86	29.90	29.76	49.90	42.30	(15.23)	31-Dec-92	31-Dec-95	3.0	GS
		785 PNG										
Second Tribhuvan International Airport Project	PE0527	388 NEP(SF)	22/Dec/78	29.25	26.85	20.00	38.16	90.80	28-Feb-83	31-Dec-96	13.8	GS
		783 NEP(SF)	10/Jul/86									
		936 NEP(SF)	15/Dec/88									
		824 PAK	18/Dec/86	150.00	144.70	1,268.60	1,388.90	9.48	31-Dec-91	30-Jun-95	3.5	GS
WAPDA Tenth Power (Sector) Project	PE0528	824 PAK	18/Dec/86	150.00	144.70	1,268.60	1,388.90	9.48	31-Dec-91	30-Jun-95	3.5	GS
Shanghai-Nanpu Bridge Project	PE0529	1082 PRC	28/May/91	70.00	69.75	238.00	226.88	(4.67)	31-Dec-94	30-Nov-92	(2.1)	GS
Secondary Education Development Sector Project	PE0530	898 PHI(SF)	11/Aug/88	70.00	65.95	174.96	166.90	(4.61)	31-Oct-93	31-Jul-95	1.7	PS
Nusa Tenggara Agricultural Development Project	PE0531	952 INO(SF)	7/Feb/89	119.00	110.02	148.80	139.70	(6.12)	30-Jun-94	30-Sep-95	1.3	GS
		953 INO										
		750 PAK(SF)	31/Oct/85	39.00	31.03	48.82	35.40	(27.49)	31-Dec-92	14-Mar-96	3.2	PS
Small Dams Project	PE0532	750 PAK(SF)	31/Oct/85	39.00	31.03	48.82	35.40	(27.49)	31-Dec-92	14-Mar-96	3.2	PS
Walawe Irrigation Project	PE0533	695 SRI(SF)	27/Sep/84	11.00	14.93	13.70	36.02	162.91	31-Jan-90	31-Dec-95	5.9	GS
Karachi Urban Development Project	PE0534	793 PAK(SF)	14/Oct/86	55.20	59.65	69.30	69.50	0.29	31-Mar-90	31-Dec-96	6.8	US
Second Island Provinces Rural WS Sector Project	PE0536	1052 PHI(SF)	20/Nov/90	24.00	17.27	31.30	26.50	(15.34)	30-Jun-94	31-Dec-95	1.5	PS
Low-Income Housing Development Project	PE0538	1005 FIJ	21/Dec/89	9.60	9.60	52.64	47.34	(10.07)	31-Dec-95	14-Mar-96	0.2	US
Third Development Bank of the Philippines Project	PE0539	1088 PHI	16/Jul/91	100.00	42.45	100.00	42.45	(57.55)	-	18-Mar-96	0.2	PS
Seventh, Eighth, and Ninth Port Projects	PE0541	688 INO	28/Aug/84	86.00	76.50	158.00	132.00	(16.46)	31-Dec-88	31-May-92	3.4	GS
		797 INO	18/Nov/86	40.00	19.54	63.55	35.59	(44.00)	31-Dec-91	30-Jun-92	0.5	GS
		951 INO	7/Feb/89	22.00	21.35	41.00	37.74	(7.95)	30-Jun-93	31-Aug-94	1.2	GS
		670 NEP(SF)	14/Dec/83	20.00	23.75	25.70	23.75	(7.59) <sup>a</sup>	31-Mar-88	31-Dec-96	8.8	GS
Fifth and Sixth Power Projects	PE0543	708 NEP(SF)	20/Nov/84	28.10	37.05	41.70	53.80	29.02	30-Nov-88	26-May-96	7.5	GS
Batangas Power Corporation Project	PE0544	7090/123 PHI	18/May/93	26.50	26.50	119.80	137.00	14.36	30-Apr-93	31-Jul-93	0.3	PS
<b>Program Performance Audit Reports</b>												
Fisheries Sector Program	PE0535	971 PHI(SF)	26/Sep/89	80.00	82.40	80.00	82.40	3.00	-	30-Nov-96	1.9	PS
		972 PHI										
		1180 LAO(SF)	8/Oct/92	30.00	28.77	30.00	28.77	(4.10)	-	31-Aug-95	0.0	PS
Second Agriculture Program	PE0537	1180 LAO(SF)	8/Oct/92	30.00	28.77	30.00	28.77	(4.10)	-	31-Aug-95	0.0	PS
Financial Sector Program	PE0540	1208 IND	15/Dec/92	300.00	300.00	300.00	300.00	0.00	31-Mar-96	31-Mar-96	0.0	GS
Food Crops Development Program	PE0542	1045 BAN(SF)	6/Nov/90	125.00	130.70	125.00	130.70	4.56	31-May-93	30-Jun-95	2.1	PS
<b>Technical Assistance Performance Audit Reports</b>												
Privatization in the Power, Gas, and Water Sectors	TE-27	1652 THA	9/Jan/92	0.15	0.15	0.16	0.16	0.00	31-Oct-92	15-Dec-92	0.12	GS
		1726 THA	2/Jul/92	0.45	0.45	0.54	0.62	15.57	31-Dec-93	22-Jul-94	0.56	GS
		1907 THA	2/Jul/93	0.32	0.32	0.36	0.36	0.01	31-May-94	20-Nov-94	0.47	GS
		1776 LAO	30/Oct/92	0.07	0.07	0.15	-	-	-	-	0.00	GS
Private Sector Education in Lao People's Democratic Republic	TE-28	2097 LAO	14/Jun/94	0.40	0.28	0.81	-	-	31-Jul-95	31-Jul-96	1.00	GS

- = no data, BAN = Bangladesh, FIJ = Fiji Islands, GS= generally successful, IND = India, INO = Indonesia, LAO = Lao People's Democratic Republic, mn = million, NEP = Nepal, PAK = Pakistan, PHI = Philippines, PNG = Papua New Guinea, PRC = People's Republic of China,

PS= partly successful, SF = Special Funds, SRI = Sri Lanka, THA = Thailand, US= unsuccessful, WAPDA = Water and Power Development Authority.

<sup>a</sup> Actual data on government financing was not available.

Source: Postevaluation Information System.

PROFILE OF 1999 EVALUATIONS (continued)

Type and Title	Report No.	Loan/TA No.	Date Approved	Loan/TA Amount (\$mn)		Project/TA Cost			Completion Date		Time Overrun/ (Underrun) Years	Performance
				Approved	Disbursed	Expected (\$ mn)	Actual (\$ mn)	Overrun/ (Underrun) (%)	Expected	Actual		
Advisory and Operational TA Grants to the Energy Sector in Mongolia	TE-29	1750 MON	4/Sep/92	0.41	0.37	0.44	-	-	31-May-94	31-May-95	1.0	GS
		2035 MON	27/Dec/93	0.50	0.50	0.54	-	-	31-Jan-95	31-May-98	3.3	GS
		2095 MON	6/Jun/94	0.60	0.59	0.63	-	-	30-Oct-95	31-May-98	2.6	PS
		2571 MON	17/May/96	0.55	0.54	0.61	-	-	28-Feb-98	31-Aug-99	1.5	GS
		3029 MON	10/Jun/98	0.45	0.27	0.56	-	-	-	-	0.0	NR
Selected Financial Sector TAs to Lao PDR	TE-30	1115 LAO	24/Jan/89	0.79	0.68	0.81	-	-	31-Dec-89	30-Apr-91	1.3	PS
		1296 LAO	27/Apr/90	0.59	0.52	0.60	-	-	31-Jan-91	30-Apr-94	3.2	US
		1433 LAO	6/Dec/90	0.30	0.23	0.30	-	-	31-Aug-91	30-Apr-94	2.7	US
		1434 LAO	6/Dec/90	0.56	0.25	0.57	-	-	28-Feb-93	31-Dec-94	1.8	US
		1805 LAO	15/Dec/92	0.60	0.59	0.62	-	-	31-Jul-93	31-Dec-94	1.4	GS
		2160 LAO	21/Sep/94	0.35	0.35	0.38	-	-	31-Oct-96	31-Mar-97	0.4	PS
<b>Technical Assistance Completion Reports</b>												
Regional Study of the Impact of ADB Assistance in the Health and Population Sector		5629 REG	27/Apr/95	0.30	0.21	0.03	0.02	(30.00)	30-Jun-96			PS
Special Evaluation Study of Port Projects		5715 REG	20/Dec/96	0.26	0.23	0.26	0.23	(11.54)	15-Aug-97			GS
Impact Evaluation and Special Studies on Issues of Operational Importance		5734 REG	15/Apr/97	0.60	0.48	0.60	0.48	(20.00)	30-Jun-98			GS
Pilot Implementation of Project Performance Management System		2782 PHI	16/Apr/97	0.25	0.21	0.30	-	-	30-Apr-98			PS
Strengthening Project Performance Evaluation Capability of the Ministry of Plan, Implementation and Parliamentary Affairs		2810 SRI	16/Jun/97	0.35	0.30	0.38	-	-	31-Jan-99			GS
Strengthening of Evaluation Capacity in the People's Republic of China		2821 PRC	4/Jul/97	0.40	0.32	0.50	-	-	30-Nov-98			GS
<b>Reevaluation Studies</b>												
Third Tea Development	IE-60	472 SRI(SF)	7/Oct/80	12.80	11.83	36.7	22.62	(38.37)	31-Dec-86	31-Dec-89	3.0	PS
Fuel Conversion Project	IE-62	880 PRC	21/Dec/87	33.30	26.17	60.60	56.02	(7.56)	19-Apr-92	30-Apr-92	0.0	US
<b>Impact Evaluation Studies</b>												
ADB Assistance in the Water Supply and Sanitation Sector in Indonesia	IE-59	5793 REG	19/May/98	0.91								
Technical and Vocational Education Projects in Malaysia, Pakistan, Papua New Guinea, & Sri Lanka	IE-61	5832 REG	12/Feb/99	1.00								
ADB's Program of Subregional Economic Cooperation in the Greater Mekong Subregion	IE-63	5762 REG	16/Dec/97	0.45								

ADB = Asian Development Bank, BME = benefit monitoring and evaluation, MON = Mongolia, NR = no rating, REG = regional, TA= technical assistance.

**PROFILE OF 1999 EVALUATIONS (continued)**

Type and Title	Report No.	Loan/TA No.	Date Approved	Loan/TA Amount (\$mn)			Project/TA Cost			Completion Date		Time Overrun/ (Underrun) Years	Performance
				Approved	Disbursed	Expected (\$ mn)	Actual (\$ mn)	Overrun/ (Underrun) (%)	Expected	Actual			
<b>Special Evaluation Studies</b>													
Effectiveness and Impact of ADB Assistance to the Reform of Public Expenditure Management	SS-35	5832 REG	12/Feb/99	1.00									
Social and Environmental Impacts of Selected Hydropower Projects	SS-36	5793 REG	19/May/98	0.91									
Effectiveness of ADB Approaches and Assistance to Poverty Reduction in Bangladesh, Kyrgyz Republic, Lao PDR, Nepal, and Philippines	SS-37	5832 REG	12/Feb/99	1.00									
Role of Nongovernment Organizations and Community-Based Organizations in ADB Projects	SS-38	5832 REG	12/Feb/99	1.00									
Interim Assessment of ADB's Lending to Thailand During the Economic Crisis	SS-39	5832 REG	12/Feb/99	1.00									
Advisory and Operational TAs to Kazakhstan and the Kyrgyz Republic	SS-40												
<b>Miscellaneous Evaluation Studies</b>													
Country Assistance Program Evaluation in Viet Nam													
21st Annual Review of Evaluation Reports													
1999 Annual Performance Evaluation Program													
Evaluation Highlights of 1998													
Recommendations of the ADF VII Donors Report: Interim Review of Implementation													
Country Synthesis of Evaluation Findings in Nepal													
Sector Synthesis of Evaluation Findings in Rural and Agricultural Credit													

**HISTORICAL PERFORMANCE OF EVALUATED LENDING OPERATIONS**  
**BY ECONOMY GROUP AND ECONOMY<sup>a</sup>**  
(as of December 1999)

Economy Group and Economy	Total No. of Projects	Generally Successful		Partly Successful		Unsuccessful	
		Number	%	Number	%	Number	%
<b>Group A</b>	<b>89</b>	<b>41</b>	<b>46.1</b>	<b>27</b>	<b>30.3</b>	<b>21</b>	<b>23.6</b>
Bhutan	3	1	33.3	1	33.3	1	33.3
Kiribati	2	1	50.0	0	0.0	1	50.0
Lao People's Dem. Rep.	10	4	40.0	5	50.0	1	10.0
Maldives	4	3	75.0	0	0.0	1	25.0
Mongolia	1	1	100.0	0	0.0	0	0.0
Myanmar	11	7	63.6	3	27.3	1	9.1
Nepal	35	19	54.3	8	22.9	8	22.9
Samoa	13	4	30.8	6	46.2	3	23.1
Solomon Islands	7	1	14.3	3	42.9	3	42.9
Vanuatu	3	0	0.0	1	33.3	2	66.7
<b>Group B</b>	<b>243</b>	<b>130</b>	<b>53.5</b>	<b>91</b>	<b>37.4</b>	<b>22</b>	<b>9.1</b>
Bangladesh	47	18 <sup>b</sup>	38.3	25	53.2	4	8.5
Cook Islands	2	0	0.0	2	100.0	0	0.0
Pakistan	60	37 <sup>b</sup>	61.7	17	28.3	6	10.0
Sri Lanka	29	13	44.8	13	44.8	3	10.3
Tonga	8	7	87.5	1	12.5	0	0.0
Viet Nam	5	0	0.0	5	100.0	0	0.0
<b>Subtotal (Group B1)</b>	<b>151</b>	<b>75</b>	<b>49.7</b>	<b>63</b>	<b>41.7</b>	<b>13</b>	<b>8.6</b>
China, People's Rep. Of	6	3	50.0	0	0.0	3	50.0
India	4	3	75.0	1	25.0	0	0.0
Indonesia	82	49 <sup>b</sup>	59.8	27	32.9	6	7.3
<b>Subtotal (Group B2)</b>	<b>92</b>	<b>55</b>	<b>59.8</b>	<b>28</b>	<b>30.4</b>	<b>9</b>	<b>9.8</b>
<b>Group C</b>	<b>175</b>	<b>101</b>	<b>57.7</b>	<b>55</b>	<b>31.4</b>	<b>19</b>	<b>10.9</b>
Fiji Islands	10	6	60.0	2	20.0	2	20.0
Malaysia	42	25	59.5	14	33.3	3	7.1
Papua New Guinea	20	7	35.0	12	60.0	1	5.0
Philippines	64	28 <sup>b</sup>	43.8	23 <sup>b</sup>	35.9	13	20.3
Thailand	39	35	89.7	4	10.3	0	0.0
<b>Graduated Economies<sup>c</sup></b>	<b>57</b>	<b>50</b>	<b>87.7</b>	<b>6</b>	<b>10.5</b>	<b>1</b>	<b>1.8</b>
<b>Total</b>	<b>564<sup>d</sup></b>	<b>322</b>	<b>57.1</b>	<b>179</b>	<b>31.7</b>	<b>63</b>	<b>11.2</b>

<sup>a</sup> Analogous tables in past reports included private sector loans but excluded program loans. Beginning this year, all lending operations are included. See Appendix 4 for additional data on private sector loans and Appendix 7 for disaggregated historical statistics on program loans.

<sup>b</sup> Includes private sector loan(s).

<sup>c</sup> Republic of Korea; Hong Kong, China; and Singapore.

<sup>d</sup> Excludes two evaluated program loans (Indonesia and the Lao PDR) that were not rated.

Source: Postevaluation Information System.

**OVERALL PERFORMANCE ASSESSMENT OF  
PROJECTS EVALUATED IN 1999**

**Table A3.1: Overall Performance Assessment of Projects by Sector/Subsector in 1999 <sup>a</sup>**

Sector and Subsector	Generally Successful		Partly Successful		Unsuccessful		All	
	Number	%	Number	%	Number	%	Number	%
<b>Agriculture and Natural Resources</b>								
Irrigation and Rural Development	4	80	1	20	0	0	5	100
<b>Subtotal (A)</b>	<b>4</b>	<b>80</b>	<b>1</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>100</b>
<b>Physical Infrastructure</b>								
Electric Power	4	80	1	20 <sup>b</sup>	0	0	5	100
Roads and Road Transport	1	100	0	0	0	0	1	100
Ports and Shipping	3	100	0	0	0	0	3	100
Airports and Civil Aviation	1	100	0	0	0	0	1	100
<b>Subtotal (B)</b>	<b>9</b>	<b>90</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>100</b>
<b>Social Infrastructure</b>								
Water Supply and Sanitation	0	0	1	100	0	0	1	100
Education	0	0	1	100	0	0	1	100
Urban Development and Housing	0	0	0	0	2	100	2	100
<b>Subtotal (C)</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>50</b>	<b>2</b>	<b>50</b>	<b>4</b>	<b>100</b>
<b>Financial</b>								
Development Finance Institution	0	0	1	100	0	0	1	100
<b>Subtotal (D)</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>100</b>
<b>Total</b>	<b>13</b>	<b>65</b>	<b>5</b>	<b>25</b>	<b>2</b>	<b>10</b>	<b>20</b>	<b>100</b>

<sup>a</sup> 20 projects evaluated in 17 project performance audit reports.

<sup>b</sup> Private sector loan.

Source: Postevaluation Information System.

Table A3.2: Overall Performance Assessment of Projects by Country Group/Country in 1999<sup>a</sup>

Country Group and Country	Generally Successful		Partly Successful		Unsuccessful		All	
	Number	%	Number	%	Number	%	Number	%
<b>Group A (ADF-only)</b>								
Nepal	3	100	0	0	0	0	3	100
<b>Subtotal (A)</b>	<b>3</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>100</b>
<b>Group B (ADF-OCR blend)</b>								
Pakistan	1	33	1	33	1	33	3	100
Sri Lanka	1	100	0	0	0	0	1	100
Subtotal (Group B1)	2	50	1	25	1	25	4	100
China, People's Rep. of	1	100	0	0	0	0	1	100
India	1	100	0	0	0	0	1	100
Indonesia	4	100	0	0	0	0	4	100
Subtotal (Group B2)	6	100	0	0	0	0	6	100
<b>Subtotal (B)</b>	<b>8</b>	<b>80</b>	<b>1</b>	<b>25</b>	<b>1</b>	<b>10</b>	<b>10</b>	<b>100</b>
<b>Group C (OCR-only)</b>								
Fiji Islands	0	0	0	0	1	100	1	100
Papua New Guinea	2	100	0	0	0	0	2	100
Philippines	0	0	4 <sup>b</sup>	100	0	0	4	100
<b>Subtotal (C)</b>	<b>2</b>	<b>29</b>	<b>4</b>	<b>57</b>	<b>1</b>	<b>14</b>	<b>7</b>	<b>100</b>
<b>Total</b>	<b>13</b>	<b>65</b>	<b>5</b>	<b>25</b>	<b>2</b>	<b>10</b>	<b>20</b>	<b>100</b>

ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Percentages may not add to 100 due to rounding.

<sup>b</sup> Includes 1 private sector loan.

Source: Postevaluation Information System.

Table A3.3: Performance of Projects Evaluated in 1999 by Investment Cost <sup>a</sup>

Country Group and Sector	Total No. of Projects Evaluated	Generally Successful		Partly Successful		Unsuccessful		Total Amount (\$ mn)
		Amount (\$ mn)	Percent	Amount (\$ mn)	Percent	Amount (\$ mn)	Percent	
<b>Group A</b>	<b>3</b>	<b>1540.7</b>	<b>94</b>	<b>35.4</b>	<b>2</b>	<b>69.5</b>	<b>4</b>	<b>1,645.6</b>
Physical Infrastructure	3	115.8	100	0.0	0	0.0	0	115.8
<b>Group B1</b>	<b>4</b>	<b>1424.9</b>	<b>93</b>	<b>35.4</b>	<b>2</b>	<b>69.5</b>	<b>5</b>	<b>1,529.8</b>
Agriculture and Natural Resources	2	36.0	50	35.4	50	0.0	0	71.4
Physical Infrastructure	1	1,388.9	100	0.0	0	0.0	0	1,388.9
Social Infrastructure	1	0.0	0	0.0	0	69.5	100	69.5
<b>Group B2</b>	<b>6</b>	<b>1024.2</b>	<b>100</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>1,024.2</b>
Agriculture and Natural Resources	1	139.7	100	0.0	0	0.0	0	139.7
Physical Infrastructure	5	884.5	100	0.0	0	0.0	0	884.5
<b>Group C</b>	<b>7</b>	<b>57.3</b>	<b>12</b>	<b>372.9</b>	<b>78</b>	<b>47.34</b>	<b>10</b>	<b>477.5</b>
Agriculture and Natural Resources	2	57.3	100	0.0	0	0.0	0	57.3
Physical Infrastructure	1	0.0	0	137.0 <sup>b</sup>	100	0.0	0	137.0
Social Infrastructure	3	0.0	0	193.4	80	47.34	20	240.7
Financial	1	0.0	0	42.5	100	0.0	0	42.5
<b>All DMCs</b>	<b>20</b>	<b>2622.3</b>	<b>83</b>	<b>408.3</b>	<b>13</b>	<b>116.8</b>	<b>4</b>	<b>3,147.3</b>
Agriculture and Natural Resources	5	233.1	87	35.4	13	0.0	0	268.5
Physical Infrastructure	10	2389.2	95	137.0	5	0.0	0	2,526.2
Social Infrastructure	4	0.0	0	193.4	62	116.8	38	310.2
Financial	1	0.0	0	42.45	100	0.0	0	42.5

DMC = developing member country.

<sup>a</sup> Excludes evaluated program loans.

<sup>b</sup> Private sector loan.

Source: Postevaluation Information System.

Table A3.4: Performance of Projects Evaluated in 1999 by Loan Disbursement <sup>a</sup>

Country Group and Sector	Total No. of Projects Evaluated	Generally Successful		Partly Successful		Unsuccessful		Total Amount (\$ mn)
		Amount (\$ mn)	Percent	Amount (\$ mn)	Percent	Amount (\$ mn)	Percent	
<b>Group A</b>	<b>3</b>	<b>87.7</b>	<b>100</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>87.7</b>
Physical Infrastructure	3	87.7	100	0.0	0	0.0	0	87.7
<b>Group B1</b>	<b>4</b>	<b>159.6</b>	<b>64</b>	<b>31.0</b>	<b>12</b>	<b>59.7</b>	<b>24</b>	<b>250.3</b>
Agriculture and Natural Resources	2	14.9	32	31.0	68	0.0	0	46.0
Physical Infrastructure	1	144.7	100	0.0	0	0.0	0	144.7
Social Infrastructure	1	0.0	0	0.0	0	59.7	100	59.7
<b>Group B2</b>	<b>6</b>	<b>475.4</b>	<b>100</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>475.4</b>
Agriculture and Natural Resources	1	110.0	100	0.0	0	0.0	0	110.0
Physical Infrastructure	5	365.3	100	0.0	0	0.0	0	365.3
<b>Group C</b>	<b>7</b>	<b>39.3</b>	<b>20</b>	<b>152.2</b>	<b>76</b>	<b>9.6</b>	<b>5</b>	<b>201.0</b>
Agriculture and Natural Resources	2	39.3	100	0.0	0	0.0	0	39.3
Physical Infrastructure	1	0.0	0	26.5 <sup>b</sup>	100	0.0	0	26.5
Social Infrastructure	3	0.0	0	83.2	90	9.6	10	92.8
Financial	1	0.0	0	42.5	100	0.0	0	42.5
<b>All DMCs</b>	<b>20</b>	<b>761.9</b>	<b>75</b>	<b>183.2</b>	<b>18</b>	<b>69.3</b>	<b>7</b>	<b>1,014.4</b>
Agriculture and Natural Resources	5	164.2	84	31.0	16	0.0	0	195.2
Physical Infrastructure	10	597.7	96	26.5	4	0.0	0	624.2
Social Infrastructure	4	0.0	0	83.2	55	69.3	45	152.5
Financial	1	0.0	0	42.5	100	0.0	0	42.5

DMC = developing member country.

<sup>a</sup> Excludes evaluated program loans. Percentages may not add to 100 due to rounding.

<sup>b</sup> Private sector loan.

Source: Postevaluation Information System.

## HISTORICAL PROFILE OF EVALUATED PRIVATE SECTOR LOANS

(as of December 1999)

Title	Report No.	Loan/Inv No.	Date Approved	Loan Amount (\$mn)		Completion Date		Sector/ Subsector	Project Performance
				Approved	Disbursed	Expected	Actual		
Padma Textile Mills	PE-367	858-BAN (SF) 7018-BAN	10-Nov-87	3.53	3.53	31-Dec-89	30-Sep-89	Industry (non-agri)	GS
P.T. Gunung Garuda	PE-404	905-INO 7026-INO	27-Sep-88	15.00	15.00	31-Mar-90	10-Aug-91	Industry (non-agri)	GS
Planters Development Bank Equity Investment	PE-408	7008-PHI	25-Nov-86	0.49	0.50	a	a	DFI	GS
P.T. BBL Dharmala Finance	PE-421	979-INO	26-Oct-89	15.00	15.00	29-May-93	29-May-93	Leasing	GS
Philippine Long Distance Company	PE-465	885-PHI 7020-PHI	29-Mar-88	24.00	23.75	30-May-90	31-Dec-93	Tele- communications	GS
National Development Leasing Corporation Ltd.	PE-485	7003-PAK 7011/814-PAK 7027/913-PAK 7077/1132-PAK	13-Dec-84 9-Dec-86 27-Oct-88 26-Nov-91	1.19 5.60 15.00 10.00	1.19 5.60 15.00 10.00	- 11-Oct-88 28-Dec-90 29-Oct-92	- 11-Oct-88 28-Dec-90 29-Oct-92	Leasing	GS
Fauji Fertilizer Expansion	PE-521	7047/1003-PAK	19-Dec-89	30.00	30.00	31-Oct-92	31-Mar-93	Fertilizer Production	GS
Batangas Power Corporation Project	PE-544	7090/1231-PHI	18-May-93	26.50	26.50	30-Apr-93	31-Jul-93	Electric Power	PS

DFI = development finance institution, GS = generally successful, PS = partly successful.

<sup>a</sup> Divestment was to be made at the Asian Development Bank's request after 31 December 1993.

Source: Operations Evaluation Office reports.

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**AVERAGE IMPLEMENTATION PERIOD OF PROJECTS AND PROGRAMS  
EVALUATED IN 1999, ESTIMATE VERSUS ACTUAL**

**Table A5.1: Average Implementation Period of 1999-Evaluated Projects and Programs by Sector and Subsector <sup>a</sup>**

Sector and Subsector	Implementation Period (Years)		Time Overrun/ (Underrun)	
	Estimate	Actual	Years	%
<b>Agriculture and Natural Resources</b>	4.59	7.18	2.59	56.6
Fisheries	4.99	6.91	1.92	38.0
Irrigation and Rural Development	5.47	8.74	3.27	60.8
Agricultural Support Services	2.20	3.42	1.22	55.5
<b>Physical Infrastructure</b>				
<b>Energy</b>	3.71	8.93	5.23	152.8
Electric Power	3.71	8.93	5.23	152.8
<b>Transport and Communications</b>	3.90	7.27	3.37	82.6
Roads and Road Transport	3.27	1.19	(2.08)	(63.6)
Ports and Shipping	4.11	5.80	1.69	41.7
Airports and Civil Aviation	3.93	17.78	13.85	352.0
<b>Social Infrastructure</b>	4.14	7.33	3.19	89.0
Water Supply and Sanitation	3.36	4.86	1.50	45.0
Education	4.89	6.64	1.75	36.0
Urban Development and Housing	4.16	8.92	4.76	137.5
<b>Financial</b>	3.53	3.65	0.12	3.0
Capital Market Development	3.05	3.05	0.00	0.0
Development Finance Institution	4.00	4.24	0.24	6.0
<b>Total</b>	<b>4.12</b>	<b>7.22</b>	<b>3.11</b>	<b>80.0</b>

<sup>a</sup> Excludes 1 private sector project in the Philippines (Loan 7090/123-PHI: *Batangas Power Corporation Project*), where the delay was about 0.3 years.

Source: Postevaluation Information System.

**Table A5.2: Average Implementation Period of 1999-evaluated Projects and Programs by Country Group and Country <sup>a</sup>**

Country Group and Country	Implementation Period (Years)		Time Overrun/ (Underrun)	
	Estimate	Actual	Years	%
<b>Group A</b>	3.20	10.81	7.62	217.8
Lao, People's Dem. Rep.	2.19	2.55	0.36	16.0
Nepal	3.53	13.56	10.03	285.0
<b>Group B1</b>	4.32	8.61	4.29	111.4
Bangladesh	2.20	4.28	2.08	94.0
Pakistan	4.78	9.27	4.49	115.3
Sri Lanka	5.05	10.96	5.91	117.0
<b>Group B2</b>	3.90	4.67	0.77	16.7
China, People's Republic of	3.27	1.19	(2.08)	(63.6)
India	3.30	3.88	0.58	16.0
Indonesia	4.35	5.94	1.58	37.3
<b>Group C</b>	4.72	6.74	2.02	41.7
Fiji Islands	5.29	8.04	2.75	52.0
Papua New Guinea	5.25	8.25	3.00	57.5
Philippines	4.31	5.66	1.35	31.3
<b>Total</b>	<b>4.12</b>	<b>7.22</b>	<b>3.11</b>	<b>80.0</b>

<sup>a</sup> Excludes 1 private sector project in the Philippines (Loan 7090/123-PHI: *Batangas Power Corporation Project*), where the delay was about 0.3 years.

Source: Postevaluation Information System.

**AVERAGE COST UNDERRUN OR OVERRUN OF PROJECTS AND PROGRAMS  
EVALUATED IN 1999**

**Table A6.1: Average Cost Underrun or Overrun of 1999-Evaluated Projects and Programs  
by Sector and Subsector <sup>a</sup>**

Sector and Subsector	With Cost Underrun		With Cost Overrun	
	Number	Average (%)	Number	Average (%)
<b>Agriculture and Natural Resources</b>	<b>5</b>	<b>(12.8)</b>	<b>2</b>	<b>82.9</b>
Fisheries	0	0.0	1	3.0
Irrigation and Rural Development	4	(15.0)	1	162.9
Agricultural Support Services	1	(4.1)	0	0.0
<b>Physical Infrastructure</b>				
<b>Energy</b>	<b>1</b>	<b>(25.9)</b>	<b>3</b>	<b>12.9</b>
Electric Power	1	(25.9)	3	12.9
<b>Transport and Communications</b>	<b>4</b>	<b>(18.3)</b>	<b>1</b>	<b>90.8</b>
Roads and Road Transport	1	(4.7)	0	0.0
Ports and Shipping	3	(22.8)	0	0.0
Airports and Civil Aviation	0	0.0	1	90.8
<b>Social Infrastructure</b>	<b>3</b>	<b>(10.0)</b>	<b>1</b>	<b>0.3</b>
Water Supply and Sanitation	1	(15.3)	0	0.0
Education	1	(4.6)	0	0.0
Urban Development and Housing	1	(10.1)	1	0.3
<b>Financial</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
Capital Market Development	0	0.0	0	0.0
<b>Total</b>	<b>13</b>	<b>(14.9)</b>	<b>7</b>	<b>42.2</b>

<sup>a</sup> Excludes 1 private sector project, 1 development finance institution project, and 2 program loans with no cost variation.

Source: Postevaluation Information System.

**Table A6.2: Average Cost Underrun or Overrun of 1999-Evaluated Projects and Programs by Country Group and Country <sup>a</sup>**

Country Group and Country	With Cost Underrun		With Cost Overrun	
	Number	Average (%)	Number	Average (%)
<b>Group A</b>	1	(4.1)	3	40.0
Lao, People's Dem. Rep.	1	(4.1)	0	0.0
Nepal	0	0.0	3	40.0
<b>Group B1</b>	1	(27.5)	3	57.6
Bangladesh	0	0.0	0	0.0
Pakistan	1	(27.5)	2	4.9
Sri Lanka	0	0.0	1	162.9
<b>Group B2</b>	6	(17.8)	0	0.0
China, People's Republic of	1	(4.7)	0	0.0
India	1	(25.9)	0	0.0
Indonesia	4	(19.0)	0	0.0
<b>Group C</b>	5	(11.0)	1	3.0
Fiji Islands	1	(10.1)	0	0.0
Papua New Guinea	2	(12.5)	0	0.0
Philippines	2	(10.0)	1	3.0
<b>Total</b>	<b>13</b>	<b>(14.9)</b>	<b>7</b>	<b>42.2</b>

<sup>a</sup> Excludes 1 private sector project, 1 development finance institution project, and 2 program loans with no cost variation.

Source: Postevaluation Information System.

## HISTORICAL PERFORMANCE OF EVALUATED PROGRAM LOANS

**Table A7.1: Historical Performance of Evaluated Program Loans<sup>a</sup>  
by Year of Approval**  
(as of December 1999)

Year of Approval	Generally Successful		Partly Successful		Total Programs Evaluated	
	No.	%	No.	%	No.	%
1978	1	100	0	0	1	100
1979	2	67	1	33	3	100
1980	0	0	2	100	2	100
1981	3	100	0	0	3	100
1982	0	—	0	—	0	—
1983	0	0	2	100	2	100
1984	1	100	0	0	1	100
1985	0	0	1	100	1	100
1986	0	0	2	100	2	100
1987	1	50	1	50	2	100
1988	1	25	3	75	4	100
1989	0	0	3	100	3	100
1990	0	0	4	100	4	100
1991	0	—	0	—	0	—
1992	1	50	1	50	2	100
Total	10	33	20	67	30	100

— = no data.

<sup>a</sup> Excludes 2 evaluated program loans that were not rated.

Source: Postevaluation Information System.

**Table A7.2: Historical Performance of Evaluated Program Loans by Country Group/Country<sup>a</sup>**  
(as of December 1999)

Country Group and Country	Total No. of Programs	Generally Successful		Partly Successful		Unsuccessful	
		Number	%	Number	%	Number	%
<b>Group A</b>	<b>8</b>	<b>3</b>	<b>38</b>	<b>5</b>	<b>63</b>	<b>0</b>	<b>0</b>
Lao People's Dem. Rep.	1	0	0	1	100	0	0
Myanmar	3	2	67	1	33	0	0
Nepal	3	1	33	2	67	0	0
Samoa	1	0	0	1	100	0	0
<b>Group B</b>	<b>18</b>	<b>6</b>	<b>33</b>	<b>12</b>	<b>67</b>	<b>0</b>	<b>0</b>
Bangladesh	9	2	22	7	78	0	0
Pakistan	3	2	67	1	33	0	0
Sri Lanka	3	0	0	3	100	0	0
<b>Subtotal (B1)</b>	<b>15</b>	<b>4</b>	<b>27</b>	<b>11</b>	<b>73</b>	<b>0</b>	<b>0</b>
India	1	1	100	0	0	0	0
Indonesia	2	1	50	1	50	0	0
<b>Subtotal (B2)</b>	<b>3</b>	<b>2</b>	<b>67</b>	<b>1</b>	<b>33</b>	<b>0</b>	<b>0</b>
<b>Group C</b>	<b>4</b>	<b>1</b>	<b>25</b>	<b>3</b>	<b>75</b>	<b>0</b>	<b>0</b>
Fiji Islands	1	0	0	1	100	0	0
Philippines	3	1	33	2	67	0	0
<b>Total</b>	<b>30</b>	<b>10</b>	<b>33</b>	<b>20</b>	<b>67</b>	<b>0</b>	<b>0</b>

<sup>a</sup> Percentages may not add to 100 due to rounding.

Source: Postevaluation Information System.