

## OPERATIONS MANUAL BANK POLICIES (BP)

*These policies were prepared for use by Asian Development Bank (ADB) staff and are not necessarily a complete treatment of the subject.*

### INDEPENDENT EVALUATION

#### A. Introduction

1. The Independent Evaluation Department (IED) reports to the Board of Directors through the Development Effectiveness Committee (DEC).<sup>1</sup> Evaluation covers all aspects of sovereign and sovereign-guaranteed operations (public sector operations); nonsovereign operations;<sup>2</sup> and the policies and strategies, practices, and procedures that govern them. The evaluation of ADB operations emphasizes effective feedback on performance and use of lessons identified to improve the development effectiveness of ongoing ADB operations and to enhance their contribution to the development of developing member countries (DMCs).

#### B. Definitions

2. As used in this section of the Operations Manual (OM),
- (i) “Project performance management system” (PPMS)<sup>3</sup> refers to ADB’s seamless results-based approach to monitoring and evaluating implementation performance and development results during the planning, implementation, completion, and evaluation stages of the project cycle. PPMS is part of an ADB accountability framework aimed at improving project performance and uses the same methodology and terminology for self-evaluations, independent evaluations, and validations.
  - (ii) “Self-evaluation” refers to the evaluation of ADB operations by the departments responsible for the concerned public sector operations (called project completion reports [PCRs]), nonsovereign operations (called Extended Annual Review Reports [XARRs]), technical assistance (TA) operations (called TA completion reports [TCRs]), other operations (including grants). It includes final reviews (including supplementary self-evaluation) of country and regional partnership strategies and may also include self-evaluations (reviews) of policies, and procedures that govern ADB operations.
  - (iii) “Independent evaluation” refers to an evaluation of ADB operations by IED through the preparation of (a) project or program and nonsovereign operation

<sup>1</sup> ADB. 2003. *Enhancing the Independence and Effectiveness of the Operations Evaluation Department*. Manila; and ADB. 2008. *Review of the Independence and Effectiveness of the Operations Evaluation Department*. Manila.

<sup>2</sup> Nonsovereign operations include any loan, guarantee, equity investment, or similar financing arrangement that is (i) without government guarantee; or (ii) if with government guarantee, under terms that do not allow ADB to accelerate, suspend, or cancel, upon default by the government of such guarantee, any other loan or guarantee between ADB and the related sovereign.

<sup>3</sup> See OM Section J1/BP (Project Performance Management System).

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performance evaluation reports (PPERs), and TA performance evaluation reports (TPERs); (b) broadly based evaluation reports, including country assistance program evaluation, impact evaluation, real-time evaluation, corporate,<sup>4</sup> sector and thematic evaluation studies; and (c) annual evaluation reviews.

- (iv) “Validation” refers to IED’s independent check of self-evaluation reports issued by Management in terms of their evidence and plausibility. This includes a review of ratings provided by these reports. It also includes an assessment of the quality of the self-evaluation report. IED validates (i) a statistically significant sample of PCRs for sovereign operations, (ii) all XARRs for nonsovereign operations, and (iii) all CPS final review self-evaluations provided they are in IED’s annual work plan and offered to IED in time for the validation results to be considered during the preparation of the new CPS.

### **C. ADB Independent Evaluation System**

3. Within the PPMS’s broad framework, ADB’s evaluation system follows a two-tier approach to evaluating implementation performance and development effectiveness. The first tier comprises the self-evaluation of operations within 1–2 years after their completion or, in the case of nonsovereign operations, at the relevant stage of the operations as set out in para. 5 of the Operational Procedures of this OM. The second tier constitutes the independent evaluation and independent validation (henceforth the independent evaluation), the focus of this OM section. IED will request Management responses to IED Board papers on evaluation. When Management responses are received they will be published along with the report and summary of DEC discussions (if any).

### **D. Policy on Independent Evaluation**

4. The objective of evaluation is to assess development effectiveness and the long-term results of (i) ADB operations; (ii) country partnership strategies; and (iii) ADB policies, plans, practices, and procedures. Independent evaluation is carried out at a distance from those responsible for project or program design and implementation and without conflict of interest. The essential functions of every evaluation include (i) deriving lessons and best practices to promote sustainability and the development effectiveness of ongoing and completed operations; (ii) recommending appropriate measures for the design of future operations, country partnership strategies, and sector policy or strategy, as well as changes in ADB policies, practices, and procedures; (iii) assessing issues of development effectiveness of the use of resources;<sup>5</sup> and (iv) following up on evaluation recommendations. In carrying out such functions, IED operates in line with internationally accepted principles for evaluation of development assistance. Among these guiding principles are impartiality and independence, credibility, usefulness, and partnership.<sup>6</sup>

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<sup>4</sup> Evaluation of a policy, modality, or process relevant to ADB operations.

<sup>5</sup> In nonsovereign operations, evaluation also assesses related issues of additionality of resources and profitability of investments.

<sup>6</sup> Development Assistance Committee. 1991. *Principles for Evaluation of Development Assistance*. Organisation for

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### E. Scope and Outputs of Independent Evaluation

5. IED independently and systematically evaluates policies, strategies, country and sector assistance, modalities, individual public sector operations, individual nonsovereign operations, and TA operations, including their design, implementation, results, and associated business processes to determine their relevance, effectiveness, efficiency, sustainability, and impact.

6. Key outputs from the independent evaluation include:

- (i) evaluation reports and publications on (a) the performance of completed ADB operations, the ongoing portfolio on a selective basis, and broader thematic issues; (b) the effectiveness of ADB policies, plans,<sup>7</sup> practices, procedures, and modalities; and (c) the validation of country partnership strategy final reviews, PCRs, and XARRs as prepared by operations departments;
- (ii) feedback on operations to ensure incorporation of lessons from evaluation through (a) written comments on operational documents including their discussion of monitoring and evaluation instruments, (b) comments made during management review meetings, and (c) periodic monitoring and validation of progress on implementation of IED recommendations;
- (iii) dissemination of evaluation results, lessons, recommendations, and related knowledge management both internally and externally;
- (iv) external coordination, including conducting joint evaluations as well as coordinating evaluation practices and activities through the Evaluation Cooperation Group of the multilateral development banks, with the Evaluation Network of the Organisation for Economic Co-operation and Development-Development Assistance Committee, and the Evaluation Group of the United Nations agencies; and
- (v) supporting evaluation capacity development in DMCs.

7. ADB uses feedback obtained from its evaluation activities to improve the design and execution of its future operations, and to revise its policies and business processes. It also seeks to provide timely feedback to DMC central governments and executing and implementing agencies to help them follow up on recommendations to sustain the benefits of activities supported by ADB. ADB continues to strengthen and reinforce the self-evaluation component of the evaluation process through efforts aimed at shortening the feedback loop.

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Economic Co-operation and Development. Paris.

<sup>7</sup> Refers to “action plans,” “plan of actions,” “operational directions,” “priorities of action,” “strategic directions,” and other such documents which were developed to implement Strategy 2020 in a specific sector or theme.

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### F. Oversight of ADB Independent Evaluation

8. The Board's DEC oversees the evaluation program and its results to strengthen the institutional focus on evaluation. The DEC assists the full Board in ensuring that ADB programs and activities achieve their desired development objectives and make efficient use of ADB resources.

**Basis:** This OM section is based on:

ADB. 2009. *Country Partnership Strategy: Responding to the New Architecture*. Manila.

ADB. 2008. *Review of the Independence and Effectiveness of the Operations Evaluation Department*. Manila.

ADB. 2003. *Enhancing the Independence and Effectiveness of the Operations Evaluation Department*. Manila.

This OM section is to be read with OM sections K1/OP, J1/BP, and J1/OP.

**Compliance:** This OM section is not subject to compliance review.

**For inquiries:** Questions may be directed to the Independent Evaluation Department.

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*These procedures were prepared for use by Asian Development Bank (ADB) staff and are not necessarily a complete treatment of the subject.*

### INDEPENDENT EVALUATION

#### A. Introduction

1. The Independent Evaluation Department (IED) of the Asian Development Bank (ADB) carries out the following activities: (i) evaluates completed sovereign guaranteed operations (i.e., public sector operations), nonsovereign operations, and grant and technical assistance (TA) operations through project or program performance evaluation reports (PPERs), and technical assistance performance evaluation reports (TPERs); (ii) prepares broader evaluation studies that assess issues relating to the development effectiveness of ADB's operations at the sector, thematic, country, and subregional levels; (iii) validates project completion reports (PCRs) for sovereign operations, extended annual review reports (XARRs) for nonsovereign operations, and country partnership strategy (CPS) final review self-evaluations; (iv) provides comments on newly proposed operations and selectively provides feedback on ongoing operations; (v) evaluates ADB's policies and strategies, practices, procedures, and modalities; (vi) coordinates evaluation practices and activities with other multilateral development banks (MDBs); (vii) assists in developing evaluation capacity in developing member countries (DMCs); and (viii) disseminates the results and lessons of its evaluations.

#### B. Application of the Policy

2. IED reports directly to ADB's Board of Directors through the Board's Development Effectiveness Committee (DEC). The DEC reviews IED's proposed evaluation work program, annual evaluation review, and selected evaluation reports.

#### C. Preparation of Evaluation Reports

##### 1. Completion Reports and Performance Reports

3. ADB uses a two-tier approach to evaluate individual operations. The first tier involves self-evaluation through the preparation of PCRs for public sector operations and XARRs for nonsovereign operations by the responsible operations departments.<sup>1</sup> These self-evaluation reports provide a concise description and assessment of public sector operations and nonsovereign operations from identification to completion, and evaluate the adequacy of preparation, design, appraisal, implementation arrangements, and the performance of consultants, contractors, suppliers, borrower, client or executing agency (as applicable), and ADB. PCRs and XARRs provide a self-evaluation of the operation, outputs and outcomes achieved, and likely sustainability of outcomes; and the actual or potential contribution to impacts. Following the IED rating methodologies for public sector operations and nonsovereign operations, these reports provide an overall performance assessment of individual operations.

<sup>1</sup> See OM Section J1 (Project Performance Management System).

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PCRs and XARRs suggest follow-up actions; make recommendations to improve ADB's operations, policies, and procedures; and identify issues and lessons drawn during the self-evaluation.

4. PCRs are prepared for all completed public sector operations generally within 12–24 months after completion.<sup>2</sup>

5. XARRs are prepared for nonsovereign operation transactions generally within 24 months of reaching early operating maturity.<sup>3</sup> Early operating maturity is defined according to the following criteria depending on the nature of the project. Capital expenditure projects involving direct investment in identifiable assets must have a minimum of 18 months of operating revenues with audited accounts for at least 12 of these months. For institutional investments supporting broad corporate investment, early operating maturity occurs when ADB has made its final material disbursement and received audited reports covering at least 36 months of operating revenues post-disbursement. For nonsovereign transactions via financial intermediaries, early operating maturity occurs when at least 30 months (or 18 months for projects principally involving the provision of short-term working capital or trade finance) have elapsed from the final material disbursement to the intermediary. For investments in equity funds, a substantial majority of sub-investments should have been exited or at least 36 months (in the case of unlisted funds) or 18 months (in the case of listed funds) should have elapsed following ADB's final material disbursement to the fund. For other types of financial market operations supporting financial diversification, refinancing or securitization, financial statements covering at least 24 months of operations after final material disbursement are required.

6. The second tier in evaluating individual operations consists of an independent evaluation by IED comprising (i) independent validation of all XARRs and a statistically significant sample of PCRs and (ii) in-depth evaluation of selected completed individual operations through PPERs.

7. IED validates PCRs and XARRs to (i) improve ADB accountability for results and (ii) provide independently validated project or program ratings in which the IED rating will stand as the official ADB project or program rating.<sup>4</sup> Indirectly, IED aims to improve the quality of the PCRs and XARRs by the validation process, so that they can provide a more robust basis for higher level evaluations and future operations. IED will seek operations department's views on the draft validation report before finalizing it and will incorporate requested changes if it deems these improve the draft, or note different views briefly, even if it disagrees with these. The contents and final rating of the validation report is IED's responsibility. Once finalized, the final validation report is posted on the IED website and an email alert is sent to Management and the Board of Directors. Should the operations department responsible for the PCR or XARR disagree with IED's final overall assessment rating in the posted validation report, the operations department concerned has the option to indicate its disagreement in a final response. This response will be added as an attachment to the final validation report with IED's response

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<sup>2</sup> See footnote 1.

<sup>3</sup> FriSee footnote 1.

<sup>4</sup> This is the case unless a subsequent project evaluation report or country assistance program evaluation is issued. In that case, the ratings in the latter sources will replace the earlier validated ratings.

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(if any) to operations department's final response if it is deemed to add value. Board and Management will be alerted accordingly.

8. PPERs are prepared for selected public sector operations and nonsovereign operations. The selection of completed public sector operations for in-depth evaluation is based on purposive sampling. Selection triggers may include disputes over a rating during the validation process, upcoming country assistance program evaluations, and special interests.

9. A PPER is generally self-contained but may refer to the PCR or XARR. The PPER focuses on important issues affecting implementation performance and assesses the individual operation according to a consistent set of criteria. Public sector operations rating criteria include relevance, effectiveness, efficiency, and sustainability. An assessment of the impact and performance of ADB and the executing agency is also conducted but not taken into account in the performance rating. Nonsovereign operations are evaluated in accordance with their development results, as well as ADB's investment profitability, work quality, and additionality. Performance evaluations and ratings in PPERs and other IED evaluation reports are part of ADB's accountability to its stakeholders. Other major considerations when preparing PPERs are identifying key issues, highlighting remedial measures, and drawing meaningful lessons that can improve ADB's future policies and operations.

10. Self evaluated and independently evaluated public sector operations and nonsovereign operations are rated as highly successful, successful, less than successful, or unsuccessful.<sup>5</sup> To align with other MDB's weighting systems for 'sovereign' project ratings, equal weights are applied to the four evaluation criteria (relevance, effectiveness, efficiency, sustainability) that determine the overall success rate.

### **2. Technical Assistance**

11. ADB also evaluates TA operations to provide feedback to improve its future TA activities. Following a similar two-tier evaluation approach to that used for public sector operations and nonsovereign operations, a TA completion report is prepared by the department or office in charge of implementing the TA. A TA completion report is generally prepared within 6–12 months of TA completion. IED neither comments on nor validates these reports.

12. Independent evaluation of TA is carried out by IED and is generally undertaken as part of the preparation for a broader evaluation study or a stand-alone TPER. TPERs are prepared on a highly selective basis, generally based on ADB-wide priorities, including strategic planning considerations and the relevance and appropriateness of lessons identified for future design and implementation of TA operations in a particular sector or country. TPERs evaluate the design, implementation, and performance of TA activities according to an agreed upon set of criteria, including relevance, effectiveness, efficiency, and sustainability (equally weighted).

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<sup>5</sup> All categories for evaluation rating and criteria earlier labeled 'Partly' or 'Less' are replaced by 'Less than' to improve clarity and transparency within a four point scale, conforming to good practice standards in evaluation terminology.

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Specifically, TPERs draw lessons to improve ADB's future TA activities. Usually, several TA operations are covered in the same TPER to optimize evaluation resources.

13. Evaluated TA operations are rated highly successful, successful, less than successful, or unsuccessful.

### **3. Real-Time Evaluation**

14. Real-time evaluation assesses ongoing operations, processes, and procedures to provide early feedback on emerging issues. It is undertaken on a selective basis.

### **4. Impact Evaluation**

15. In line with the global agenda for more impact evaluation, the term "impact evaluation study" is reserved in IED for those studies that deploy rigorous impact evaluation techniques, such as the assessment counterfactuals, the conduct of large quantitative surveys, and the use of advanced statistical methods. The topics for such studies are proposed following consultation with the DEC and operations departments.

### **5. Sector/Thematic and Corporate Evaluation**

16. A sector/thematic evaluation study focuses on a selected sector or theme issues across countries or a subregion. A corporate evaluation study evaluates a policy, modality, or process relevant to ADB operations. The topics for these evaluation studies are proposed following consultation with the DEC and operations departments. IED will circulate the evaluation approach paper to relevant ADB departments and offices, and may selectively request Management to coordinate the response, in order to reach an agreement with Management on the substance of the evaluation and the methodology to be adopted.

### **6. Country Assistance Program Evaluation**

17. Country assistance program evaluations (CAPEs) assess ADB's strategy and support to a country. IED can also undertake regional cooperation assistance program evaluations. Examining experience over a longer time (normally 10 years and a minimum of two CPS cycles), such evaluations assess the development impact of ADB support. IED selects the countries for such evaluations in consultation with the operations departments. A CAPE is done prior to preparation of a CPS, but not all CPSs are preceded by CAPEs. In case IED's work program does not include a CAPE for a country that is due for a new full CPS, IED will validate a CPS final review (which includes supplementary self-evaluation). The CPS final review validation report, in conjunction with the CPS final review, then replaces the CAPE for the purpose of CPS preparation. The CPS final review validation report is a more limited document that is prepared more quickly and with fewer resources which, like the CPS final review, focuses on the period between the last independent evaluation and the start of the new CPS, and may not rely on independently conducted sector and thematic assessments.

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18. The timing of the CPS final review (including its supplementary self-evaluation) should be communicated to IED before finalization of IED's next year work program. IED should be given at least 5 months to conduct the validation.<sup>6</sup> If IED has completed a CAPE, then the scheduled commencement of the new CPS implementation should not be more than 3 years away from the CAPE's date of issuance. The same is the case for a CPS final review validation report. If the lapse in time is more than 2 years, the concerned regional department should notify IED in writing of the reasons for the delay and the new schedule chosen. IED will provide a written response elaborating on whether a final review self-evaluation will be required. This will then also be shared with the Board and Management.

19. IED will provide Management with an option to provide a response to a CPS final review validation report. Management responses received will be subsequently attached to the CPS final review validation report for public disclosure.

### **7. Annual Evaluation Reports**

20. The IED *Annual Evaluation Review* summarizes IED's performance evaluation findings and lessons over a specific time span, and addresses a particular theme of importance to ADB or Asia. It also provides validation of the progress reported by Management on the actions taken in response to IED recommendations.

### **D. Feedback on Operations**

21. As independent peer reviewer, IED comments on major draft project and policy operations documents for public sector operations and nonsovereign operations. IED focuses on reports and recommendations of the President (RRPs), CPS documents, and policy and strategy papers. IED will comment selectively at the earlier concept note stage, depending on the newness, innovation, or risk of the operations and the value added. The comments will focus on ensuring the incorporation of lessons from evaluations in project design, and on monitoring and evaluation frameworks at the stage of drafting the RRP.

22. After an evaluation mission, IED selectively holds a workshop to which representatives from concerned operations departments are invited. The workshop's purpose is to present the mission's preliminary findings and provide operations departments with an opportunity to give immediate feedback that could be useful in the preparation or implementation of new projects, programs, and TA.

23. For major studies, IED holds a meeting with the relevant directors general to discuss and, ideally, reach a mutual understanding on corresponding conclusions and recommendations.

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<sup>6</sup> A CAPE or CPS final review validation report is required before every new full CPS. The regional department concerned should notify IED a year in advance of initiating the CPS process of its intention to prepare a CPS. If IED undertakes a CPS final review validation in lieu of a CAPE, the regional department should prepare a final review (including its supplementary self-evaluation) and have it signed by the head of the department. See OM Section A2 (Country Partnership Strategy).

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24. To monitor the progress of actions on IED recommendations, a management action record system was created in 2009. IED inputs recommendations into the system from its evaluation studies. Management, in collaboration with the concerned departments, is responsible for monitoring actions taken in response to IED recommendations and for recording implementation progress in the system at least twice a year. The results are consolidated and analyzed in the *Annual Evaluation Review*.

### **E. Support to ADB's Policies and Procedures**

25. IED strives to mainstream evaluation experience in ADB policies and the decision-making process through (i) dissemination of findings and lessons, and (ii) participation in selected networks and working groups.

### **F. External Coordination**

26. IED evaluation procedures continue to be strengthened through rigorous evaluation standards and practices in order to generate more operationally useful results as sources of learning. The methods for evaluating individual operations and broader evaluation studies are being harmonized among MDBs. IED coordinates evaluation practices and activities with other MDBs through the Evaluation Cooperation Group and its working groups. IED also participates in the evaluation activities of multilateral and bilateral agencies through the Working Party on Aid Evaluation of the Development Assistance Committee of the Organisation for Economic Co-operation and Development, and the United Nations Evaluation Group.

### **G. Evaluation Capacity Development**

27. At the request of a DMC and when included in the CPS, operations departments may process a TA grant for building or strengthening the DMC's evaluation capacity. Such a TA grant is expected to improve the effectiveness of government development expenditures by providing feedback on project impact that can then be used in the planning and management process. IED may consider providing technical support to such TA grants. In countries where a TA grant has been provided without the support of IED, but is to be independently evaluated by IED, the concerned government agency is invited to send a representative, at the DMC's expense, to join the evaluation mission. Involvement in such a mission provides on-the-job training and additional accountability. In exceptional cases, IED may itself process and administer a TA grant for DMC evaluation capacity development. IED may also process regional TA in support of broader efforts aimed at developing evaluation capacity; conducting impact evaluation study training, workshops, and conferences; and sponsoring impact evaluations in DMCs.

28. IED may organize seminars or workshops with ADB staff for the preparation of PCRs and XARRs.

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### H. Information Disclosure

29. All independent evaluation reports (including Management responses when available) are disclosed on IED's website in conformity with the requirements of the Public Communications Policy (2011).<sup>7</sup> IED also discloses its 3-year rolling work program approved by the Board, responses received to its reports from ADB Management, IED comments on the Management response, if any, and Chair's summaries of DEC discussions pertaining to its reports. IED may redact PPERs for nonsovereign operations and XARR validation reports to remove commercially sensitive information.<sup>8</sup> Since May 2012, IED discloses all PCR validation reports as non-Board information papers directly on the IED website, upon their approval and XARR validation reports upon redaction.

30. IED also disseminates findings of its independent evaluation reports through the evaluation information system—a database of evaluation lessons— that provides users with an easily accessible source of searchable evaluation information and employs various parameters to refine a search. It is accessible publicly through the IED website. The website also promotes and disseminates outreach materials that emphasize learning from evaluations: (i) *Learning Curves*, which bring findings and recommendations of independent evaluations to a broader range of readers; (ii) *Learning Lessons*, which provide key lessons drawn from evaluations and may include contexts derived from literature review; (iii) *Case Studies*, designed to expose specialized material from evaluations; and (iv) multimedia contents such as photo essays, audio and video podcasts. With the IED website as the main information and media platform, IED also maintains social media platforms for communicating and disseminating evaluation information for greater outreach. IED also maintains inquiry desk, which responds to internal and external queries about evaluation products and services.

**Basis:** This Operations Manual (OM) section is based on OM Section K1/BP and the documents cited therein.

This OM section is to be read with OM Sections K1/BP, A2/OP, and J1/BP, and J1/OP, and the documents cited therein.

**Compliance:** This OM is not subject to compliance review.

**For inquiries:** Questions may be directed to the Independent Evaluation Department.

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<sup>7</sup> See OM Section L3 (Public Communications). See also paras. 66–68 in ADB. 2011. Public Communications Policy. Disclosure and Exchange of Information. Manila.

<sup>8</sup> Nonsovereign operation evaluation reports may include business-sensitive information that may jeopardize legitimate business interests and proprietary rights of private sector clients. Therefore, prior to disclosure, commercially confidential information is deleted from the version made publicly available.

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Prepared by the Independent Evaluation Department  
and issued by the Strategy and Policy Department  
with the approval of the President.