

Evaluating for Development Effectiveness

Maya Vijayaraghavan
21 November 2019

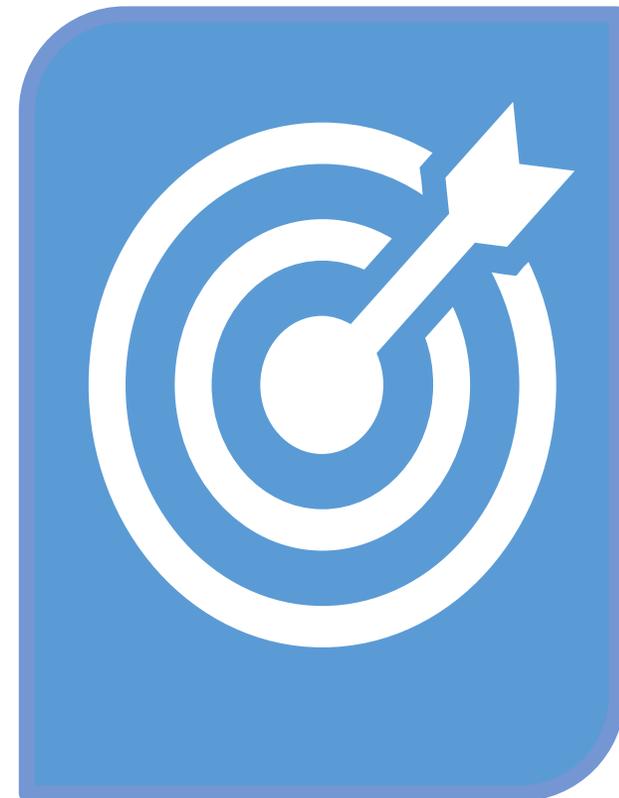
Independent
Evaluation **ADB**

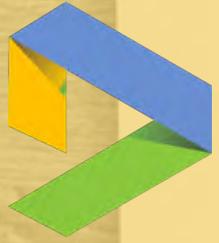
Outline

Why do we do Independent Evaluation?

How do we do Independent Evaluation?

What do we know from Independent Evaluation?





Why do we do Independent Evaluation?

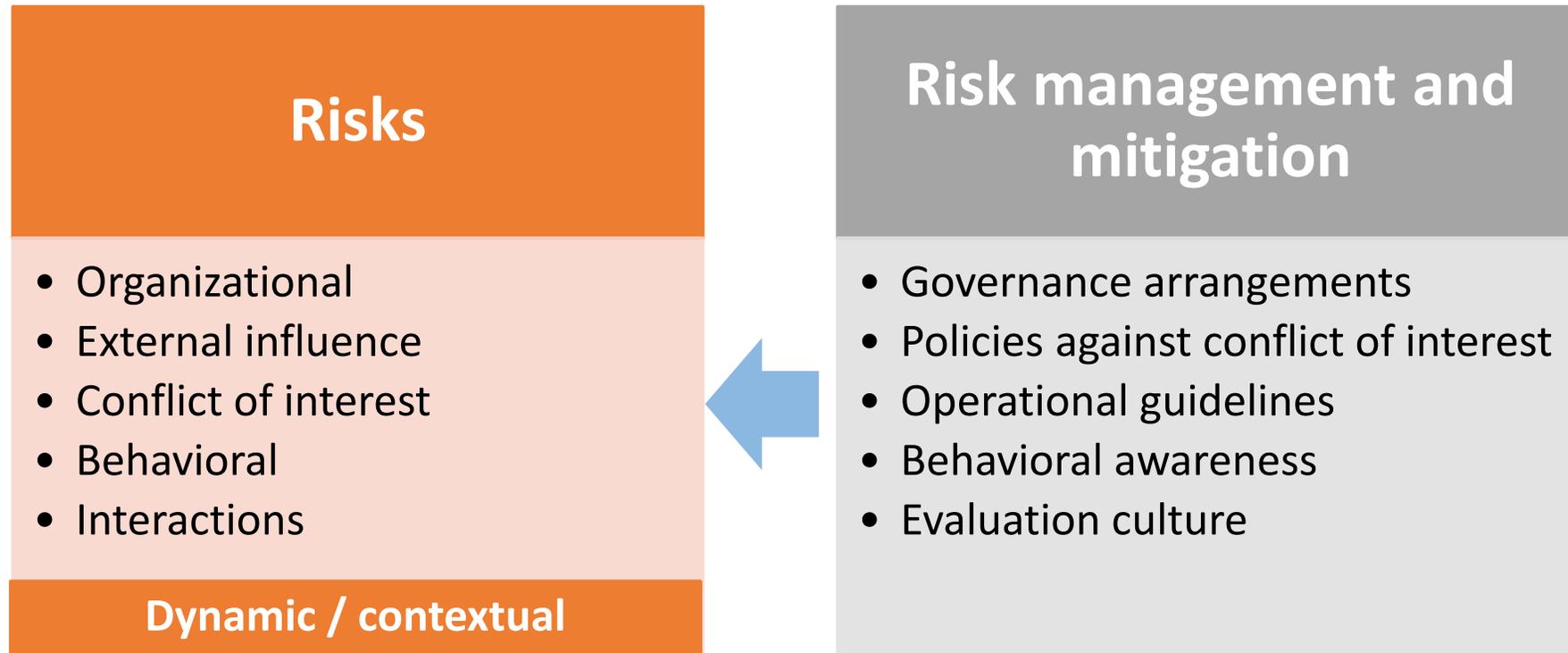
What is Evaluation?

The systematic and objective assessment of an on-going or completed project, program or policy, its design, implementation and results.

Also refers to the process of determining the worth or significance of an activity, policy or program. An assessment, as systematic and objective as possible, of a planned, on-going, or completed development intervention.

The Meaning of Independence

Freedom from material threats to objectivity



Why Evaluate?

Development effectiveness

Maximizing development effectiveness of ADB operations through evaluation feedback

Accountability

Is ADB doing the right things? Is ADB doing things right? Are resources properly allocated and used, and intended outcomes realized?

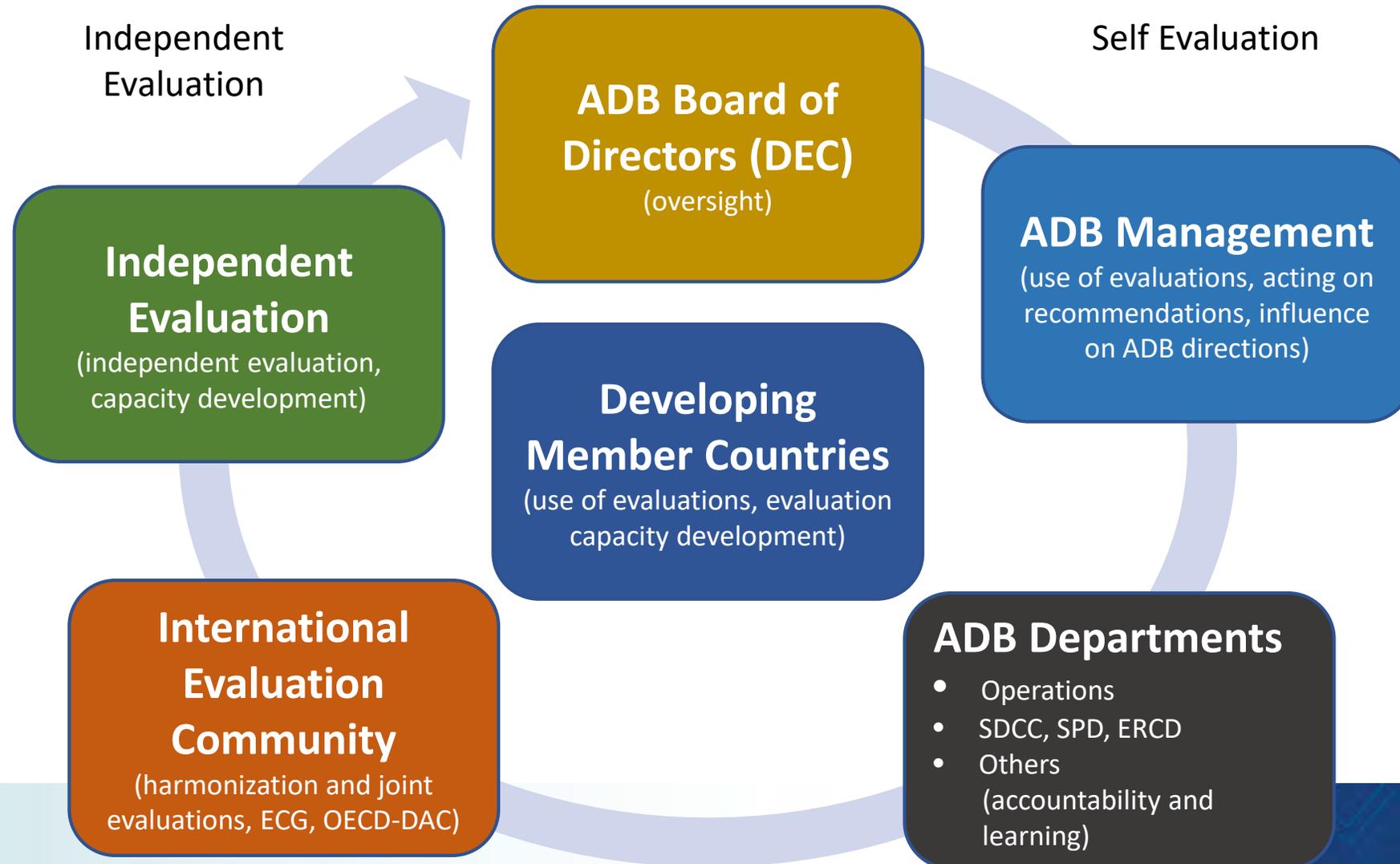
Learning

What lessons are critical for improving development impact of future policies, strategies, programs and projects?

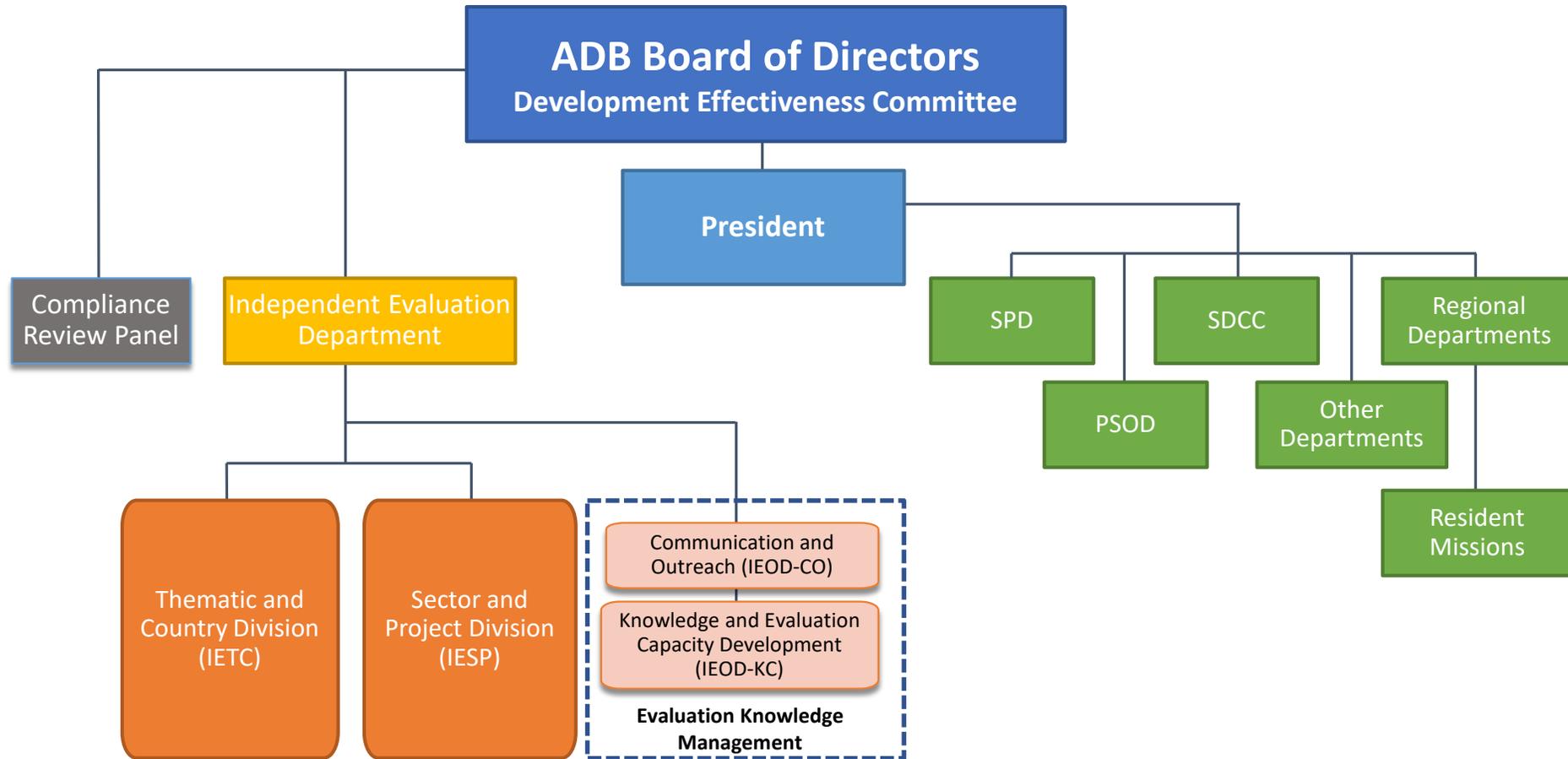
Resource Allocation

How can ADB better improve resource allocation based on evaluation knowledge on what works and what doesn't?

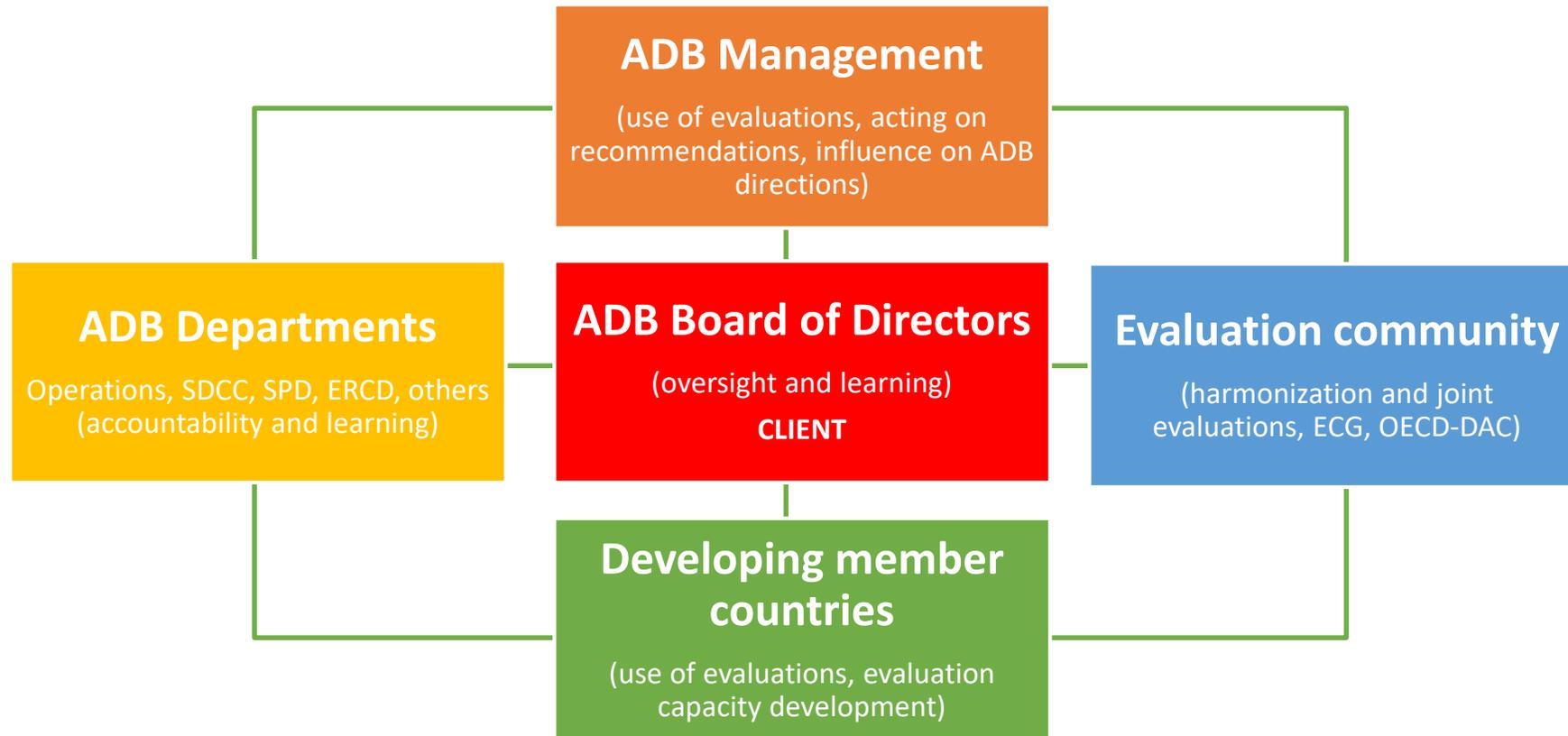
Who is involved?



Organizational Structure



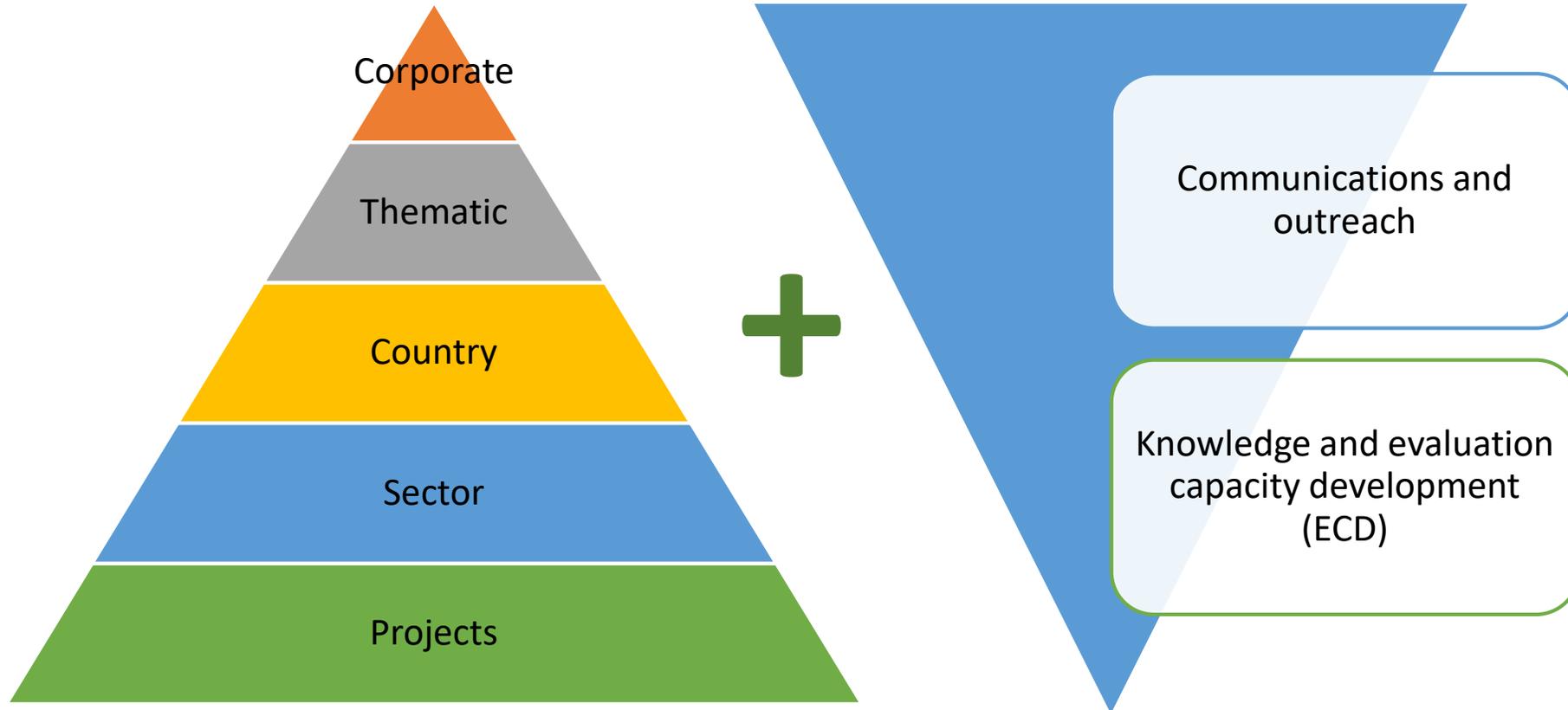
Evaluation Feedback to Stakeholders



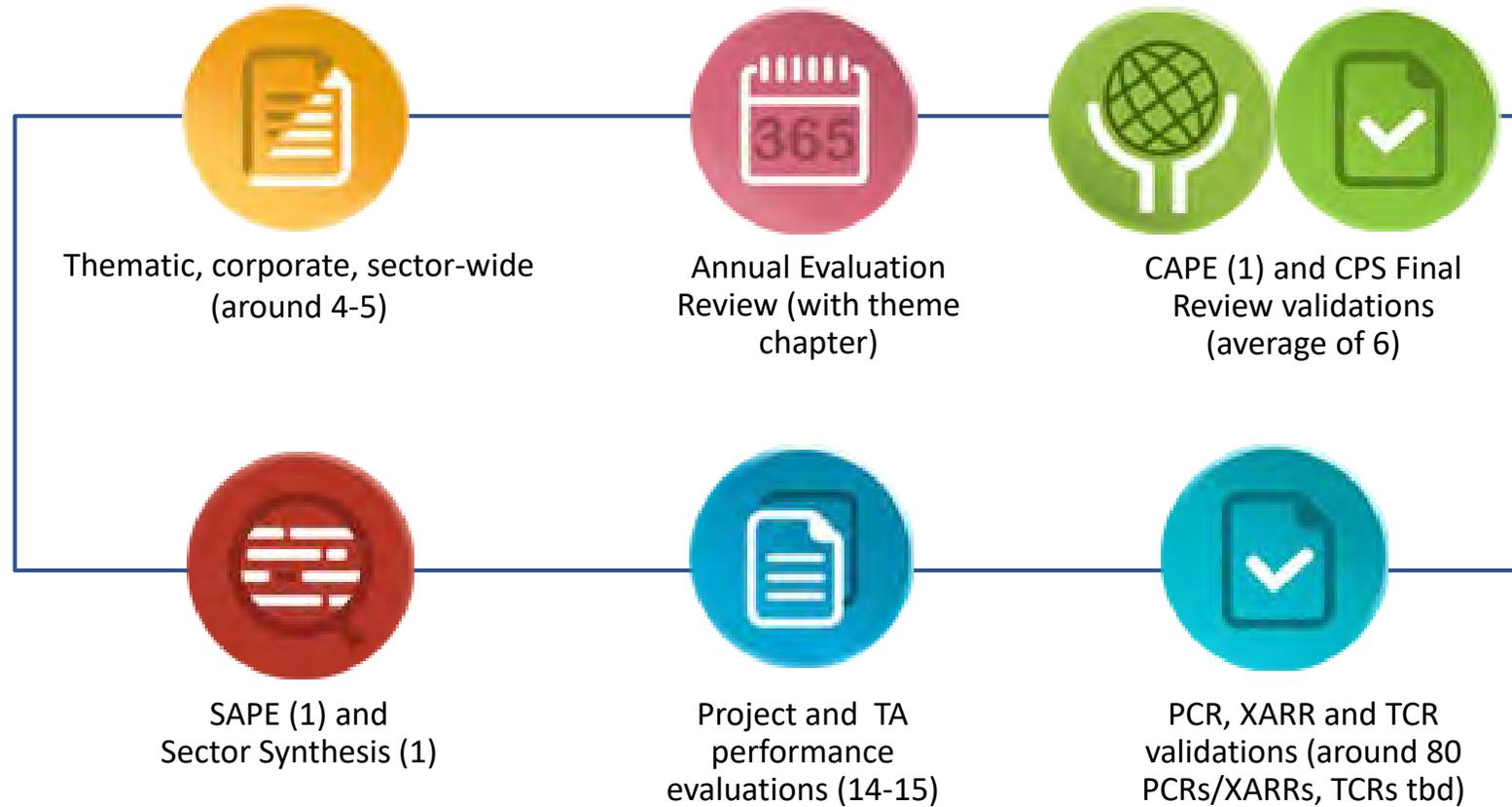
Project Cycle in ADB Operations



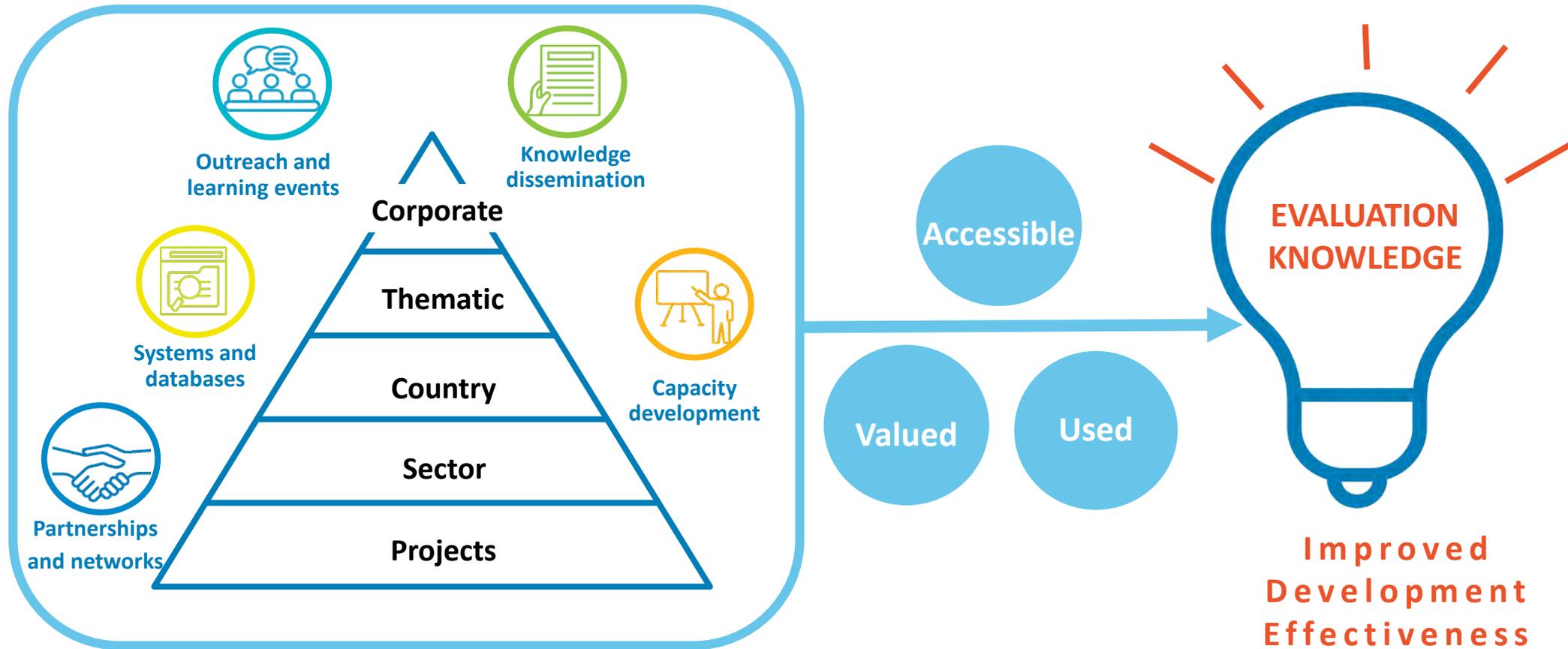
IED's Scope of Work



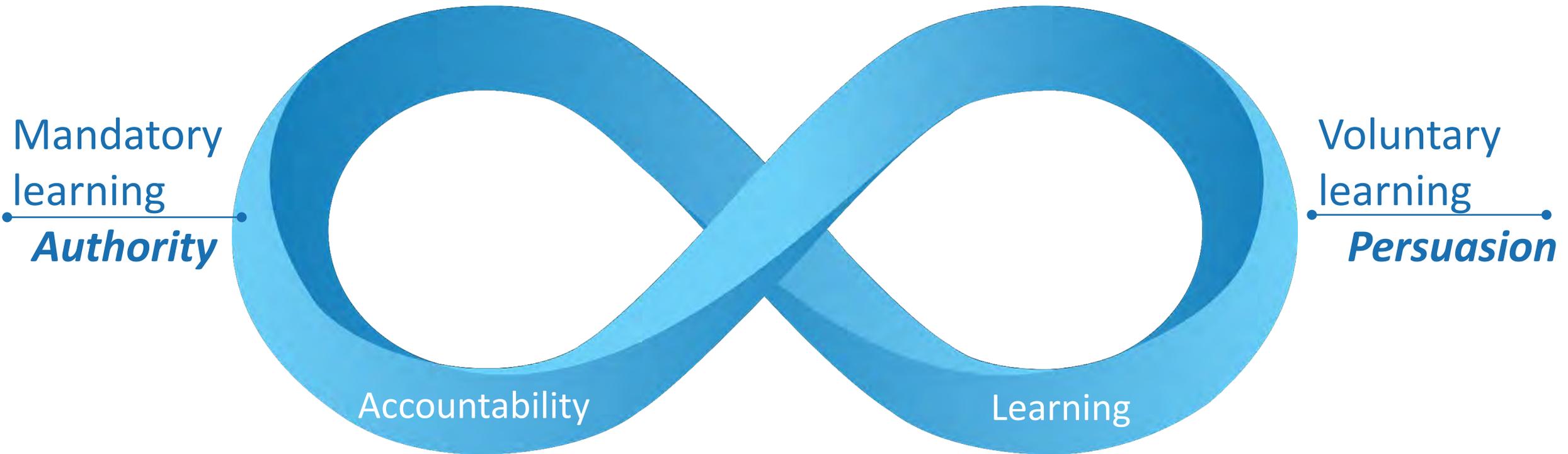
Annual Output of IED

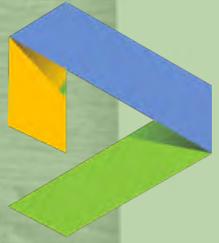


Evaluation Knowledge: What Do We Want to Achieve?



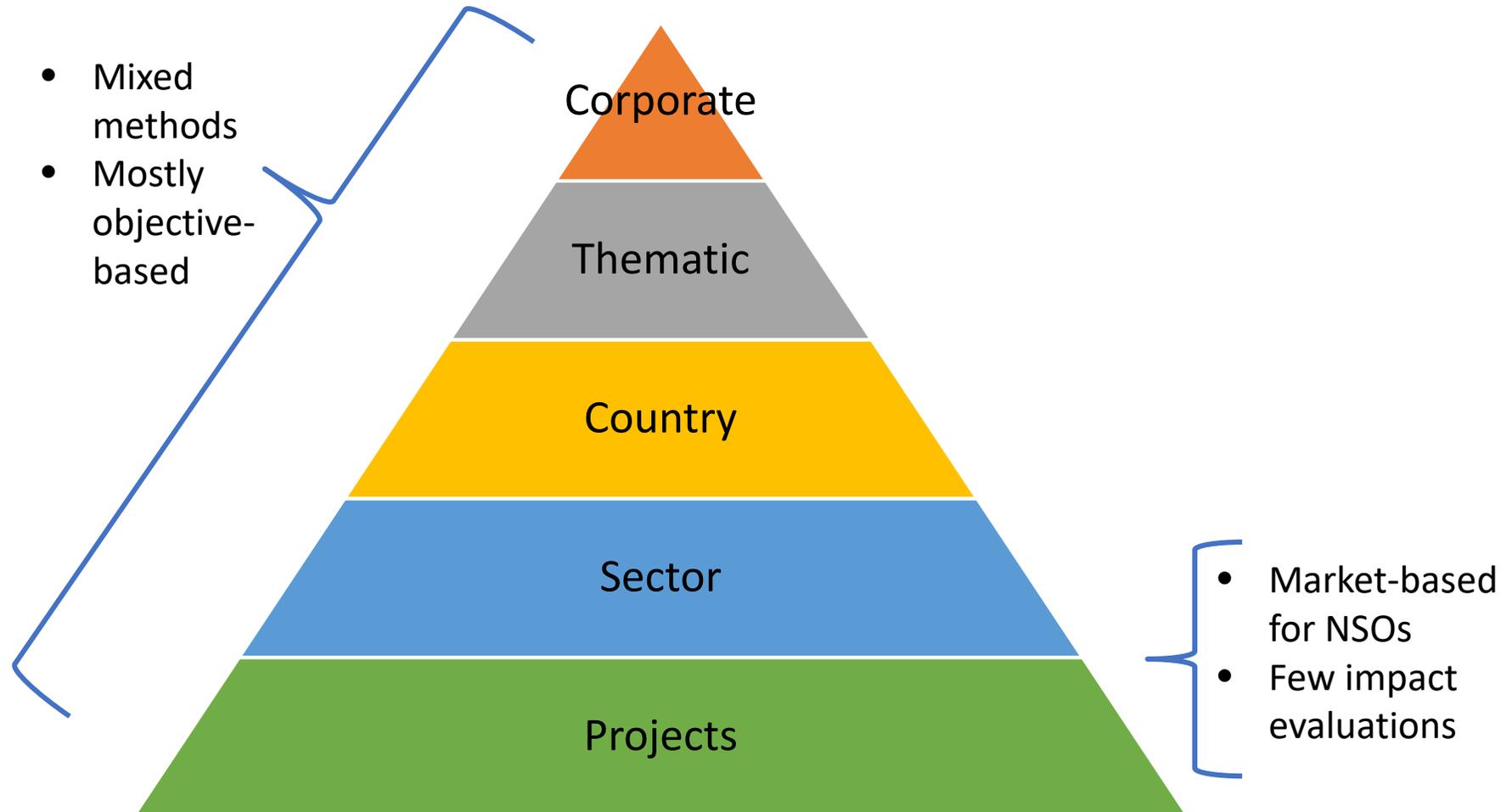
What Evaluation Influence is About?





How do we do Independent Evaluation?

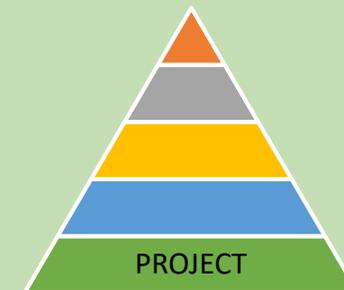
Evaluation of Operations



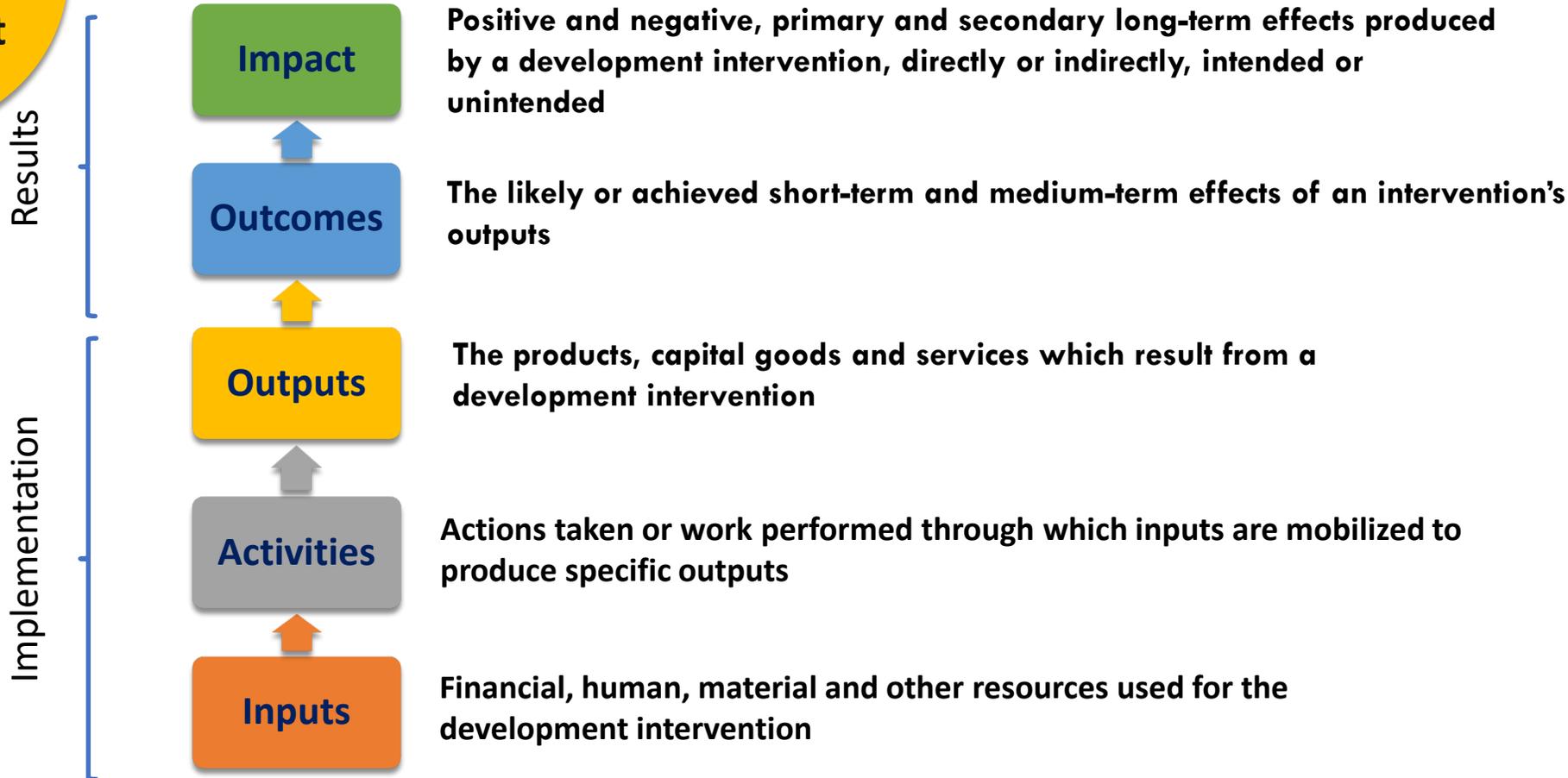
Evaluation Standards

- IED - mandate for establishing ADB evaluation standards
- IED has guidelines for evaluating:
 - Country assistance strategy and program performance
 - Public sector operations performance
 - Private sector operations performance
- Evaluation framework and guidelines are consistent with Good Practice Standards of multilateral development banks
- Public sector standards use OECD DAC Criteria for Evaluating Development Assistance
- Ongoing at DAC network: Adaptation of criteria to new development landscape and the 2030 Agenda

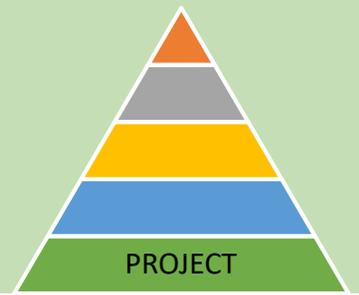
Logical Framework



Sovereign
Project
Assessment



Evaluation Criteria



**Sovereign
Project
Assessment**

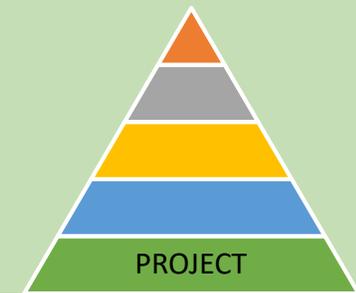
Core Criteria

- Relevance
- Effectiveness
- Efficiency
- Sustainability

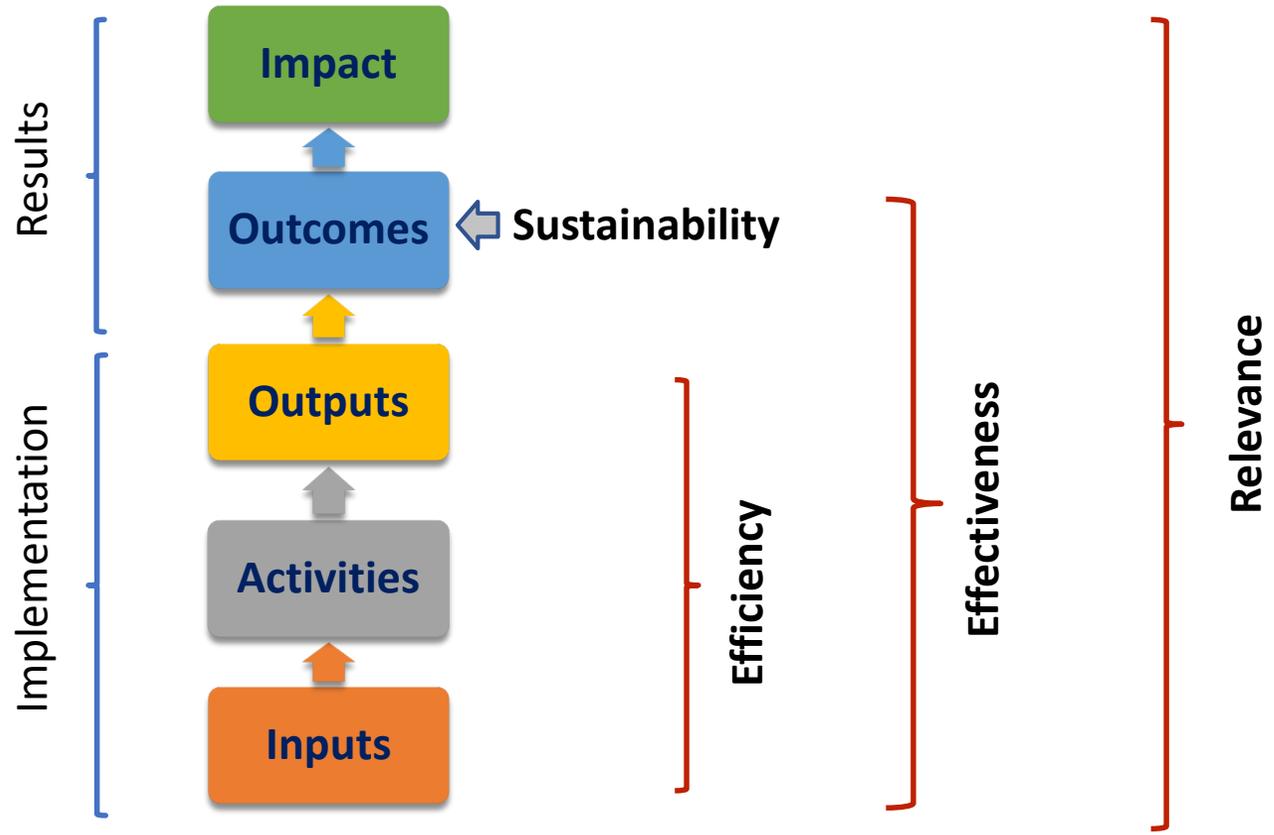
Other Criteria

- Development impacts
- ADB's (and cofinanciers) performance
- Executing agencies performance

Core Evaluation Criteria

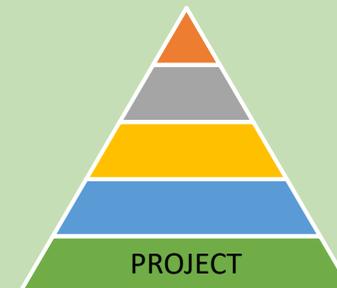


**Sovereign
Project
Assessment**



**Assessment
of Project
Performance**

Criteria Definitions



Sovereign
Project
Assessment

RELEVANCE

Consistency of a project's impact and outcome with the government's development strategy, ADB's lending strategy, and the adequacy of the design.

EFFECTIVENESS

The extent to which the outputs and outcomes, as specified in the project document, either as agreed at approval or as subsequently modified, were achieved.

EFFICIENCY

How resources were economically converted to results, using indicators such as the economic internal rate of return, cost-effectiveness, and process efficiency.

SUSTAINABILITY

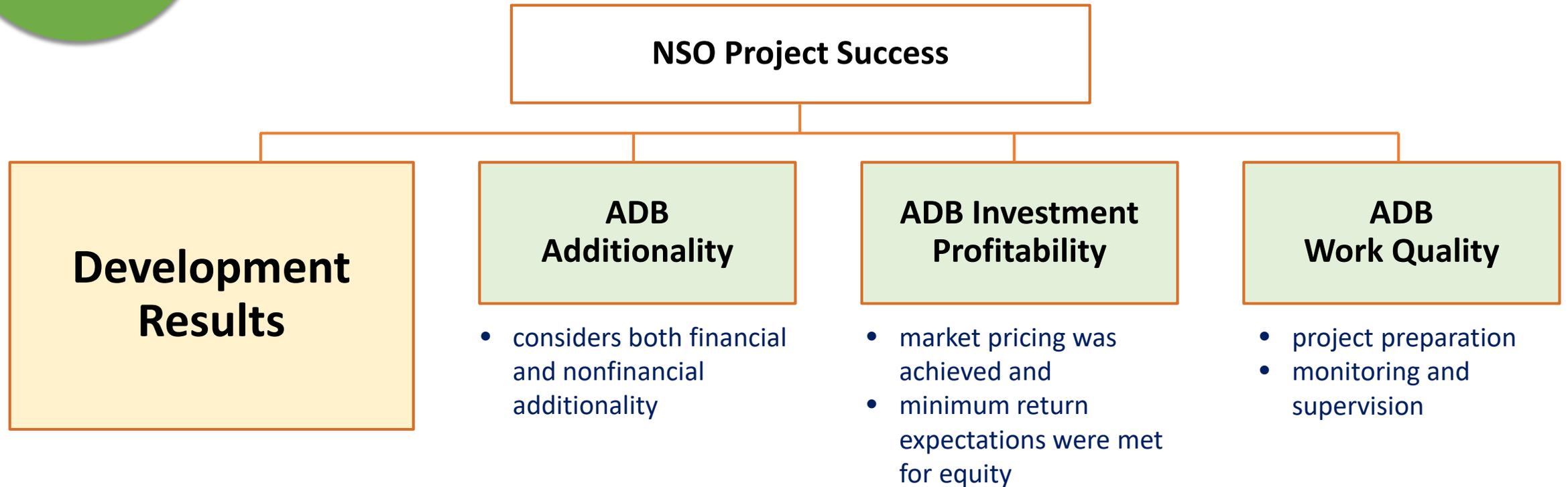
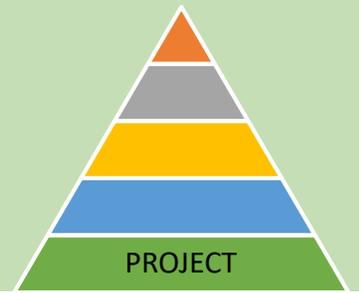
The likelihood that institutional, financial, and other resources are sufficient to maintain the outcome over its economic life using indicators such as the financial internal rate of return.

IMPACT

Contributions to higher level development outcomes, ADB corporate goals, longer-term development outcomes. Unintended positive and negative impacts

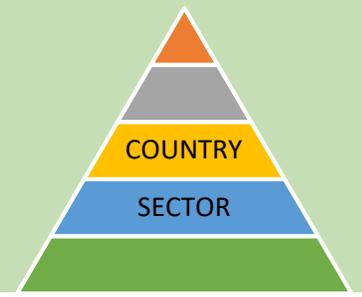
Evaluation Criteria

Nonsovereign
Project
Assessment



Country Assistance Program Evaluation: CAPE and Validations

Sector and
Country
Operation
Assessment



Core criteria

- Relevance
- Effectiveness
- Efficiency
- Sustainability
- Development impacts

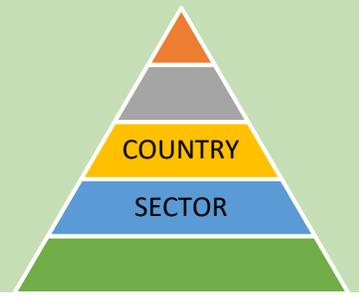
Other criteria

- ADB performance
- Borrower and EA performance

- ▶ New Guidelines issued 2015
- ▶ More attention to thematic assessments—equal weights to sector assessments
- ▶ Matrix approach to Sector and Thematic work

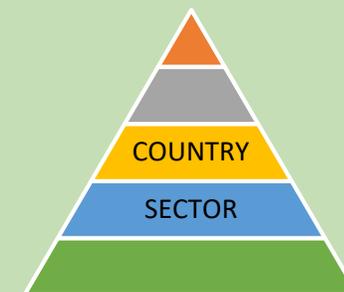
Country Assessments

Sector and
Country
Operation
Assessment



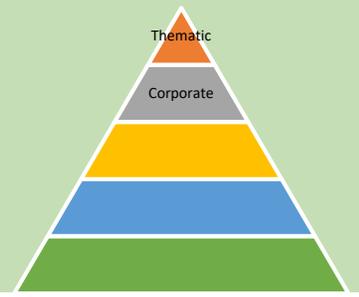
- ▶ CAPEs have separate assessments for the major sector programs
- ▶ Equal weighting of the 5 core criteria to rate the success of the country program/partnership
- ▶ Matrix approach: Equal weighting for Sectors and Cross-cutting Strategic Objectives

Sector Assessments



- ▶ Sector evaluations, such as
 - ▣ Sector-wide evaluations: sector evaluations across countries
 - ▣ Sector Assistance Program Evaluations (SAPes): country-level sector assessments
- ▶ Separate assessments for the major sector programs for CAPEs
- ▶ CPS final review validations have no separate assessments, but they have mini sector program assessments

Thematic and Corporate Evaluations

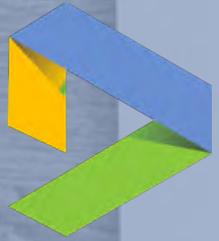


Thematic and Corporate Assessment

Policy/strategy evaluations

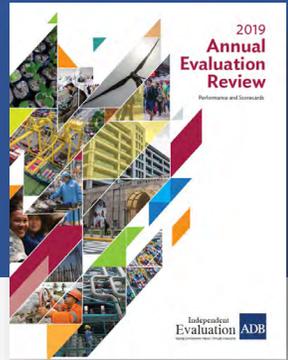
Business process evaluations

- ▶ Approach Paper lays down methodology to be used
- ▶ Often follow structures like assessing relevance, efficiency, effectiveness
- ▶ Look at responsiveness of operations to policy directives and overall results
- ▶ Performance ratings can be used

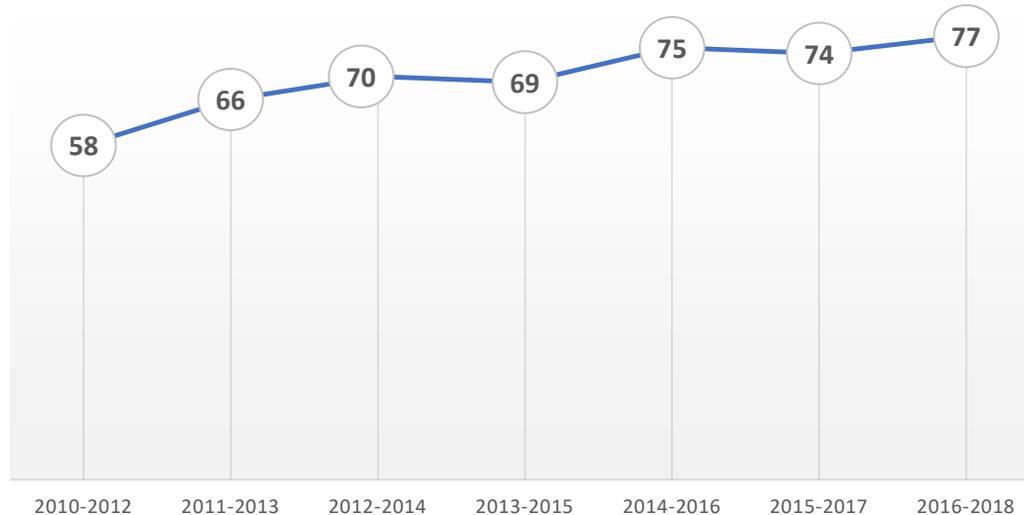


What do we know from Independent Evaluation?

Performance: Sovereign Operations

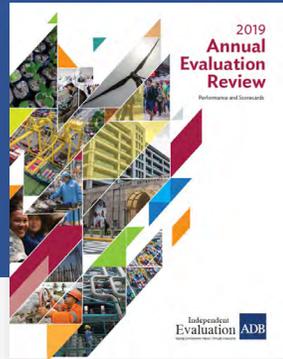


Development Performance of Sovereign Operations
(3-year moving average)

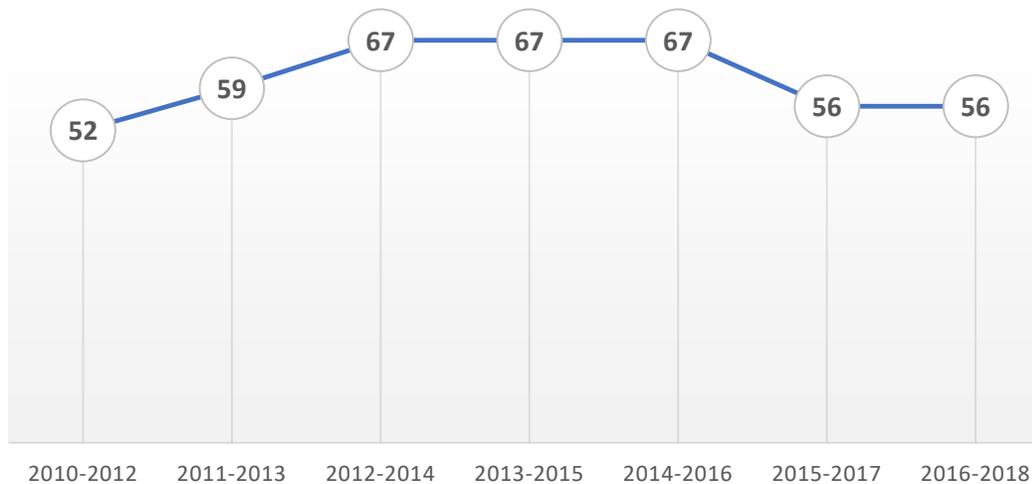


- Success rate of sovereign operations continues to improve.
- Country program performance continues to be strong with Central and West Asia significantly improving.

Performance: Nonsovereign Operations

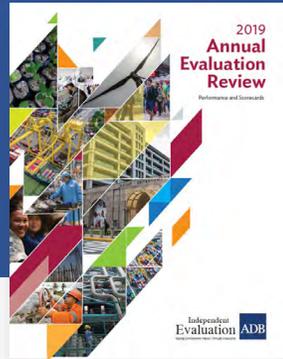


Development Performance of Nonsovereign Operations
(3-year moving average)

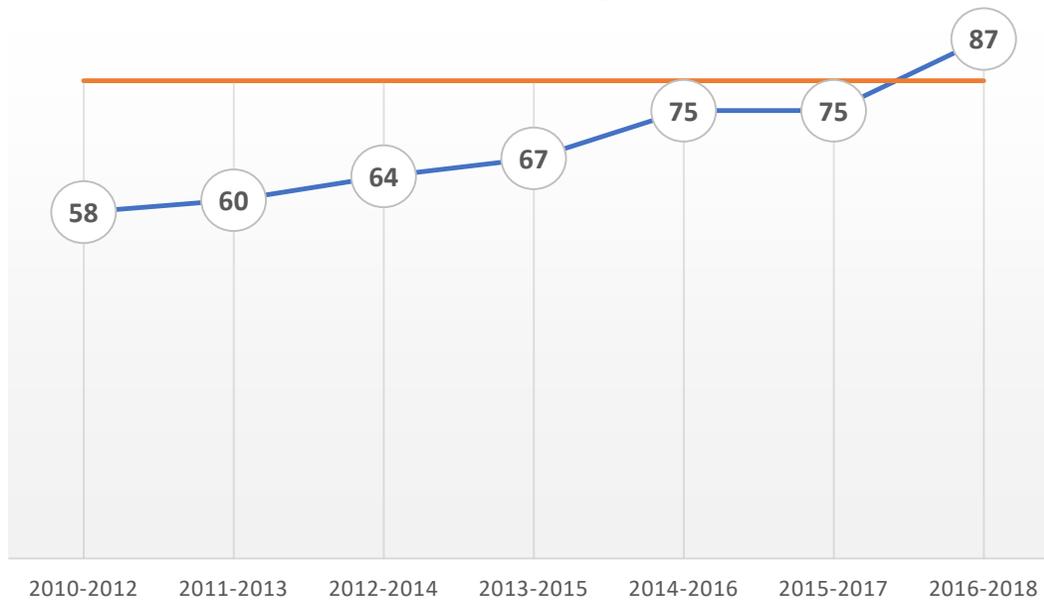


- ❑ Nonsovereign operations continue to underperform with FIs, especially Private Equity Funds
- ❑ Performance either stagnated or declined in 2016–2018 against most of the criteria for development results.
- ❑ Investment profitability and ADB additionality were the best performing criteria. Opportunities to further improve the additionality of ADB’s nonsovereign operations by enhancing their design and ensuring solid monitoring and evaluation systems and results measurement.

Performance: Country Operations

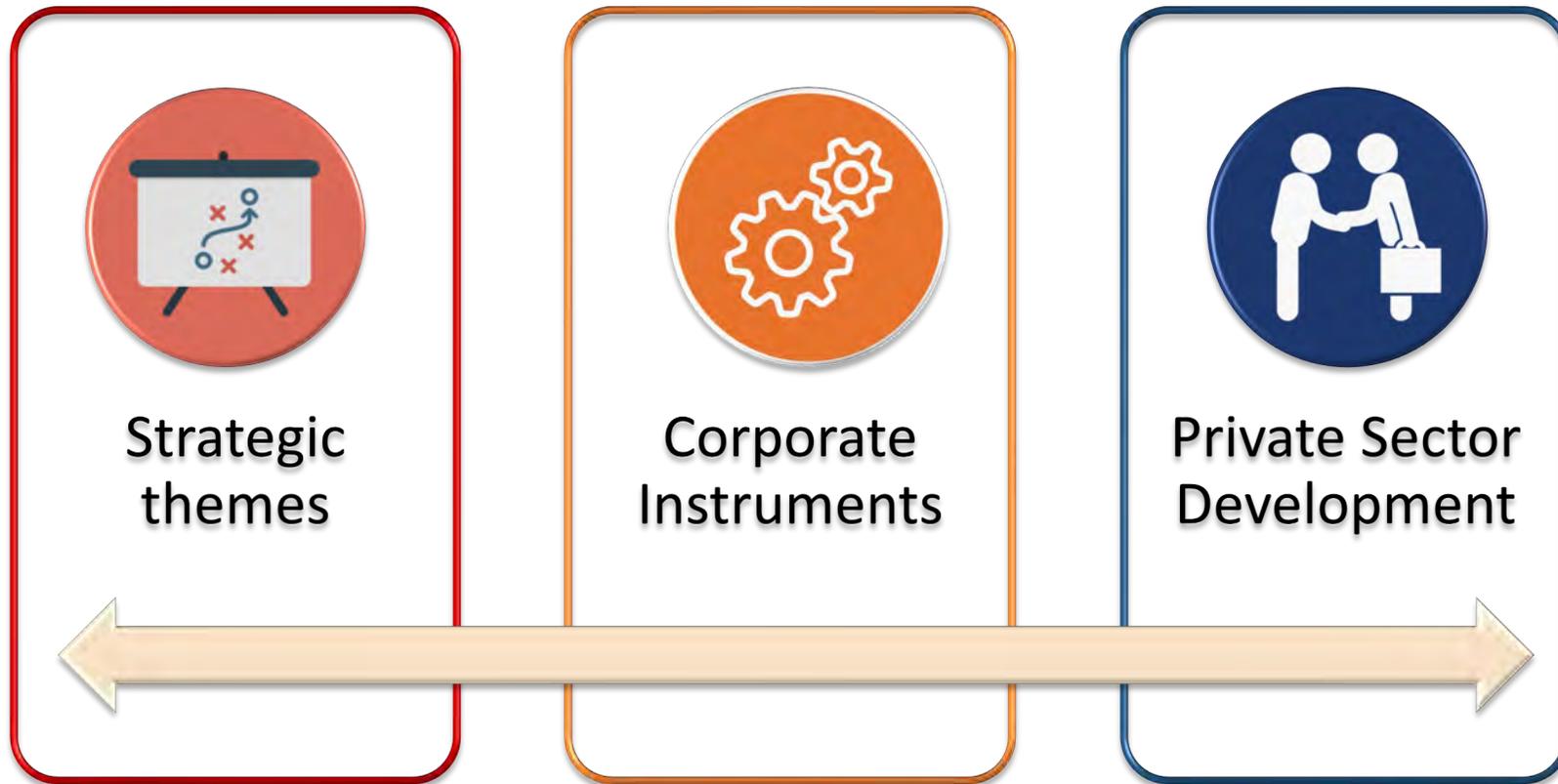


Country Program Performance (3-year moving average)



- Steady improvement at the country level from 2010 to 2018. In 2015–2017, four country programs (Azerbaijan, Kyrgyz Republic, Solomon Islands, and Uzbekistan) completed in 2018 were assessed successful.
- From 2010 to 2018, 72% of the 39 country program evaluations were successful.

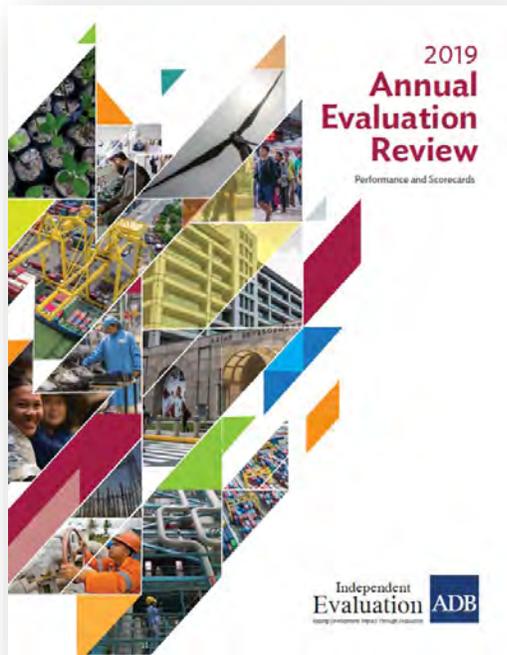
Higher Level Evaluations



Strategic Themes: Results Framework



Strategic themes



Corporate Results Framework and Scorecards

- ▶ ADB's corporate results framework and Development Effectiveness Reviews have generally functioned well

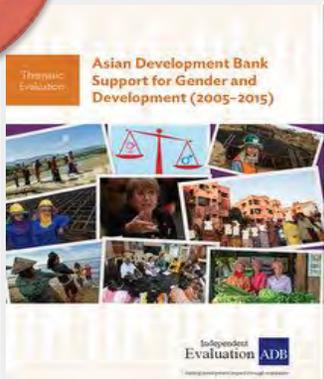
However, further improvements needed:

- ▶ Linkages, especially among Levels 1 (development context), 2 (outcomes and outputs) and 3 (operations management)
- ▶ Indicators and targets
- ▶ Aligning to Strategy 2030 new priorities

Strategic Themes

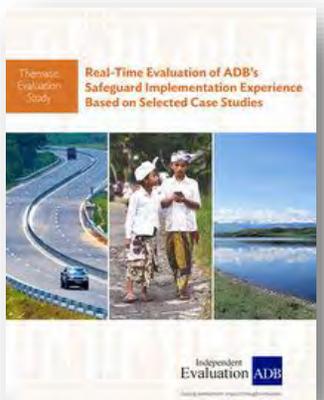


Strategic themes



Gender and Development (2005-2015)

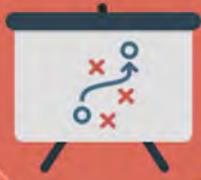
- ❑ Pioneer among MDBs (quality-at-entry / categorization of projects)
- ❑ Focus on process strong – more focus needed on results
- ❑ Infrastructure projects CAN promote gender results
- ❑ Insufficient staffing, skills and funding



Safeguard Implementation Experience: Real Time

- ❑ Progress in assessment of ENV and social risks, but implementation gaps remain
- ❑ Be strategic in strengthening local capability and using CSS
- ❑ Benefit Cost Analysis illustrates that benefits outweigh costs

Strategic Themes



Strategic themes



Support for Small and Medium Sized Enterprises

- ❑ ADB's SME operations less successful than ADB-wide operations
- ❑ Contributed to reducing the cost of doing business but weak in access to finance and value chains
- ❑ Support for women in business significant and good results when focused on policy change and capacity development
- ❑ Approach addressing systemic constraints more effective than providing credit lines



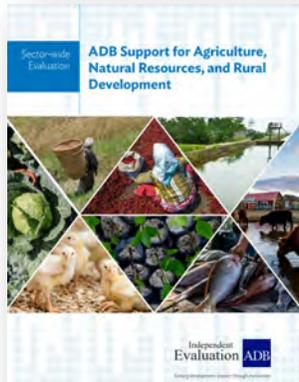
State-Owned Enterprise Engagement and Reform

- ❑ Performance/results of ADB's targeted SOE interventions better than indirect interventions
- ❑ Results positive for governments' SOE-related fiscal concerns and access to services primarily through investments, but only modest for governance and operational efficiency/commercial viability
- ❑ ADB's SOE support not sufficiently strategic and not well-organized for delivery
- ❑ ADB must readjust its approach and delivery as it implements Strategy 2030

Strategic Themes: Sector Evaluation



Strategic
themes



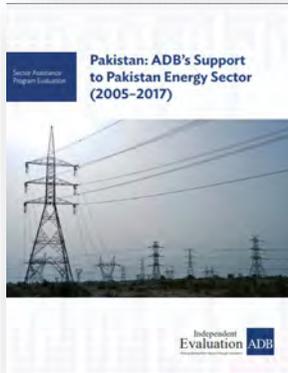
ADB's Support for the Agriculture, Natural Resources, and Rural Development Sector

- ❑ Overall support for sustainable agriculture and food security has been significant in terms of lending volume, but modest on results.
- ❑ There was a sharp decline in support for agricultural policy and production, while water-related infrastructure has increasingly dominated lending.
- ❑ Performance has improved but improvements are needed in lagging subsectors, mostly irrigation.
- ❑ ADB lacks a holistic approach for a sector as complex as ANRRD.
- ❑ Staff composition is not adequate to match the ambitions of the current operational plan and Strategy 2030.

Strategic Themes: Sector and Country Evaluation



Strategic
themes



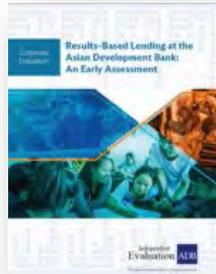
Pakistan: ADB's Support to Pakistan Energy Sector, 2005–2017

- ADB has been the leading development partner for the energy sector with a broad assistance of \$6.2 billion across all subsectors (2005-2017)
- ADB has successfully supported transmission, generation and distribution, with less than successful performance in sector reform and clean energy.
- ADB supported improved power supply reliability, but with limited effects on improving financial sustainability and reducing circular debt
- Political economy factors, incomplete reforms, uncoordinated investments in infrastructures, and ADB's limited analytical support and weak policy actions have affected the sustainability of the sector.
- Without ADB support, the situation of the power sector would likely be more precarious, which requires ADB's continued engagement in supporting energy sector reform, infrastructure investments, and reduction of circular debt.

Corporate Instruments



Corporate instruments



Results-based Lending

- ❑ RBL found to be have significant development potential
- ❑ Several issues identified: fiduciary risk assessment; M&E systems; exclusion of IR Category A activities; independent verification
- ❑ But if issues are addressed well, there will be a good case for mainstreaming the use of RBL at the end of the pilot phase in 2019



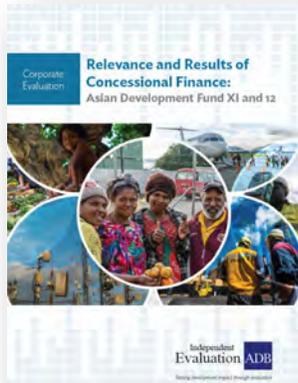
Policy-based Lending

- ❑ PBL is an important modality for countries and ADB. High potential impact. Volume has grown and demand continues to grow.
- ❑ Performance has improved and evidence suggests positive results specially in PSM and capital markets
- ❑ Criticality of policy actions to development results is unclear despite good performance and evidence of results
- ❑ Issues of design affect the ability to better understand ADB's value added in crafting policy reform

Corporate Instruments



Corporate
instruments



Asian Development Fund XI and 12

- **The need to achieve the Sustainable Development Goals** provides a strong rationale for continuing to provide concessional loans and grants to the Asia and Pacific region
- **Concessional resources are used well:** performance and results achieved so far in ADF XI and 12 are stronger than for previous ADF periods
- **The performance-based allocation system (PBA) is not effective** in allocating grants for the current group of grant beneficiary countries
- **There is an opportunity to leverage private investment** in countries eligible for concessional assistance using blended finance
- **Fragile and conflict situations are not being well addressed** by ADB in ADF and non-ADF countries
- **The refinement of ADF as a grant-only facility** has institutional implications especially in relation to staffing and organizational incentives

Private Sector Development

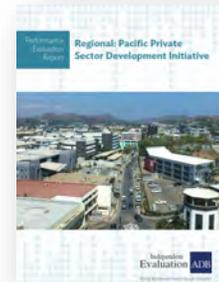


Private sector development



ADB's Mobilization Capacity and Credit Enhancement Products

- Boosting ADB's mobilization capacity key to value addition; credit enhancement products (CEP) are central
- ADB should strengthen its CEPs business, driven by a dedicated unit model



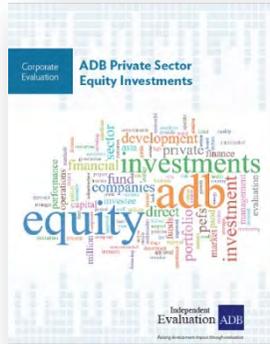
Pacific Private Sector Development Initiative

- Unique set of development barriers in the Pacific
- Delivered important building blocks for the business enabling environment but intended outcomes not fully achieved
- ADB did not provide sufficient strategic leadership
- PSDI remains relevant and in demand in the Pacific

Private Sector Development



Private sector development



ADB Private Sector Equity Investments

- ❑ Private equity is an increasingly important source of capital in Asia and ADB can play a role in key market niches.
- ❑ Financial returns for Direct Equity investments significantly outperformed Private Equity Funds (PEFs). Recent portfolio trends point to a shift towards investments at IPO and in more commercially oriented funds.
- ❑ The development performance and results of direct equity investments fared much better than PEFs, but overall only half of equity investments succeeded.
- ❑ ADB's organization for delivering equity investments hinders its ability to source, add value and exit equity investments.
- ❑ ADB lacks an overall business plan for private equity investments at a time when headroom has been dramatically increased due to the ADF/OCR merger.

Key Takeaways

The independent evaluation function helps ADB continuously improve its development effectiveness and accountability to stakeholders

Use of generally agreed evaluation criteria to assess project performance can support both accountability and learning functions

Lessons and knowledge from evaluations can provide useful feedback for design and implementation of future development interventions, thereby maximizing development effectiveness



Evaluating for Development Effectiveness

Maya Vijayaraghavan
21 November 2019

Independent
Evaluation **ADB**