AFRICAN DEVELOPMENT BANK GROUP

REVISED GUIDELINES
ON PROJECT COMPLETION REPORT (PCR) EVALUATION NOTE AND PROJECT PERFORMANCE EVALUATION REPORT (PPER)

OPERATIONS EVALUATION DEPARTMENT (OPEV)

10 May 2001
1. **Background**

1.1 The Report of the Development Committee Task Force on Multilateral Development Banks (MDBs) entitled «Serving a changing world» dated 15 March 1996, identified several evaluation-related issues concerning project design and implementation that are of broad concern to the MDBs and Multilateral Financial Institutions, and recommended that, in order to make the MDB’s results understandable and comparable, the MDBs should (i) develop a common methodology for evaluating their portfolios; (ii) identify and disseminate best practices in evaluating techniques; and (iii) make a determined effort to harmonize performance indicators and evaluation criteria, taking into account the differing circumstances of each institution.

1.2 Following the Task Force recommendations, the Evaluation Co-operation Group (ECG) was established by the heads of evaluation departments in the MDBs in 1996 in order to move forward on a broad front to strengthen the partnership among MDB Evaluation Heads. The discussions helped in clarifying the meaning of the used performance categories, such as relevance, achievement of objectives or efficacy, efficiency, institutional development, sustainability as well as the overall performance ratings. A report on «Harmonization of Evaluation Criteria» was produced in year 2000 by the ECG. Further harmonisation and improvement of the evaluation criteria and ratings in assessing development effectiveness of MDB financed projects and programmes have been recommended.

1.3 In order to be consistent with the recommendations of the MDB Evaluation Group (ECG), OPEV committed itself to revisit the evaluation methods and guidelines and the performance rating systems applied by the Bank. The new evaluation system ensures the necessary links between implementation performances and outcomes of projects and programmes to the Bank Group goals and strategies as reflected in the Bank vision.

1.4 The proposed revisions and changes to Performance Evaluation Guidelines are specified below.

2. **The PCR Evaluation Note**

2.1 The process of preparation of a PCR evaluation note was revised with the objective to strengthen the accountability function but also to improve the lessons learning part of it. OPEV independent review of the PCR seeks primarily to assess the objectivity of the ratings and the validity of lessons to be learned. The validation and/or adjustment of PCR performance indicators and ratings with a feedback to the concerned country department is being part of the process. The proposition of whether the project is candidate for performance evaluation, sector or thematic evaluation study recommendation process is formalised with indication of areas of priority and focus.

2.2 The Evaluation Note (two to three pages maximum), and the PCR rating sheet (as amended to take into account the evaluation questions and ratings) will be sent for comments to the country department before its finalisation. As recommended by the Committee of Operations and Development

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Effectiveness (CODE)\(^2\), OPEV will evaluate from time to time on a sample basis the quality and pertinence of project completion reports. OPEV should thus be in a position to monitor annually and report its findings on the assessment of the quality of PCRs received during the year.

2.3 The overall performance rating of a project should be reviewed and adjusted by the Evaluator based on his/her own assessment and judgement. This means that the overall rating will not be calculated (as simple average of rating components) but left to the appreciation of the Evaluator who should provide due justification of his/her rating.

2.4 The Evaluation Note together with the PCR rating and the adjusted performance rating of the project will be communicated to the concerned country department and entered in the evaluation database, posted in the Bank Intranet and entered into the project information system (SAP R/3).

3. **The Project Performance Evaluation report**

3.1 The major process changes in the PPER are resulting from the harmonisation process among the MDBs and relate to the evaluation criteria and rating systems.

3.2 The Table of Contents of the PPER has been revised in order to shorten the length of the report (twenty pages maximum). More emphasis is put on the project/programme results and outcomes which need to be examined in depth and with more substantive analysis. A recommendation is made to limit the basic project data to selected key project data without repetition of what was described in the PCR. The summary rating will be placed upfront in the report (before the preface) and the evaluation summary will be part of the report. The two documents will be posted as such in the textual evaluation database and the Intranet and entered into the project information system (SAP R/3).

3.3 Five chapters will constitute the body of the report with a special focus on performance evaluation and ratings, which will deal subsequently with all evaluation criteria including the process performance ratings (Bank and Borrower performances). A new section has been added in this chapter and relates to the major factors affecting implementation performance and project outcomes. This will allow further work on recurrent implementation issues and correlation analyses of causes/factors of project successes or failures. Because of their importance to the evaluation exercise, more focus has been put on project management, reporting and monitoring and evaluation achievements in the chapter on implementation performance. A new section was also added to the chapter on lessons and recommendations and relates to the feedback mechanism and utilisation strategy recommended for the dissemination of the evaluation findings. This will take care of the future use of the report’s findings and results by the Operations and/or by OPEV (as input to sector/policy/country reviews, best practices database, etc.).

3.4 The independent performance coverage issue (number of completed projects to be subject to an independent review of OPEV) is not established as no Board decision was taken on that regard. However, it is OPEV view that not all completed operations are subject to independent performance evaluation. In selecting completed projects for independent evaluation, a priority will be given to those that are likely to provide greater lessons of experience, or components of sectoral, thematic and/or country studies. Large and complex projects, innovative projects or those unusual features, controversial with problematic issues will also be prioritised. In some cases, projects are selected because they may be clustered and analysed together in one report with others that are similar, allowing more meaningful lessons to be drawn.

Completed Projects are also selected for independent evaluation if the PCR is considered as generally weak.

3.5 The revised guidelines combined the chapters on project and programme (particularly the adjustment lending operations), to which a special consideration should be reserved.

3.6 The evaluation criteria are the followings:

- Relevance and quality at entry assessment (14 components)
- Achievement of objectives & Outcomes “efficacy” (7 components and 52 possible sub-components). This is mainly due to the multiplicity of objectives and targets and the complexity of new operations.
- Efficiency (3 major components with sub-components when needed)
- Institutional Development Impact (17 components)
- Sustainability (8 components or factors)
- Borrower performance (5 components and 9 sub-components)
- Bank performance (4 components and 19 sub-components)

3.7 This means that the rating exercise should be seriously done in order to strengthen the justification of the aggregate performance indicator and the overall performance ratings. This will allow further econometric work and correlation analyses and also an aggregation of the ratings for a development effectiveness index calculation in the future.

3.8 The aggregate project performance indicator and overall ratings will be implemented by the Evaluator based on his/her own assessment and judgement and on the significance he/she will attach to each component of the evaluation criteria. This means that the overall rating will not be calculated (as simple average rating) but left to the appreciation of the evaluator who should provide due justification of his/her rating, particularly the aggregate performance indicator and overall performance ratings.
REVISED GUIDELINES ON PREPARATION OF
PROJECT COMPLETION REPORT (PCR) EVALUATION NOTE

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1. Introduction

1.1 OPEV is responsible for independent ex-post evaluation. It reviews all completed PCRs in order to:

(a) validate the PCR performance ratings;
(b) compile information about the project for OPEV evaluation databases;
(c) record OPEV-validated ratings and PCR evaluation summaries in the project information system (SAP R/3);
(d) assess the adequacy of the performance indicators described in the PCR to monitor operations and development impact;
(e) monitor PCR quality and report its findings to the Board, Senior Management, and operations staff;
(f) advise the country departments on the selection of lessons learning PCRs and participate selectively in missions for such PCRs; and
(g) provide feedback, from a Bank wide perspective, on lessons learned.

1.2 As soon as a PCR is received by OPEV, it is assigned to an Evaluation Officer for evaluation of the quality of the report and the objectivity of its ratings and findings, and the validity of the lessons to be learned. The Evaluator critically reviews all PCRs. Each PCR is reviewed by OPEV in order to validate and adjust the performance ratings, based on information provided in the project documentation, the completion report and other operational documents. The evaluator summarises its findings in an evaluation note. This note conveys the ratings, comments the lessons to be drawn, assesses the quality of the project completion report, and proposes whether the project is a candidate for a performance evaluation, sector or thematic evaluation study, or country/sector specific review.

1.3 Operations Staff has the opportunity to comment on the evaluation note before its finalisation. OPEV enters its findings and ratings, together with an information sheet in the project information system (SAP R/3) database and the evaluation note is posted in the Bank’s Intranet.

1.4 Project Completion Reports are circulated by the Operations departments for information to the Boards as soon as they are finalised, without waiting for review or evaluation by OPEV.

2. Scope Of Assessment

2.1 The assessment would be only a desk review of project documentation (identification, preparation and appraisal reports, supervision reports and summaries, mid-term reviews, audit reports and Borrower’s completion reports) and other related project documents (loan agreement, general ledger, disbursement profiles, etc.).

2.2 The quality of PCR is assessed on the basis of a review of the quality of its individual chapters, the objectivity and soundness of judgement, appropriateness and adequacy of coverage, inclusion of key data and supporting material, adequacy of analyses including lessons learned, consistency and quality of presentation and outcome ratings. The reference point is being the Guidelines for Preparation of Project Completion Reports by Bank Staff3.

3 see Operations Manual (June 1999), Chapter 9 Section 900.
3. **Rating Assessment**

3.1 Using the 4-point rating scale, each project/programme is rated in format PCR1. The overall quality of PCR is judged on the basis of simple unweighted average of ratings of its chapters treated as component indicators, which are in turn assessed on the basis of simple unweighted average of their respective sub-sections, treated as sub-component indicators\(^4\).

3.2 Brief narrative explanation as to why specific ratings were assigned would be provided in the remarks’ column of format PCR1.

3.3 The rating format PCR1 will form the basis for preparation, for the entire cohort of PCRs of the year, of rating formats PCR2 and PCR3. The Bank Divisions/Sector will arrange PCR2 and PCR3 will be by the year of approval of the project/programme. These will enable OPEV to make overall assessments and trend analyses of the quality of PCRs.

4. **The PCR Evaluation Note**

The PCR Evaluation Note would record the results of assessment of the quality of PCR in a brief annotation (attaching the detailed rating sheets) with the objective to strengthen the accountability function but also to improve the lessons learning part of it. The independent review of the PCR by OPEV seeks primarily to assess the objectivity of its ratings and the validity of lessons to be learned and to evaluate the quality of the report. The validation and adjustment of PCR performance indicators and ratings with a feedback to the concerned country department is now part of the process. The proposition of whether the project is candidate for performance evaluation, sector or thematic evaluation study recommendation process is now being formalised with indication of areas of priority and focus.

5. **Outline of the PCR Evaluation Note**

The Outline of the PCR Evaluation Note is the following:

1. The Project: Objectives, expected outcomes, outputs, activities and inputs, intended beneficiaries and scope.

2. PCR Conclusions and Success Ratings: Main PCR conclusions, performance ratings and lessons and recommendations, future operational plan and potential benefits and their sustainability, institutional development and overall success ratings.

3. Borrower’s PCR and inputs to Bank Staff PCR: Validity, reliability and overall Quality of Borrower’s PCR and its inputs to Bank Staff PCR.

4. PCR quality ratings: Objectivity and soundness of PCR judgements, appropriateness and adequacy of coverage of performance criteria and ratings, adequacy of analyses including lessons learned and recommendations, consistency and quality of presentation of the overall

\(^4\)For details of Evaluation Methodology for Assessing the Quality of PCRs, see Appendix 2.
ratings and conclusions. Validation and justification of proposed adjustments to PCR performance indicators and outcome ratings.


Annex: Rating sheets
APPENDIX 1

RATING FORMATS FOR PCRs

Rating Format PCR1

<table>
<thead>
<tr>
<th>Project Loan No.</th>
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<table>
<thead>
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<th>PCR EVALUATION CRITERIA</th>
<th>RATING (4-point scale)</th>
<th>REMARKS</th>
</tr>
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<tbody>
<tr>
<td>1. Adequacy of analysis of Project goals, objective and Formulation (including the verifiable indicators, consistency with appraisal and subsequent revisions)</td>
<td></td>
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<tr>
<td>2. Adequacy of analysis of Project execution (including procurement issues, disbursements, Borrower’s reporting, and assessment of monitoring and evaluation achievements)</td>
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<td>3. Soundness of judgements on Project Performance and Results (including operating results, economic and financial and related conditions/covenants and their fulfilment, institutional, performance of consultants, contractors, suppliers and other parties)</td>
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<td>4. Adequacy of analysis of social and environmental impacts</td>
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<td>5. Soundness of judgements on project sustainability, plan for future project operation’s phase and maintenance</td>
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<td>7. Consistency of Overall rating with individual rating components</td>
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<td>8. Adequacy of analysis and clarity of conclusions, lessons learned and recommendations</td>
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<td>9. Other (Specify)</td>
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Overall Rating

OPEV and Country Department agree/disagree on Project Performance Rating   Y/N
Borrower’s PCR and inputs to Bank Staff PCR (quality of Borrower’s PCR, reviews of project implementation issues, future operation plan, Borrower’s comments on PCR):

Conclusion:


- Project is an adjustment operation
- Project is the first of its type in the sub-sector
- Project is part of series and suitable for cluster evaluation
- Project has innovative features, is large or complex
- Project highly successful or highly unsuccessful
- Project has high priority for impact evaluation
- PCR is incomplete/unsatisfactory
- Performance evaluation is required to sector/country reviews
- Thematic or special evaluation studies (Specify)

Major Issues of focus in the performance evaluation report:

a)
b)
c)

Follow Up Action/Decision:
### Rating Format PCR 2

#### Sector A

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Sector Average

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Sector Average

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Sector Average

### Cross Sector Average

Note: This will be a composite rating of PCRs for the portfolio (by country/region), based on individual PCR rating recorded in PCR1.
## Rating Format PCR 3

### Year 1

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**Year Average**

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### Year 2

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**Year Average**

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### Year 3

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**Year Average**

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**Whole Average**

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EVALUATION METHODOLOGY FOR ASSESSMENT OF QUALITY OF PCRs

1. **Scope of Assessment of PCRs**

   The assessment would be only a desk review of project documentation. The quality of PCR is assessed on the basis of an evaluation of the quality of its individual chapters, of the objectivity and soundness of judgement, appropriateness and adequacy of coverage, inclusion of key data and supporting material, adequacy of analyses including lessons learned, consistency and quality of presentation and outcome ratings. The reference point is being the Guidelines for Preparation of Project Completion Reports by Bank Staff.

2. **Component Indicators**

   2.1 The main reference for assessing the quality of component indicators described in the following paragraphs would be the Guidelines for the Preparation of Project Completion Report by Bank Staff (see Operations Manual Chapter 9 Section 900, Annex 2).

   **a. Project Objectives and Formulation**

   2.2 It will be assessed whether the linkages between the project inputs and ultimate production and development goals and the key qualitative changes that have had the greatest impact on production forecast have been identified in the report. It will also be assessed whether any accurate description of MPDE or Logical framework approach is included and whether the equity and institutional goals and their relative importance vis-à-vis production goals were brought out. The assessment of this chapter would be made by a simple average of the assessment of the following sub-components:

   (a) Whether an MPDE matrix or a retrospectively prepared one has been included in the PCR?

   (b) Whether borrowers' long term development programme of which the project is a component and importance of the project to the sector as a whole and the regional economy has been described?

   (c) Whether the key assumptions made in arriving at the forecast have been analysed?

   (d) Whether the co-ordination aspects between interdependent or interrelated entities and investments or actions complementary to the project envisaged appraisal were described in the PCR?

   (e) Whether the project description for its physical, financial, institutional and other components was adequate and appropriate?

   (f) Whether the origin of the project has been adequately brought out?

   (g) The quality, adequacy and relevance of the Preparation, Appraisal, Negotiation and Approval processes.

   **b. Project Execution**
2.3 The quality of this chapter of PCR will be assessed on the basis of quality, adequacy and relevance of the handling of the following sub-components.

(a) Effectiveness and Start-up: Analysis of effects issues of conditions for entry into force;

(b) Modifications: Analysis for changes and their effects on implementation schedules;

(c) Implementation Schedule: Analysis of issues, causes and effects of delays;

(d) Reporting issues including the achievements of the monitoring and evaluation system;

(e) Procurement issues;

(f) Financial Sources and Disbursements.

c. **Project Performance and Results**

2.4 The quality of this section of PCR will be assessed on the soundness of judgements on the following sub-components.

(a) Overall Assessment;

(b) Operating Results;

(c) Institutional Performance (Management and Organisational Effectiveness, Staff Recruitment, Training and Development, Performance of Consultants, Contractors, Suppliers and Borrowers, Management Consultants, Conditions and Covenants);

(d) Financial Performance (adequacy of analysis of financial results, Rate of Return, Financial Conditions/Covenants and their Fulfilment);

(e) Economic Performance: It will be assessed (i) whether the PCR had re-estimated the EIRR, and (ii) whether the methodology adopted and the assessments made for both costs and data are appropriate and adequate. (iii) The identification and analysis of the extent to which endogenous and exogenous factors have contributed to the variations, (iv) The quality and clarity of analysis to compare the appraisal and PCR rates of return should also be assessed;

d. **Social and Environmental Results**

2.5 The quality of this chapter may be assessed on the basis of the Guidelines in OM Section 900, Annex 2. It should be particularly assessed whether there is clarity in findings and whether all aspects including gender concerns have been addressed. The depth of the analysis of environmental impact of project inputs and outputs should be assessed. In projects where environment impact assessments were made, judgement should be made on the adequacy of analysis, implementation costs, and efficiency and outcome of mitigative actions.

e. **Sustainability**
2.6 The quality of this chapter of PCR should be based on an assessment whether all the sustainability issues have been identified and their impact succinctly noted. It should also include an assessment whether institutional aspects of sustainability have also been addressed.

f. Performance of the Bank, the Borrower and other Co-financiers

2.7 The quality of this chapter of the PCR will be assessed under the following sub-components.

(a) Project Objectives and Justification;
(b) Project Implementation and Operating Outcomes.

g. Overall rating

2.8 The quality of this chapter will be assessed on whether the overall rating is Consistent with individual rating components.

h. Conclusions, Lessons Learned and recommendations

2.9 The quality of this chapter should be judged on the basis of an assessment of the following subcomponent indicators:

(a) Conclusions - It would be assessed whether an appropriate rating has been provided to assess the overall project performance? The clarity of the judgement on the overall success/failure of the project should be assessed. Similarly it should be assessed whether the issues of realism of appraisal goals, strategies and assumptions and the performance in relation to risks perceived at appraisal have been critically reviewed.
(b) Lessons and Recommendations - The quality of Lessons and Recommendations and whether they can provide a clear feedback for improving future operations should be assessed.

Notes:

1. This statement will be prepared for each project reviewed and will form the basis for the preparation of statements PCR2 and PCR3.

2. A four-point scale is to be used for PCR evaluation note. The four points is defined as follows:

(i) 4 = Highly Satisfactory. No significant qualifications.

(ii) 3 = Satisfactory. Some qualifications but generally acceptable.

(iii) 2 = Unsatisfactory with significant qualifications calling for substantial improvements.

(iv) 1 = Highly Unsatisfactory. Significant qualifications. No improvements expected.

3. The same scale would be used for rating all chapters (and their component sub-chapters) of the PCRs.
4. Using the four-point rating scale, a separate PCR quality report in format PCR1 will be prepared for each project/programme, indicating rating for each evaluation criteria of the PCR quality.

5. Sub-ratings, if any, will be weighted equally and the total quality rating for the chapter will be based on the simple average of the ratings for its sub-chapters.

6. Brief narrative explanation as to why specific ratings were assigned would be provided in the remarks’ column.

7. The overall rating is a discrete rating (1 to 4) taking into account the evaluation findings and ratings of all criteria assessing the quality of the PCR.
# REVISED GUIDELINES FOR PREPARATION OF PROJECT/PROGRAMME PERFORMANCE EVALUATION REPORT (PPER)

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1. **Objective, Timing and Coverage**

1.1 PPERs are aimed at assessing the relevance, efficacy and efficiency of the Bank's lending activities and the effectiveness of the projects/programmes financed. A PPER is the result of an independent assessment of the specific actions taken by the Bank Group, including an objective statement of the outcomes and results achieved by the project/programme compared with expectations at appraisal; a critique of these expectations in the light of that comparison; an evaluation of how the Bank could have been more helpful; and a judgement whether in retrospect the project has achieved its objectives or is likely to achieve them and the outcomes or results achieved are sustainable or likely to be sustainable.

1.2 The PPER provides an analytical commentary on and a supplement to the PCR, focusing selectively on issues that merit closer attention. Its preparation begins after a decision on the selection of the project for performance evaluation, country or sector reviews, thematic or special evaluation studies.

1.3 The PPER constitutes the database for all special and impact studies. The verification and updating of information during performance evaluation fortifies the database and facilitates the identification of areas that require in-depth evaluation studies.

1.4 A PPER will normally be prepared after physical completion of a project/programme and finalisation of a Project Completion Report. As most development projects have fairly long economic life, timing of post-evaluation is crucial. At project completion, actual investment costs and the implementation experience are known but the costs of operations and maintenance and the benefits to be derived from it still lie in future and are still unknown. If post-evaluation is carried out just after completion, operational data are likely to be unavailable for making reliable forecasts about future project costs and benefits and an objective assessment of project performance will be difficult. On the other hand, if the intervening period is long it will make identification, isolation and attribution of costs and benefits difficult. If post-evaluation is carried out too long after project completion, collection of some baseline data and attribution of benefits may also become difficult and opportunity would also be lost for early application of lessons learned to new projects. In the Bank Group, it is considered that, on balance, post-evaluation be undertaken only after the project/programme has been in operation for about two years, when a meaningful evaluation of performance is possible.

1.5 Not all operations are subject to performance evaluation. In selecting those for evaluation, priority will be given those with problematic issues, large and complex projects, innovative projects or those with unusual features, and are likely to provide greater lessons of experience.

1.6 In some cases, projects are selected because they may be clustered and analysed together in one report with other projects that are similar, allowing more meaningful lessons to be drawn at the sector or country levels. Projects are also selected for evaluation if the PCR is considered as generally weak.

1.7 A fair balance, based on priorities set out in the Bank Group's operational programme, should also be maintained in the selection of sectors, regions and sources of financing (ADB, ADF, NTF).

2. **Scope**
2.1 The PPER constitutes the database for all special and impact studies. The verification and up-dating of information during performance evaluation fortifies the database and facilitates the identification of areas that require in-depth evaluation studies.

2.2 A PPER assesses the performance of projects or programmes according to the following evaluation criteria:

1. **RELEVANCE**: Consistency of project with: (i) Country’s overall development strategy, and the ADB’s assistance strategy for that country (reflected in the CSP), and (ii) Bank’s statutory requirements, comparative advantage and policy priorities. The relevance evaluation refers to current circumstances; i.e. it is based on (i) and (ii) above as they stand at the time of the evaluation, and at Board approval, if different at that time. Any changes introduced in the project since Board approval should be taken into account.

2. **ACHIEVEMENT OF OBJECTIVES (“EFFICACY”)**: Extent to which project achieved development objectives articulated at approval and specified in categories such as policy goals, physical, financial, institutional, social and environmental, recognising any change introduced in the project since Board approval.

3. **EFFICIENCY**: Extent to which project benefits, actual or expected at time of evaluation, are commensurate with inputs, looking at cost and implementation time. Economic and financial rates of return should be used or, if not possible, other measures of cost effectiveness.

4. **SUSTAINABILITY**: Likelihood that project results, actual and expected at time of evaluation will be maintained over the intended useful project life (note the need for consistency on anticipated life with ERR calculation for efficiency, where applicable). Eight factors to be considered in establishing likely sustainability (no priority ranking intended) are: (1) technical soundness, (2) government commitment, including supportive legal/regulatory framework, (3) socio-political support, (4) economic viability, (5) financial viability, (6) institutional, organisational and management effectiveness, (7) environmental impact and (8) resilience to exogenous factors.

Nota: The items listed above are also relevant to criteria 1 through 3.

5. **INSTITUTIONAL DEVELOPMENT IMPACT**: Extent to which the project has contributed to improvements or other changes in norms and practices (institutional capacities, policy framework etc.) that enable the country to make more effective use of its human, financial and natural resources, whether these changes were intended under project objectives or otherwise.

6. **AGGREGATE PROJECT PERFORMANCE INDICATOR**: A single measure of overall project performance taking into account the evaluation findings under the criteria listed under criteria 1 through 5 above.

7. **BORROWER PERFORMANCE**: Adequacy of Borrower’s assumption of ownership and responsibilities during all phases. Main focus on effective measures taken by Borrower to establish basis for project sustainability, especially - and right from the identification
stage - through fostering participation by the project’s stakeholders, in addition to its own support.

8. **BANK PERFORMANCE**: Quality of services provided by the Bank during all project phases. Main focus on Bank’s role in ensuring project quality at entry, and that effective arrangements were made for satisfactory implementation and future operation of the project.

3. **Preparation of an Issues Paper**

3.1 The first step in the preparation of a PPER is the preparation of an Issues Paper. The purpose of this paper is, on the basis of the PCR Evaluation Note to make recommendations about the major issues requiring examination, the need and timing for a field mission and its composition and justification for consultant support, if required.

3.2 Any further steps would be taken on the basis of guidance and instructions provided by the Director OPEV on the Issues Paper. Detailed Guidelines for the Preparation of an Issues Paper are included in Chapter 7, Guidelines and Methodology for Evaluation (November 1996-ADB/BD/IF/96/267-ADF/BD/96/214).

3.3 During Post Evaluation, OPEV should take note of the project audits conducted during a project’s cycle. It should evaluate the extent and success of the implementation of audit findings, corrective actions, Environment and Social Management Plan, and recommendations as part of the evaluation, particularly in the sections evaluation relevance, efficacy, sustainability and institutional development Impact. Audit findings and recommendations should contribute towards the evaluation rating given to the component indicators of the Evaluation Criteria.

4. **Contents and Format of PPERs**

A. **General**

4.1 The following sections provide detailed guidelines on the structure and contents of PPERs. These guidelines should be generally followed but minor variations within the overall spirit and objectives could be made, depending on the nature and sector of particular projects.

4.2 A PPER must be clearly and concisely written with logical and carefully substantiated findings and conclusions. Facts should be presented frankly but with exactitude and complete objectivity. General statements should be avoided. If it becomes necessary to express opinion on the basis of imprecise information, such a base should be indicated in the report. The points of view of the Borrowers, beneficiaries and operational staff of the Bank, should be included where necessary, either in text or as annexes. The reports must present a balanced view of the difficulties or unusual circumstances encountered by those involved in project implementation. Where relevant information is omitted because it is regarded as confidential, the reports should say so and provide justification as well.

4.3 A PPER must be self-contained to the extent possible. Repetition of the contents of the PCR must be avoided by making selective references to the PCR for details concerning technical, operational and implementation aspects with which the PPER concurs. A PPER should focus mainly (i) on important issues affecting implementation performance, achievements of objectives and outcomes, institutional development impact and sustainability; (ii) on drawing lessons from past experience; and (iii) on
identifying possible remedial measures for improving project/ programme performance. It should also identify problems requiring further detailed studies. The intention is not to criticise, to apportion blame or to lay too much stress on what was done in a certain way in the past and which is done differently now.

4.4 The length of the reports including the Evaluation Summary, would vary, depending on the issues to be addressed. Ordinarily the length of the report, excluding the appendixes, should be around 15 to 20 pages, single space, but should never exceed 20 pages.

4.5 A general uniformity of format and content should be maintained for consistency, as well as easy location of information. However minor variations can be made to suit the specific needs of projects/programmes in different sectors. It should be borne in mind that the information and analyses in the PPERs are subsequently inputted in the evaluation database maintained by OPEV, the Bank Intranet/Internet and the project information system (SAP R/3) and used in the drafting of the Annual Report on OPEV Activities, The Annual Review of Results of Post-Evaluation, Retrospectives and Abstracts, and Special Reports and in considering follow-up actions.

B. Project/Programme Title

4.6 The Project title to be used in PPER will be the same as given in the original appraisal report or loan agreement or technical assistance.

C. Front and Inside Cover

4.7 The formats for the front cover and inside front cover of the PPER and for the presentation of currency equivalents on the inside front cover are given in Appendix 2.

D. Table of Contents

4.8 The format for table of contents for PPERs is shown in Appendix 3.

E. Report Outline

4.9 The structure of a PPER shall be as follows:

Front Cover
Inside Front Cover (currency equivalents, abbreviations)
Ratings
Preface
Table of Contents
Basic Project Data

EVALUATION SUMMARY
THE PROJECT/PROGRAMME
THE EVALUATION
IMPLEMENTATION PERFORMANCE
PERFORMANCE EVALUATION AND RATINGS
LESSONS AND RECOMMENDATIONS
Appendices
Attachment BORROWER/EXECUTING AGENCY COMMENTS
4.10 Explanatory notes for the contents of each section and sub-section of the report are given in the following section.

F. Ratings

4.11 This section presents the ratings summary sheet for the five evaluation criteria (relevance, efficacy, efficiency, institutional development and sustainability) together with the aggregate performance ratings and the two process-oriented ratings: Borrower performance and Bank performance. The ratings summary sheet is as follows:

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>PCR</th>
<th>PPER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Achievements of objectives “Efficacy”</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Institutional Development Impact</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate Performance Indicator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrower Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

G. Preface

4.12 This is an introductory statement to the PPER indicating the project/Programme, purpose, plan and related input references (e.g. the Project Completion Report, the PCR Evaluation Note, PPER mission etc.). Particular reference should be made to the review of the Bank files, discussions with representatives of agencies of the Borrower and other institutions and individuals, and comments received on the draft report. The Preface should not exceed one single-spaced page.

H. Basic Project/Programme Data

4.13 This section presents a summary of key data and information on the loan, the project's significant events and dates, financial sources and disbursement profiles. Mission particulars and details of other Bank Group financed programmes and projects in the country are also included. (See Appendix 4 for specimen).

4.14 It is important to ensure that data and information contained in the Basic Project Data Sheet be consistent with those in the main text of PPERs. The PPER's Basic Project Data Sheet should not include any data and information obtained from the PCR if that is not confirmed by the Project Evaluation. Estimates of FIRR/EIRR should be Evaluators’ own assessments or their endorsement of PCR estimates. However, if the Evaluators does not re-estimate the EIRR/ FIRR for the project or do not endorse the EIRR/FIRR re-estimated by the PCR, it should be specified in the Project Data Sheet that EIRR/FIRR were "not calculated."

I. Evaluation Summary
The highlights of evaluation should be presented in this section, in not more than two pages, in a succinct and balanced manner which is consistent with the overall findings of the report and its conclusions. It should enable the reader to grasp the most significant findings and conclusions, both positive and negative. The key features of the methodologies used and the sources of data should be stated.

To ensure a consistency of format between reports and to facilitate data entry in the Intranet/Internet, the Summary would be presented with separate sub-sections titled (i) The Project (ii) The Evaluation (iii) Evaluation Conclusions and Ratings, (iv) Lessons and Recommendations, and (v) Feedback.

J. Performance Evaluation Report

Chapter 1. The Project

1. Country Economic Context

The project would be briefly put in its past and present Country economic context, including initial and actual conditions, policies and priorities and its relevance within the Bank Group assistance strategy in the sector in the country. The section highlights the salient economic situation of country, government policies and priorities, the key development constraints in the sector as identified at preparation or appraisal that have direct or indirect bearing on the project performance.

This section would also provide any basic information on the Executing Agency i.e. its location, ownership, area of operation, any special features and past loans received from Bank Group. The location of the project and its association with other Bank Group projects in the country would be provided.

A brief description of past operations of the Bank Group and other donors in the sector will be presented. An appendix could be used to provide lists, if considered necessary.

2. Project Formulation

The thrust of this section would be to highlight the role of Bank Group and the Borrower during project formulation. It would describe whether the identification, preparation and appraisal of the project concentrated on the right issues, whether there was meaningful participation and project ownership of the Borrower and the executing agencies, and whether institutional and managerial issues were adequately addressed. The adequacy of financial and human resources available for preparation of feasibility reports and, where applicable, the quality of guidance provided in preparation of terms of reference for consultants and their selection and working would be examined. Avoidable delays at different stages of project processing, their causes and whether those could have been avoided would be discussed.

3. Objectives and Scope at Appraisal (Logical Framework)

Clear articulation of development objectives and indicators of achievement at the preparation stage, and the expected linkages between inputs, activities, outputs and development goals and objectives is crucial for any project. The Bank uses the Logical Framework (or MPDE - Methodology for Programme Design and Evaluation Matrix) as a planning tool in preparation, and as a management tool in implementation and supervision, of all its operations.
4.22 This section would specify the main purposes of the project and its importance to the sector as a whole. It would describe the components and scope of the project under physical, financial and institutional headings. In addition, it would summarise the logical framework in the text by outlining the major sector goals, purposes and outputs of the project (e.g., increase in food production, promotion of effective health delivery systems, expansion in fertiliser distribution networks, improved cost recovery, etc.), the principal inputs (i.e., specific physical, financial and institutional inputs), and critical assumptions and risks at appraisal. Other investments or actions complementary to the project envisaged at appraisal would be stated.

4. Financing Arrangements -Bank and Others

4.23 This section would include details of the loan amounts. The complementary donor financing arrangements and the amounts of governmental financing commitments would also be described.

Chapter 2. The Evaluation

1. Evaluation Methodology and Approach

4.24 This section would briefly describe the constraints in the availability and collection of data as well as the sources and methods of primary and secondary data collection, types of interviews conducted, measurement techniques adopted and the evaluative techniques used. In particular the analytical and evaluative methods adopted to attribute benefits to project and donors should be spelt out (for details of data sources and measurement techniques and attribution of benefits see Appendix 6).

2. Key Performance Indicators

4.25 This section will also describe the key performance indicators projected and actual, used to measure the objectives and outputs achievements, outcomes, and impacts and how well the criteria or performance indicators for judging the achievements of objectives/outputs were quantified at appraisal.
A retrospective project matrix presenting the verifiable performance indicators (projected and actual) should be put in Annex (See Appendix 8). Particular attention should be given to the project financial audits conducted during a project’s cycle, the extent and success of the implementation of audit findings, corrective actions, Environment and Social Management Plan, and recommendations as part of the evaluation.

Chapter 3. Implementation Performance

1. Loan Effectiveness, Start Up and Implementation (Compliance with Loan Conditions and Covenants, Procurement, Changes in Project Scope)

4.26 The appropriateness of conditions of loan effectiveness and their impact on the timely and adequate start up of the project and on the implementation schedule would be examined. The status of compliance with the major operational, financial and institutional conditions and covenants should be provided. Where implementation is incomplete or compliance less than fully satisfactory, this section should discuss the impact of non-compliance and identify key constraints as well as prospects for full compliance in the future. Bank's response to non-fulfilment of covenants should be critically examined. In the past PPERs have found that loans with conditions that are vague, unrealistic, excessive in number, and/or require satisfaction simultaneously, are associated with poor performance and the PPER should complement the PCR findings on the clarity, relevance and realism of major loan conditions and covenants.

4.27 This section would describe the actual achievements and changes in the scope of the project and its physical, financial and institutional components after loan signature and examine their causes, appropriateness and impact on costs and achievement of project goals and objectives. The extent to which these resulted from inadequate project preparation or poor design and whether these could have been avoided would be particularly examined.

4.28 A comparison would also be made between the appraisal and actual implementation schedules for the project as a whole and for its main physical, institutional, and financial components. The causes of delay whether they were rooted in design, institutional, financial, or procurement problems and their impact on project costs and benefits would be examined in some depth to complement the PCR findings. It would also be assessed whether the original schedule was realistic and whether it reflected the past experience in the country/sector.

4.29 This section would also examine whether the executing agency(ies) strictly followed the covenanted procurement procedures and whether any serious problems were encountered in the procurement process. The nature of the problems and whether they arose because of conflict between Bank's Guidelines and national laws and procedures or lack of familiarity of executing agency(ies) with them or restrictive bureaucratic procedures and lack of delegation of powers or any other causes would be analysed. How the problems were resolved and whether the Bank could provide timely assistance would be stated. Problems which are noted to be endemic in nature and which could seriously undermine implementation of future Bank projects would require more detailed analysis, if not analysed in the PCR.
2. **Adherence to Project Costs, Disbursements and Financial Arrangements**

4.30 Actual and estimated project costs by major components would be recorded in a tabular form as set in appraisal report and subsequent supervision reports. The accuracy of recording of costs and the steps that the Bank could have taken at appraisal to improve it would be stated. To calculate total actual costs in local currency, foreign currency costs of each year should be converted by using exchange rate prevailing in that year. A comparison would be made of actual expenditures with bid prices and costs expected at appraisal (including physical and price contingencies), both at the project level and for each component. The reasons for cost overruns or under-runs, such as design and quantity changes, price increases, and currency exchange fluctuations, if not analysed in the PCR, would be examined. In cases of large divergences between actual and expected costs, the adequacy of provisions for physical and price contingencies and the appropriateness of appraisal methodology should be assessed. The source of financing of cost overruns and application of under-runs would be explained.

4.31 The actual disbursements by source of financing would be compared with appraisal estimates and reasons for deviations would be noted. A table or graph showing estimated and actual phasing of project and Bank disbursements initial profile would be prepared and analysed. The share of the Bank and other sources of fund in both the project and component costs would be discussed.

4.32 Significant delays in Bank and project disbursements since start-up, the reasons for delays, and the effect on project implementation would be examined. The Bank's assistance and role or lack of it in ensuring timely disbursements would be assessed with facts and details, if not obtained in the PCR in order to support later discussion of issues and findings related to efficiency and efficacy of the project.

3. **Project Management, Reporting, Monitoring and Evaluation Achievements**

4.33 Implementation and institutional arrangements for managing the project are under the responsibility of the Borrower who typically creates a “Project Implementation Unit” (PIU) or separate entity – especially for revenue earning activities- with appointment of key staff with satisfactory skills and experience, whose effectiveness in managing the project is a crucial aspect of Borrower performance. The quality of the PIUs present management and how it compares with that approved at appraisal and the principal reasons for changes would be assessed. It would include an assessment of changes made to the organisational structure of the Executing/Implementing Agency and the reasons and impact thereof on project implementation.

4.34 The extent to which the stipulated reporting requirements of the Bank were adhered to by the Borrower as well as the quality of the progress reports and specifically the monitoring and evaluation (M&E) mechanisms in place would be examined. In particular, what role these mechanisms played, or could have played in helping the project achieve its development objectives. A special focus would be put on the extent to which performance indicators included in the M&E system and other data were used to monitor progress and adjust the project components/activities and outputs to changing circumstances.
4.35 This chapter which is the most important one in the PPER focuses on the evaluative aspects of the project based on the evaluation criteria described in paragraph 2.2 section 2 above.

1. Relevance and quality at entry assessment

4.36 This section examines whether the project goals and objectives were consistent with the country’s overall development strategy and national plans, and the Bank’s assistance strategy for that country and consonant with the Bank’s broader goals of reducing poverty, protecting the environment, fostering gender equality and developing human resources and institutions, expanding the private sector and promoting regional economic integration. The relevance evaluation refers to current circumstances, i.e. it is based on the above as they stand at the time of the evaluation, and at board approval, if different at that time. Any changes introduced in the project since board approval should be taken into account.

4.37 The quality at entry assessment would examine whether the objectives were clear, realistic and important for the country/sector and how responsive to borrower circumstances and development priorities. The quality of the design, the reasonableness of assumptions about relevant external factors and projects risks would also be assessed and compared to the quality at entry ratings at appraisal or post-approval (if available). This assessment should consider the extent to which the project could reasonably have been expected to meet its objectives despite known risk factors such as lack of borrower commitment, inadequate counterpart funding, or any external factors. It would also consider how demanding the project was for the borrower/executing agency, complex and risky. Demandingness refers to the extent to which the project could be expected to strain the economic, institutional and human resources of the government and implementing agencies. Complexity refers to such factors as the range of policy and institutional improvements foreseen, the number of institutions involved, the number of project components and locations, and the number of co-financiers. Riskiness refers to the likelihood that the project, as designed, would be expected to have an unsatisfactory outcome.

2. Achievements of Objectives and Outputs: “Efficacy”

4.38 This section examines the extent to which the project has achieved development objectives as articulated at approval and specified in categories such as policy goals (sector or macroeconomic policies), physical, financial, institutional, social and environmental, recognising any change introduced in the project since Board approval.

a) Policy goals

4.39 This section should provide separate evaluation of the achievement of the macroeconomic or sector policy goals and objectives included in the project as stated at approval and the effects of these policies on the project (exchange rate, trade quotas, tariffs and price controls). These policy goals concern for example, macroeconomic stabilisation, public investments and expenditures, monetary reforms, debt management, regulation of private sector, banking sector reform, civil service reform, pricing efficiency, sector regulations, labour legislation, procurement policies, etc.
b) Physical Outputs

4.40 Physical objectives and outputs would include capacity extension, level of production, and other physical outputs. A comparison would be made of the actual operating conditions of the project with the estimated, or with tender specifications. For example, for a power generation project the measurable comparison indicators would be power produced in MW or energy generated in kWh, for a fertiliser project it would be the daily or monthly or annual production of required quality of fertilisers, and so on. The reasons for deviation and steps taken by the suppliers, contractors, consultants and the Borrower/executing agency(ies) to put matters right would be discussed.

c) Financial Targets

4.41 Financial targets would include financial viability, cost recovery and return on investment, equity, financial restructuring, etc. Actual financial achievements results and key ratios such as return on net fixed assets, current ratio, debt service ratio, debt/equity ratio self-financing ratio and level of accounts receivables would be compared with appraisal projections to examine whether the financial targets, including appropriate levels of self-financing of investments, were achieved. The impact of inflation and changes in the exchange rate on the financial results would be assessed. An analysis would be made of the deviations in actual results from appraisal estimates and the underlying causes and whether steps could have been taken earlier to achieve better results. In case of large deviations the validity and appropriateness of appraisal estimates should be assessed.

d) Institutional Development objectives

4.42 The degree to which the institution building objectives were addressed and new institutional arrangements put in place, and whether these were in line with the appraisal expectations would be indicated. The institutional achievements would be assessed both at the national or agency capacities (planning, management, skills upgrading, etc).

e) Social Objectives and Targets

4.43 Social objectives and targets would include protection of vulnerable groups, reduction of income disparities, gender equality and equity enhancement, improved access and quality of services, nutrition and food security, health improvement of the poor, etc. The project impact on poverty alleviation, reduction of income disparities and improvement of the quality of life of the low-income group and other disadvantaged groups, should be assessed. The employment creation and distribution impact of the project and all gender related issues would be examined. Objectives in terms of level of access to services by the poor and women should be examined. In many cases there may be linkages between policy issues such as tariffs, cost recovery, market-related prices, need for government deregulation, etc., and socio-economic considerations, including "affordability" aspects. Such linkages should be suitably examined and highlighted in the PPER.

4.44 With regards to gender related issues, specific results indicators should be measured by specific performance indicators such as increased girls’ enrolment in school, reduction in mother and child mortality, increased access to credit for women.

f) Environmental Objectives
An assessment of the environmental impact is important. Major environmental objectives would include natural resource management, maintenance of biological diversity, maintenance of air, water, soil quality, etc. But, it is also recognised that for the older projects where environmental concerns were not given adequate attention, this could pose difficulties. Nevertheless, it should be possible to make a general assessment and for this purpose the PPER mission would need to have adequate consultation with the Environment and Sustainable Development Unit of the Bank before making the field visit, to identify particular issues and aspects which need to be examined. In those operations where Environmental Impact Assessments were made at appraisal, an examination should be made of the extent to which identified mitigative actions were carried out and how the costs compare with the estimates. The effectiveness of the measures taken and what more needs to be done should be assessed. This section should also discuss any significant unintended positive or negative effects on the environment whether they are foreseeable, and how they will affect the operation of the project.

g) Private Sector development Objectives

Private Sector Development objectives would include the creation of business environments conducive to enhancing and strengthening of the role of the private sector in the economy, the restructuring of the public sector or privatisation of public enterprises, and resource mobilisation improvement through financial sector development. The improvement in legal or incentive framework to foster the private sector or the financial sector, and the achievements of direct government intervention or technical assistance provided to private sector should then be assessed.

3. Efficiency

Efficiency is defined as the extent to which project benefits, actual or expected at time of evaluation, are commensurate with inputs, looking at cost and implementation time. Economic and financial rates of return should be used or, if not possible, other measures of cost effectiveness.

a) Financial Rate of return

The financial internal rate of return of the project would be re-estimated. The methodology adopted and the benefits and cost streams and assumptions used along with the details of major departures from the appraisal exercise would be indicated. The principal causes, both internal and external, for variations between appraisal and ex-post rates of return would be explained, clearly indicating whether these are because of differences in performance or arise from variations in methodology and assumptions.

An overall assessment of the financial performance including the causes for deviations and an assessment whether the financial projections were realistic and attainable would be recorded.

b) Economic Performance

Where financial and/or economic internal rates of return can be re-estimated at post-evaluation, the details would be presented in appropriate appendixes. These appendixes would present a comprehensive evaluation of the rates of return and the underlying assumptions and the methodology adopted in sufficient detail. The sensitivity analysis indicates the key variables used and the underlying rationale and assumptions for using them. If time series data are used in the projections, such statistical data should be included in the appendix as table(s).
4.50 The economic internal rate of return of the project would be re-estimated. Up to the year of evaluation, actual costs and benefits would be used while new projections would be made for the remaining useful life of the project, based on the latest available information relating to costs and benefits. The actual benefit and cost streams (in current prices) and future streams should all be brought to a common year to eliminate the effects of inflation.

4.51 The methodology adopted and the benefits and cost streams and assumptions used along with the details of major departures from the appraisal exercise would be indicated. The principal causes, both exogenous and endogenous, for variations between appraisal and ex-post rates of return would be explained, clearly indicating whether these are because of differences in performance or arise from variations in methodology and assumptions. Also, the relation between the re-estimated economic rate of return (based on re-estimated costs and benefits) and the opportunity cost of the resources used should be examined.

c) Cost-effectiveness Indicators

4.52 In sectors such as education, health, water supply and sanitation where an economic internal rate of return is not calculated at project appraisal or cannot be re-estimated, a qualitative assessment would be made of the extent to which the project have achieved its sectoral goals and objectives and whether the benefits are considered sustainable. Cost-effectiveness indicators would be applied to determine whether there were more cost-effective ways at appraisal to deliver specific services or to meet a validated level of demand. In some cases cost/benefit analysis would be the preferred tool. The assessment would be made whether in retrospect the project was worthwhile.

4. Institutional Development Impact

4.53 Institutional development impact is defined as the extent to which the project has contributed to improvements or other changes in norms and practices (institutional capacities, policy framework etc.) that enable the country to make more efficient, equitable, and sustainable use of its human, financial and national resources, and whether these changes were intended under project objectives or otherwise. The assessment of the institutional development impact is made even in the absence of explicit institutional development objectives, and can include intended and unintended effects of the project.

4.54 To judge the impact of the project on institutional development, an assessment of whether the institutional development achievements have improved or weakened the country’s legal, regulatory, or policy environment and macroeconomic or financial conditions and whether these achievements have improved economic, social, or national resource-related behaviour.

4.55 The assessment should also include whether the restructuring, or establishing new organisation have sustainably increased agencies’ capacity for planning, policy analysis, or service delivery through: (i) better definition, stability, transparency, enforceability and predictability of institutional

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6The methodology for EIRR computation should generally be consistent with the Bank Guidelines for EIRR computation at appraisal. Commodity price projections and projections for price escalation/inflation for future years (generally referred to as the manufacturing unit value (MUV index) made and issued by the World Bank should be used in the EIRR computations, unless there are valid reasons, to make a departure, which should be recorded.
arrangements and/or (ii) better alignment of the mission and capacity of an organisation with its mandate, which derives from these institutional arrangements.

4.56 The causes for problems in institutional development and slippages in implementation would be identified. This would include an assessment whether, in retrospect, the diagnosis of institutional problems at preparation and appraisal was correct and whether the solutions were appropriate, realistic and attainable.

4.57 An important indicator of progressive improvement in institutional capability is the extent to which in-house capability of the executing agency has developed, as demonstrated by a corresponding reduction in foreign technical assistance needed for the design and implementation of subsequent development projects. In this context a qualitative assessment should be made of the extent to which there has been progressive transfer of technology from consultants to their counterparts in the executing agency during the design and implementation phases of Bank-financed projects. Another indicator is the extent to which the executing agency has been able to reduce staff turnover within manageable limits. The degree of success in staffing and training efforts, including counterparts would be assessed. The extent to which the agreed or expected reforms in sector policies and structures were carried out would also be examined.

4.58 The quality of the Borrower's present management and how it compares with that at the time of appraisal and the principal reasons for changes would be assessed. It would include an assessment of changes made to the organisational structure and the reasons and impact thereof. Other factors to be examined would be the issues of development of appropriate long range project and manpower development planning capability; financial systems, budgetary controls and procedures; systems of billing and collection of accounts, and inventory control; internal and external auditing arrangements; systems and procedures for plant operation and maintenance; and information storage and retrieval systems. The issue of dismantling of over centralisation and achievement of greater decentralisation would also be examined. The analysis would include an assessment of the factors contributing to the assessed improvements or deterioration.

5. **Sustainability**

4.59 Sustainability is defined as the likelihood that project results, actual and expected at time of evaluation, will be maintained over the intended useful project life (note the need for consistency on anticipated life with EIRR calculation for efficiency, where applicable). Sustainability is also defined as the probability of continued long term benefits and resilience to risk of the net project benefit flows overtime (such as asset, skills, facilities or improved services).
4.60 To judge the sustainability of a project, eight factors are to be considered:

(a) Technical soundness: Do achievements rely on sound technology using inputs efficiently and providing productivity gains?

(b) Government commitment to the future of the project, including legal/regulatory framework with transparent application of laws and rules;

(c) Socio-political support: Are community participation and beneficiary incentives adequate to maintain the flow of project benefits and so the government and project beneficiaries “own” the project benefits with a special emphasis on the extent to which reduction of poverty or improvements in condition for women and vulnerable groups are likely to be durable? Is political instability likely to disrupt the project flow of benefits;

(d) Economic viability: Do the operation’s achievements depend on appropriate macroeconomic and sector conditions or policies in place? Are re-estimated of economic and financial criteria or the cost-effectiveness indicators, based on robust assumptions?

(e) Financial viability: Are financial policies including policies on cost recovery adequate? Can the operation be expected to generate adequate revenues for operation and maintenance or receive adequate budgetary funding in the future, after considering the likely development in the country’s fiscal situation?

(f) Institutional, organisational and management effectiveness: Are institutional arrangements at the level of the project entity and the technical ministry or above, sufficient to assure durable delivery of project benefits?

(g) Environmental impact: Does the project affect the environment and/or renewable and non-renewable resources? and

(h) Resilience to exogenous factors: Do the achievements depend on exogenous factors, such as the terms of trade, the world market prices or the political situation in neighbouring countries?

6. Aggregate Performance Indicator

4.61 The Aggregate Project Performance Indicator is a single measure of overall project performance taking into account the evaluation findings under the criteria listed 1 through 5 above. The assessment is a bottom-up approach, beginning with an assessment of each of the sub-component indicators on a four-point scale rating obtained to give the rating for their respective major component indicators. Additional sub-component indicators could be included if in the judgement of the Evaluators the assessment in the special circumstances of the particular programme would be distorted without them.
4.62 Once rating for all the component indicators are obtained in this manner, the overall mark for the aggregate performance indicator of the project would be obtained by a descriptive rating as follows:

4 - Highly Satisfactory (HS): Project achieved or expected to achieve, or exceeded all its major relevant objectives including its institutional development objectives with likely sustainable outcomes and results.

3 - Satisfactory (S): Project achieved or expected to achieve its major relevant objectives including its institutional development objectives with minor shortcomings or sustainability issues.

2 - Unsatisfactory (US): Project failed to achieve most of its relevant objectives and did not have substantial or sustainable development outcomes and results.

1 - Highly Unsatisfactory (HUS): Project failed to achieve any of its relevant objectives.

7. Borrower Performance

4.63 This section would contain an assessment of Adequacy of Borrower’s assumption of ownership and responsibilities during all phases. Main focus on effective measures taken by Borrower to establish the basis for project sustainability, especially - and right from the identification stage - through fostering participation by the project’s stakeholders, in addition to its own support. The assessment would also concern the technical and managerial competence during implementation, the compliance with covenants, procurement and the overall control of the project by the executing agency and indicate whether any cumbersome and complicated decision-making or approval processes hampered the implementation of the project.

4.64 In reviewing borrower’s performance, the extent to which the government and implementing agencies supported project preparation and implementation would be assessed considering factors such as policies and maintenance of conditions at the macroeconomic and sectoral levels, the appointment of key staff with experience and skills to carry out the project, timely counterpart funding, administrative procedures for procurement, effective use of technical assistance, participation of beneficiaries in implementing the project and/or preventing avoidable cost increases or realising cost savings. The performance of the executing agencies and the borrower to monitor the project (M&E system), and to report and consult the Bank and the capacity to make mid-course adjustments would also be assessed. It would also determine whether the executing agency established a healthy relationship, with a good rapport and an easy flow of communication, with the consultants, contractors and suppliers and with the Bank.

4.65 The overall assessment of the borrower performance is a bottom-up approach, beginning with an assessment of each of the sub-component indicators on a four point scale rating for sub-component indicators obtained to give the rating for their respective major component indicators. Additional sub-component indicators could be included if in the judgement of the Evaluators the assessment in the special circumstances of the particular programme would be distorted without them.
4.66 The following component indicators would be considered to judge the Borrower Performance:

1- Quality of preparation including ownership, participation, government commitment, macroeconomic and sector policies, institutional arrangements;

2- Quality of implementation (assignment of key staff, managerial performance, use of technical assistance, mid-course adjustments, adherence to time schedule and costs);

3- Compliance with loan conditions and covenants;

4- Adequacy of monitoring and evaluation and reporting mechanisms including consultation and flows of communications with the Bank, consultants and contractors.

5- Satisfactory operations (if applicable) or provision of operation plan by the executing agencies.

4.67 Once rating for all the component indicators is obtained in this manner, the overall mark for the borrower performance indicator would be obtained by a descriptive rating as follows:

4 - Highly Satisfactory (HS): Borrower Performance is rated as highly satisfactory for at least three of the five performance components listed above and satisfactory for the others.

3 - Satisfactory (S): Borrower Performance is rated satisfactory on at least three of the five performance components listed above.

2 - Unsatisfactory (US): Borrower Performance is rated unsatisfactory on at least three of the five performance components.

1 - Highly Unsatisfactory (HUS): Borrower Performance is rated highly unsatisfactory on at least three of the five performance components.

8. Bank Performance

4.68 The Quality of services provided by the Bank during all project phases would be assessed in order to judge the Bank performance. Main focus on Bank’s role in ensuring project quality at entry, and that effective arrangements were made for satisfactory implementation and future operation of the project.

4.69 The effectiveness and adequacy of Bank assistance in resolving problems at the different stages of the project cycle particularly those pertaining to matters such as procurement, disbursements, compliance with covenants etc., would also be judged. It would be assessed whether the Bank involvement was adequate, inadequate or too much. Attention paid by the Bank Group for assessing the institutional capability within the RMC and for providing appropriate short term and medium term strengthening and development prior to or as a part of the project should be assessed. The Bank's efforts in developing local RMC consulting and contracting capability would also be assessed.

4.70 At the identification stage, the assessment of Bank performance would be to determine the extent to which the project is appropriately identified and it conforms to a well-conceived country assistance
strategy and represents a potentially worthwhile contribution to priority development objectives grounded by a thorough economic and sector work. In examining the bank’s role in the preparation stage, the assessment of Bank performance would determine whether Bank assistance was delivered in an effective, relevant and timely manner and with satisfactory quality.

4.71 In evaluating Bank performance at appraisal, the assessment would determine the extent to which relevant lessons learned from previous projects in the country or the sector were taken into account. It would also assess whether adequate investigations were carried out and relevant skills applied to reach the judgement to support the project, the development objectives were adequately defined and proper covenants reflecting the essential conditions required to achieve such objectives have been defined. In addition, the quality of the economic, financial, technical, institutional, social, environmental analyses supporting the decision to finance the project should also be assessed. The assessment would also include investigations on the suitability of the lending instrument, the recognition of project risks and key variables, the appropriateness of the financial package and adequacy of its amount, and the quality of co-ordination or consultation with other donors and partners. The adequacy of the implementation plan and supervision plan including the monitorable performance indicators, the monitoring and evaluation systems and the reporting requirements suitable and relevant to operation needs.

4.72 As part of the Bank’s responsibility in the supervision process, the assessment would include whether appropriate resources (staff skills, time and continuity) were mobilised to carry out supervision duties and whether the Bank was responsive to changing conditions, provided quality advice, and enforced legally binding conditions. The assessment would also determine whether performance ratings given in the Country Portfolio Performance Review and the Annual Portfolio Performance Review were realistic, whether sufficient attention was paid to likely development impact and sustainability and whether implementation problems were early identified and proactively addressed and agreed actions adequately followed up.

4.73 The overall assessment of the Bank performance is a bottom-up approach, beginning with an assessment of each of the sub-component indicators on a four point scale rating for sub-component indicators obtained to give the rating for their respective major component indicators. Additional sub-component indicators could be included if in the judgement of the Evaluator the assessment in the special circumstances of the particular programme would be distorted without them.

4.74 The following component indicators would be considered to judge the Bank Performance:

1- at identification (including the quality of CSP, economic and sector work);

2- preparation assistance (timely Bank assistance and support during preparation);

3- appraisal (quality of technical, economic, financial, institutional, social, environmental analyses, conditions and covenants, including loan processing procedures, implementation and supervision plans);

4- Quality of supervision (staff skills and time, responsiveness to changing conditions, problem solving, etc)

4.75 Once rating for all the component indicators is obtained in this manner, the overall mark for the Bank performance indicator would be obtained by a descriptive rating as follows:
4 - Highly Satisfactory (HS): Bank Performance is rated as highly satisfactory for at least three of the four performance components listed above and satisfactory for the other.

3 - Satisfactory (S): Bank Performance is rated satisfactory on at least three of the four performance components listed above.

2 - Unsatisfactory (US): Bank Performance is rated unsatisfactory on at least three of the four performance components.

1 - Highly Unsatisfactory (HUS): Borrower Performance is rated highly unsatisfactory on at least three of the four performance components.

9. Major Factors affecting Implementation Performance and Outcomes

4.76 This section should provide an assessment of the major factors that affected achievement of the project implementation performance, outcomes and objectives/outputs. The assessment should also determine the degree to which they did so, justifying the overall ratings of the project and the performance of the parties involved. The factors affecting the achievement of the major objectives and outputs would be divided into:

(a) Factors outside the control of borrower, government or executing agencies such as changes in world market prices, natural disasters, civil war, performance of the Bank, co-financiers, other partners, contractors, consultants;

(b) Factors generally subject government control, such as macroeconomic policies, sector policies, government commitment, governance, appointment of key staff, provision of counterpart funds and administrative procedures;

(c) Factors generally subject to executing agencies’ control such as project financial management effectiveness, staffing, cost changes, implementation delays, use of technical assistance, adequacy of monitoring and evaluation mechanisms, and beneficiary participation to sustain the project benefits.

4.77 The major factors affecting the implementation performance (time schedule, costs and financing), would be analysed and practically measured (in terms of importance) in particular:

- changes in project scope/scale/design
- deficiency in estimating physical inputs, the base unit costs
- inadequacy of price contingencies
- changes in exchange rates, in financial and institutional arrangements
- unrealistic implementation schedule
- quality of management including financial management
- delays in selecting staff/consultants/contractors and in receiving counterpart funds
- inefficient procurement and disbursements, etc.

Chapter 5. Lessons and Recommendations
4.78 The section of lessons and recommendations should summarise, (quoting reference to the text) only the important lessons, both positive and negative, that are relevant for future operations. These would be disseminated through the feedback system of the Bank, and to the Borrowers, co-financiers and partners. Project-specific findings, which do not have a general relevance, should not be included in this section. This section should also include the recommendations in particular those requiring project specific follow-up action that would be arranged separately for the Bank and the government/executing agency(ies). There would thus be no duplication or repetition between the second and the third sub-sections.

4.79 The sub-section on the feedback would highlight the strategy of dissemination and utilisation of the evaluation findings, lessons and recommendations, in particular the possible use of these as inputs into future operations, priority for thematic/special evaluation studies, sector policy or country assistance reviews, best practices and lessons learned databases, and possible linkage to upcoming management decision points.

K. Appendices

4.80 Only those appendixes, which are essential for substantiating and/or clarifying the findings in its text, should be included in the Report, invariably indicating the source of information. This would include pertinent statistical data and large financial tabulations and technical information. The two most important appendixes are those that present details of the EIRR and FIRR, where such evaluations can be done.

4.81 A List of Appendixes would be attached at the end of the text of the report and this would be followed by the serially numbered Appendixes, in that order.

L. Attachment

4.82 A copy of the Borrower/Executing Agency's comments on the draft report should be attached.

5. Special Consideration in Evaluating Adjustment Lending Operations

5.1 Adjustment operations have features that require special consideration both in PCR and PPER. The purpose of the ex post review of adjustment operations is to assess the extent to which agreed policy actions and institutional reforms have been implementation and to determine whether the reforms are appropriate for resolving the structural of sectoral problems they were intended to address.

5.2 The economic and sectoral analytical work that formed the basis of the reform programme and the government's involvement in analysing issues, in designing the programme and in formulating an action plan as well as its commitment as indicated in the development policy letter should be assessed. The extent to which Borrower ownership of the reform package was achieved should be stated. External assistance, including that from the Bank, in the formulation of the programme should be specified and its quality and adequacy judged. The role of Bank's policy dialogue in determining the scope and content of the programme and should be recounted very briefly.

5.3 The PCR/PPER should briefly describe the need for the programme, the underlying reason for it, and the ultimate goal level objectives. The reason for adopting this mode of lending should be explained in the context of policy initiatives of the government at appraisal and the significance and priority of the programme to have been selected for Bank assistance. The role of the programme to help resolve sector issues and problems and achieve sector goals, including the relationship of the programme to priorities of national development plans would be stated. Any extra-ordinary influences on the programme design
such as drought, civil commotion would be pointed out. If the programme were a repeat operation, then evolution of the programme since the first one would be explained.

5.4 Clear articulation of development objectives and indicators of achievement at the preparation stage, and the expected linkages between reform measures and development goals and objectives is crucial for any programme. The Bank uses the Logical Framework (or MPDE - Methodology for Programme Design and Evaluation Matrix) as a planning tool in preparation, and as a management tool in implementation and supervision, of PBL as well as project operations.

5.5 The main purposes of the programme and its importance to the sector as a whole should be described, with a clear indication of the components and scope of the programme under physical, financial and institutional headings. In addition, it would summarise the logical framework in the text by outlining the major purposes of the programme (e.g., increase in food production, promotion of effective health delivery systems) and describe the principal inputs (i.e., specific policy reforms), outputs (e.g., expansion in fertiliser distribution networks, improved cost recovery, etc.), and assumptions. Other investments or actions complementary to the programme envisaged at appraisal would be stated. Changes effected in the scope of the programme during implementation would also be described. The detailed programme matrix would be provided as an appendix to the report.

5.6 The chapter on the programme implementation and achievements would describe the implementation performance and achievements of the programme and would supplement where the information in PCR is incomplete or inadequate or inappropriate. The evaluation of impact would however be included only in the Programme Evaluation and Impact chapter. The chapter would be a brief but balanced presentation without unnecessary duplication of the PCR material.

5.7 Under the consistency with Bank and country strategies and policies, it would be assessed whether the package of reforms reflects a significant and meaningful step toward achieving consistency between the Bank and Country strategies and the underlying policy and institutional framework. The reforms under the programme should be fully supportive of the agreed sector strategy. Inconsistencies or conflicting policy measures under the programme, if any, would be identified and explained. The conformity of programme with macroeconomic and structural adjustment measures, if any, would also be examined.

5.8 The promotion of greater regional and sub-regional co-operation is an explicit objective of Bank operations and the subject has received increased emphasis in recent years, especially with the issuance in 1994 of the study, Economic Integration in Southern Africa. The report will examine "sector co-ordination

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7 Para 4.3.3 of the OPEV Review of the Results of Operations Evaluation, 1992-1993 provides a cogent rationale for the formulation of a clear Logical Framework Matrix at the preparation stage of a PBL operation: "The establishment of a conceptual basis for the causal relationships between the inputs and policy changes as well as the effects is essential to ensure the quality of programme design, to provide a firmer basis for policy dialogue and to formulate conditions and covenants. The basis for determining the size of the loan, the costs of adjustments, and the factors, which are expected to affect achievement of results or the indicators of impact, need to be explicitly addressed at appraisal. A matrix of logical framework besides providing clarity of thinking in programme formulation and sequencing of reforms greatly helps and facilitates subsequent supervision, monitoring and evaluation.

8 For example, consistency with the Bank's Country Strategy Paper (CSP) documents would be examined.

9 Key RMC policy documents include the Policy Framework Paper and a National Development Plan.
and co-operation" on project investment and policy Harmonization in power, transport, telecommunications, river basin management, environmental management, sharing of agricultural technology and research, the regional rationalisation of food production, development of the region's key mineral resources, tourism development on a regional scale, and the establishment of a regional network of commercial banking, development finance and capital market institutions. It would also examine the question of "market integration", including tariffs reductions and "a vast array of issues involved in the elimination of non-tariff barriers and in achieving greater convergence and stability in fiscal policies, in monetary policies and performance, in inflation targets and in exchange rate and convertibility regimes." The report would analyse the extent to which regional integration objectives were considered and monitored in programme design and implementation.

5.9 Indicators of the key goals and objectives of both an aggregate and a structural nature should be measured at the national level and sectoral effects would be employed in a "before-and-after" analysis. Typically these would include subjects such as fiscal reforms and reduction in fiscal deficit; control of inflation; relaxation of controls on interest rates and other restrictions on financial institutions; support for creative linkages between formal and informal sectors; monetary policy and financial sector reforms; devaluation of exchange rates in real terms; reduction in trade barriers, restrictions on direct foreign investments and distortion against exports and imports; privatisation of public enterprises; reduction in market exit restrictions; civil service reforms; and human resource development i.e. education and training for development of technical and managerial capabilities. For SECALs an illustrative list of indicators for an industrial programme is shown in Appendix 4.

5.10 Two observations would be compared for each of the indicators: one for the "before" period, which would be the annual average for the four-year period immediately preceding loan effectiveness; and the other for the "after" period, which is proposed as the annual average for a four-year period consisting of the last two years of the period of PBL effectiveness and the first two years of the period immediately following the effectiveness period. Where there is absence of quantitative targets for the indicators, measurement of results or effects would be possible only in terms of direction of change rather than degree.

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10 PBL operations could also impinge upon regional integration objectives particularly in market integration. For example, policy reforms in one RMC could have an adverse impact on production and movement of tradable commodities from another.

11 Economy-wide PBL operations typically specify both expenditure and revenue targets. These may be further specified in terms of expenditure ceilings by sector, and revenue targets by source. A commonly used indicator of revenue performance is the income elasticity of government revenue growth.

12 Past lessons of experience suggest that issues to be examined would include whether (i) a supportive economic and policy environment was available or created, (ii) public support was available for sustained privatization, (iii) any special agency was created to execute the programme, (iv) a regulatory agency or framework was put in place before privatization, (v) privatization transactions were transparent, (vi) any environment for enhanced competition was created for market promotion, and (vii) a monopolistic public enterprise was broken up into smaller entities to avoid replacing a public sector monopoly by a private sector one.

13 This would include an assessment of realization of quantitative targets for reduction of civil service and complementary reforms intended to improve the efficiency of civil service such as rationalization of salary structures and establishment of transparent merit-based systems for recruitment, promotion and retention.

14 A World Bank OED study: World Bank Structural and Sectoral Adjustment Operations (June 1992) defined the "after" period as the four years immediately following the end of the adjustment period, but often had to use data from the adjustment period itself. The approach suggested in the text is to straddle part of the adjustment and part of the post-adjustment period. To the extent that private investment data, or investment data for manufacturing are available, they may be compared with the data for total investment.
Selective primary surveys of producer beneficiaries would significantly strengthen PPERs of PBL operations. This would provide a distinctive contribution (vis-à-vis those of other donors) on the part of the Bank Group to the evaluation of policy-based lending. Appendix 11 highlights the rationale and some of the kinds of information and insights that could be gleaned from producer-beneficiary surveys.

The Borrower/executing Agency performance is assessed through the commitment and administrative capacity of the government and key sector institutions to carry out and sustain the proposed reforms, and indicate whether any cumbersome and complicated decision-making or approval processes hampered the formulation, approval and implementation of agreed measures. Some of the indicators of commitment would be the extent to which any of the reform measures were adopted by the RMC before the loan operation was approved; active participation of the RMC in the conceptualisation and design of the reforms; extent of consultation with likely affected groups in the design of the program; among other things to identify related policies and factors that could defeat program objectives; compliance with conditions and covenants; and consistent public support to reform measures from higher to lower echelons of the RMC government. The performance of the Borrower and the Executing Agency(ies), to monitor the programme, to report and consult Bank and the capacity to make mid-course adjustments should be assessed. It would be useful to also discuss the institutional capacity within the country to accomplish various tasks such as sector-specific economic and financial analysis, programme monitoring and formulation of policy advice.

The need for underpinning policy reforms with prior economic and sector studies has been recognised as such analysis prior to loan negotiations "reinforces the Bank Group's prescriptive credibility and conviction, promotes effective policy dialogue and often generates a much better understanding of controversial or politically sensitive issues." An assessment of the quality of Bank Group's economic and sector analysis work prior to the development of reforms package is thus very important. The extent to which politico-economic rationale for pre-reform policy framework and political dimensions of the reforms were analysed and considered should be discussed. The frequency and quality of Bank's policy dialogue, supervision missions and needed follow-up actions would also require to be assessed.

PPER would assess and evaluate whether the package of reforms reflects a significant and meaningful step toward achieving consistency between the agreed sector strategy and the underlying policy and institutional framework. The reforms under the programme should be fully supportive of the agreed sector strategy and inconsistencies or conflicting policy measures under the programme should be identified and explained.

Evaluation of the economy-wide structural, sectoral and producer level impacts would be an important part of the report. The focus should be on current and future sectoral performance. Policy-based loans are not normally amenable to full-fledged cost/benefit analysis but attempt should be made to identify expected benefits accruing from policy and institutional changes undertaken under the programme and to assess them in relation to costs incurred as a result (e.g., social costs of labour retrenchment).

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15 See OPEV Review of the Results of Operations Evaluation, 1992-1993, para.4.3.2

16 Among the macroeconomic indicators that may be discussed in this section would be the balance-of-payments, the external debt, and the fiscal management of the country. In many cases, analytical data may be inadequate and the evaluation may, in large part, entail the best judgement of the evaluator.
5.16 A major concern of the Bank as well as other donors is the intended and unintended socio-economic impact of the reform measures on specific and targeted beneficiary groups, and on others, in particular the poor. Short-term negative social impact experienced by middle class and poorer groups could often derail an otherwise sound reform process. Bank's paper, Poverty Alleviation Strategy and Action Programme of November 1992 provides a policy framework to be followed to ameliorate the adverse effects of adjustment programmes on the poorer sections.

5.17 Monitoring and evaluation of social dimensions of adjustment is thus a crucial element of post-evaluation reports. The main beneficiaries of improvements in the policy framework should be described, supported by data from sources such as benefit monitoring and evaluation surveys, if available. Likewise, significant adverse impacts of the reform process, if any, should be discussed. The extent to which allocations and expenditures for social sectors have been impacted by the reform process should be analysed. Adequacy of measures planned at appraisal, or those adopted subsequently, to protect the welfare of the vulnerable groups during the process should be analysed (for details of some aspects of Social Dimensions of Adjustment that need consideration at Post-Evaluation, see Appendix 12).

5.18 The extent to which the programme has contributed to the development of capacity in RMCs to fulfil basic accounting and reporting requirements; participate in and independently design reform packages; implement, monitor and make adjustments in the programme; and, sustain reforms beyond the period of PBL operation would be assessed.
APPENDIX 1

FORMATS FOR FRONT AND INSIDE COVERS AND
PRESENTATION OF CURRENCY EQUIVALENTS

(As per specimen in the existing PPER Guidelines)
TABLE OF CONTENTS FOR PPERs

Front and Inside Cover
Table of Contents
Currency equivalents and acronyms
Ratings
Preface
Basic Project Data
Evaluation Summary
Performance Evaluation Report

Chapter 1. The Project

1. Country/Sector Economic Context
2. Project Formulation
3. Objectives and Scope at Appraisal (Logical Framework)
4. Financing Arrangements -Bank and Others

Chapter 2. The Evaluation

1. Evaluation Methodology and Approach
2. Key Performance Indicators

Chapter 3. Implementation Performance

1. Loan Effectiveness, Start-up and Implementation
2. Adherence to Project Costs, Disbursements and Financing Arrangements
3. Project Management, Reporting, Monitoring and Evaluation achievements

Chapter 4. Performance Evaluation and Ratings

1. Relevance of Goals and Objectives & Quality at entry assessment
2. Achievements of Objectives and Outputs (“Efficacy”)
3. Efficiency
4. Institutional Development Impact
5. Sustainability
6. Aggregate Performance Rating
7. Borrower Performance
8. Bank Group Performance
9. Factors affecting Implementation Performance and Outcome

Chapter 5. Lessons and Recommendations
1. Lessons
2. Recommendations and Follow-up Action
3. Feedback (Utilisation of evaluation findings)

Appendices
Attachment
SPECIMEN OF BASIC PROJECT/PROGRAMME DATA SHEET

Preliminary Data

Country  :
Project   :
Loan Number :
Borrower  :
Guarantor  :
Beneficiary :
Executing Agency:

A- Selected Loan Data

<table>
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<tr>
<th></th>
<th>Appraisal Estimate</th>
<th>Actual</th>
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<td>Loan Approval Date</td>
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<td>Loan Signature Date</td>
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<tr>
<td>Loan Effectiveness Date</td>
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B – Selected Project/Programme Data

Financing Plan (UA million equivalents)

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<th>Appraisal Estimate</th>
<th>ACTUAL</th>
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<td>L.C</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Total (%)</td>
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</table>

Projected       Actual

Date of first disbursement
Date of last disbursement
C – Implementation Performance Indicators

| Cost Overrun/underrun (%) | (%) | (LC million) (%)
|--------------------------|-----|----------------

<table>
<thead>
<tr>
<th>Time Overrun/Underrun months</th>
<th>(%)</th>
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</table>

| Slippage on effectiveness months | months |
| Slippage on 1st Disbursement | months |
| No of extensions of last disbursement date | months |

Project Implementation Status

D - Missions

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<td>Identification</td>
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<td>3</td>
<td>Appraisal</td>
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<td>4</td>
<td>Launching, supervision, follow-up and mid-term review</td>
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<td>5</td>
<td>Completion</td>
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<td>Post-evaluation</td>
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E - Disbursements (UA 000)

Annual Disbursements (UA 000 Equivalent)

Projected Actual

Yearly disbursements
### F – Other Projects financed by the Bank Group in the country/sector

<table>
<thead>
<tr>
<th>No</th>
<th>Sector</th>
<th>No of Operations by lending instruments</th>
<th>Cumulative Loans, Grants, Equity Participations</th>
<th>Completed projects (Number, Loan amounts)</th>
<th>Active Projects (Number, Loan amounts)</th>
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<tbody>
<tr>
<td>A</td>
<td>Agriculture and Rural development</td>
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<td>B</td>
<td>Industry, Mining and Quarrying (Including Lines of Credit)</td>
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<td>C</td>
<td>Environment</td>
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<td>D</td>
<td>Transport</td>
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<tr>
<td>E</td>
<td>Water Supply &amp; sanitation</td>
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<td>K</td>
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## EVALUATION CRITERIA

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<td>iii)</td>
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<td>v)</td>
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<td>vi)</td>
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<td>vii)</td>
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<td>Environmental Concerns</td>
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<td>xii)</td>
<td>Regional Economic Integration</td>
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<td>xiii)</td>
<td>Quality at entry (including demandingness, complexity, riskiness, etc.)</td>
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|   | **Achievement of objectives & Outcomes**  
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<td>- Civil Service Reform</td>
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<td>ii) Physical objectives (outputs)</td>
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<td>iii) Financial Targets</td>
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<td>- Governance</td>
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<td>- Poverty Alleviation</td>
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<td>- Financial intermediation</td>
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<td>- Legal System</td>
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<td>- Support to private sector</td>
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<td>- Environment &amp; natural resources</td>
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<td>- Sectoral capacity</td>
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<td>- Protection of vulnerable Groups</td>
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<td>- Reduction in income disparities</td>
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<td>- Community development &amp; participation</td>
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<td>- Gender equality</td>
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<td>- Access &amp; quality of services</td>
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<td>- Nutrition &amp; Food security</td>
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<td>- Settlement/Resettlement</td>
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<td>- Health Improvement</td>
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<th>Environment Objectives</th>
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<tr>
<td>- Natural Resource Management</td>
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<td>- Maintenance of biodiversity</td>
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<td>- Maintenance of soil, air, water quality</td>
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<td>- Urban environmental quality</td>
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<td>- Other (Specify)</td>
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**vii) Private Sector Development Objectives**
- Legal Framework for Private Sector
- Restructuring/Privatisation of P.E
- Financial Sector development
- Technical Assistance to Private Sector

### 3) Efficiency

**i) Economic Rate of Return**

- Appraisal Estimate: ……%
- Re-estimated at completion (PCR/PPER): ……%

**ii) Financial Rate of Return**

- Appraisal Estimate: ……%
- Re-estimated at completion (PCR/PPER): ……%

**iii) Cost-Effectiveness Indicators (Specify….)**

- 

### 4) Institutional Development Impact (ID)

**i) National Capacity**

- Economic management
- Civil service reform
- Governance
- Poverty Alleviation
- Financial intermediation
- Legal System
- Support to private sector
- Environment & natural resources
- Sectoral capacity
- Other (Specify):

**ii) Executing Agency**
<table>
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<th>5</th>
<th><strong>Sustainability</strong></th>
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<tbody>
<tr>
<td>i)</td>
<td>Technical Soundness (including O&amp;M facilitation, availability of recurrent funding, spare parts, workshop facilities etc.)</td>
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<td>ii)</td>
<td>Continued Borrower Commitment (including legal/regulatory framework)</td>
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<td>iii)</td>
<td>Socio-political Support (including beneficiary participation, vulnerable groups protection, political stability)</td>
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<td>iv)</td>
<td>Economic Viability</td>
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<td>v)</td>
<td>Financial Viability</td>
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<td>vi)</td>
<td>Institutional arrangements (organisational and management)</td>
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<td>vii)</td>
<td>Environmental viability</td>
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<td>viii)</td>
<td>Resilience to exogenous Factors</td>
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</table>

| 6 | **Aggregate Performance Indicator** |
Explanatory Notes for Marking on Rating Sheets (Evaluation Criteria)

a) Relevance of Objectives and quality at entry assessment

4 marks: would be given if the relevance of objectives is fully confirmed, with high quality at entry, and with no issues.

3 marks: would be given provided the relevance of objectives is generally confirmed, presented a good quality at entry, with only a few shortcomings.

2 marks: would be given where the relevance of major objectives was not met and the project presented serious shortcomings in the design and preparation.

1 mark: would be given where the relevance of its all objectives was not met, and the project failed to meet all quality standards.

b) Achievements of objectives “Efficacy”:

4 marks: would be given if the project has achieved or exceeded all its relevant objectives, and the project has achieved or is likely to achieve substantial development results, with no shortcomings.

3 marks: would be given provided that the project has achieved most or its relevant objectives, and has achieved or is expected to achieve satisfactory development results, with only a few shortcomings.

2 marks: would be given where the project failed to achieve most of its relevant objectives, has not yielded and is not expected to yield substantial development results, and has significant shortcomings.

1 mark: would be given where the project failed to achieve any of its relevant objectives and has not yielded and is not expected to yield worthwhile development results.

c) Efficiency (Economic & Financial Rate of Return, Cost-effectiveness Indicators)

4 marks: would be given where for a major portion of the investment the EIRR is 10 percent or more, or the FIRR is superior to the weighted actual cost of capital (WACC), or NPV is positive when flows are discounted at 10 percent; and no major component has failed. Where EIRR/FIRR are not calculated, the project would be rated as HS where it fully meets the least-cost test and Cost-effectiveness Indicators.

3 marks: would be given where for a major portion of the investment the EIRR is somewhat less than 10 percent (above 8 percent), the FIRR is equal to WACC or slightly below, NPV is slightly negative when flows are discounted at 10 percent, but there
are other unquantified benefits such as institutional development, poverty reduction, environmental benefits etc., or where the least-cost test is substantially met.

2 marks: would be given where the EIRR is between four and eight percent, the FIRR is below the WACC, or where the least-cost test is met only for some of the major components.

1 mark: would be provided where the EIRR is below 4 percent, the FIRR is negative or where the project is seen to be a technical and economic failure, in the sense that project facilities operate at a very low level of installed capacity, if at all, with little prospect for improvement.

d) Institutional Development Impact (ID):

4 marks: would be given where the achievement of ID components is fully in accordance with the project objectives or has exceeded or likely to exceed it, without major shortcomings.

3 marks: would be given where the achievement of ID components is or likely to be substantial.

2 marks: would be given where the achievement of ID components is or likely to be of only intermediate relevance and modest efficacy or impact.

1 mark: would be given where the achievement of ID components provided negligible impact.

e) Sustainability:

4 marks: would be given where the sustainability of most project achievements and benefits is highly likely to be sustained.

3 marks: would be given where the sustainability of most project achievements and benefits is likely to be sustained.

2 marks: would be given where the sustainability of most achievements and benefits is uncertain.

1 mark: would be given where the sustainability of most achievements and benefits is unlikely.

Aggregate Performance Indicator

The Aggregate Project Performance Indicator is a single measure of overall project performance taking into account the evaluation findings under the criteria listed under 1 through 5 Above. Once
rating for all the component indicators is obtained, the overall mark for the aggregate performance indicator of the project would be obtained by a descriptive rating as follows:

4 - Highly Satisfactory (HS): Project achieved or expected to achieve, or exceeded all its major relevant objectives including its institutional development objectives with likely sustainable outcomes and results.

3 - Satisfactory (S): Project achieved or expected to achieve its major relevant objectives including its institutional development objectives with minor shortcomings or sustainability issues.

2 - Unsatisfactory (US): Project failed to achieve most of its relevant objectives and did not have substantial or sustainable development outcomes and results.

1 - Highly Unsatisfactory (HUS): Project failed to achieve any of its relevant objectives.
## BORROWER PERFORMANCE

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<th>Component Indicators</th>
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<tr>
<td>- Ownership, Beneficiaries participation</td>
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<td>- Government commitment</td>
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<tr>
<td>- Macroeconomic &amp; Sector policies</td>
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<tr>
<td>- Institutional Arrangements (counterpart funding)</td>
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<tr>
<td><strong>2. Quality of Implementation</strong></td>
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<td>- Assignment of Key Staff</td>
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<td>- Managerial Performance of Executing Agency</td>
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<td>- Use of Technical Assistance</td>
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<td>- Mid-Course Adjustments</td>
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<td>- Adherence to time schedule &amp; costs</td>
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<td><strong>3. Compliance with Covenants</strong></td>
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<td><strong>4. Adequacy of Monitoring &amp; Evaluation and Reporting</strong></td>
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<td><strong>5. Satisfactory Operations (if applicable)</strong></td>
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<tr>
<td><strong>Overall Borrower Performance</strong></td>
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</table>
Explanatory Notes for rating Borrower Performance

1. the overall mark for the borrower performance indicator would be obtained by a descriptive rating as follows:

4 - Highly Satisfactory (HS): Borrower Performance is rated as highly satisfactory for at least three of the five performance components listed above and satisfactory for the others.

3 - Satisfactory (S): Borrower Performance is rated satisfactory on at least three of the five performance components listed above.

2 - Unsatisfactory (US): Borrower Performance is rated unsatisfactory on at least three of the five performance components.

1 - Highly Unsatisfactory (HUS): Borrower Performance is rated highly unsatisfactory on at least three of the five performance components.
## BANK PERFORMANCE

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<td>- Project consistency with government development strategy</td>
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<td>- Project consistency with Bank strategy for country</td>
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<td>- Involvement of government/beneficiaries</td>
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<td>- Project Innovativeness</td>
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<td><strong>At Preparation of Project</strong></td>
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<tr>
<td>- Relevance of Bank support</td>
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<td>- Timely Bank support</td>
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<td><strong>At appraisal</strong></td>
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<tr>
<td>- Quality of technical, economic, financial, institutional, social, environmental analyses</td>
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<td>- Relevance of Conditions and covenants</td>
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<td>- Adequacy of lending instrument</td>
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<td>- Financial package adequacy</td>
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<tr>
<td>- Quality of co-ordination with other donors/partners</td>
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<tr>
<td>- Implementation &amp; Supervision plans (including performance indicators, M&amp;E requirements)</td>
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<td><strong>At Supervision</strong></td>
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<td>- Adequacy of Bank staff (skills, time &amp;</td>
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</table>
- Problem solving
- Responsiveness to changing conditions
- Adequacy of Follow up on recommendations/decisions
- Realistic ratings at CPPR/APPR
- Attention to likely social development impact
- Attention to sustainability issues

**Overall Assessment of Bank Performance**

**Explanatory Notes for rating Bank Performance**

1. The overall mark for the Bank performance indicator would be obtained by a descriptive rating as follows:

   4 - Highly Satisfactory (HS): Bank Performance is rated as highly satisfactory for at least three of the four performance components listed above and satisfactory for the other.

   3 - Satisfactory (S): Bank Performance is rated satisfactory on at least three of the four performance components listed above.

   2 - Unsatisfactory (US): Bank Performance is rated unsatisfactory on at least three of the four performance components.

   1 - Highly Unsatisfactory (HUS): Borrower Performance is rated highly unsatisfactory on at least three of the four performance components.
Nota:

A number of factors are important while judging the Bank performance. The need for underpinning policy reforms with prior economic and sector studies has been recognised as such analysis prior to loan negotiations "reinforces the Bank Group's prescriptive credibility and conviction, promotes effective policy dialogue and often generates a much better understanding of controversial or politically sensitive issues." 17 An assessment of the quality of Bank Group's economic and sector analysis work prior to the development of reforms package is thus very important. The extent to which politico-economic rationale for pre-reform policy framework and political dimensions of the reforms were analysed and considered should be assessed. Assessment of the Bank's assistance and role in the design of the project/programme would need to be considered at the Preparation stage. All these aspects would need to be built into the marking for the component indicators for Policy Based Lending "At Identification" and "At Project/Programme Preparation". The frequency and quality of Bank's policy dialogue, supervision missions and needed follow-up actions would also require to be assessed would similarly need to be built into the marking system. Donor co-operation and co-ordination aspects during formulation, negotiation and implementation including disbursements also need to be considered at the respective stages.

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17 See OPEV Review of the Results of Operations Evaluation, 1992-1993, para.4.3.2
Factors affecting positively (+) or negatively (-) the implementation and achievements of major objectives

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<td>1.3 Bank Performance</td>
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<td>1.4 Performance of contractors/consultants</td>
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<td>1.5 Civil war</td>
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<td><strong>1.6 Others (Specify)</strong></td>
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<td>2.5 Counterpart funding</td>
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<td><strong>3. Subject to Executing Agency Control</strong></td>
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<td>3.3 Use of technical assistance</td>
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<td>3.4 Monitoring &amp; Evaluation</td>
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<td>3.5 Beneficiary Participation</td>
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APPENDIX 9

DATA SOURCES, MEASUREMENT TECHNIQUES AND ATTRIBUTION OF BENEFITS

A. Data sources and measurement techniques. The three main data sources are: (i) Bank Group and RMC officials; (ii) secondary data, including statistics; and (iii) primary data sources for information on "producer-beneficiaries."

(i) Bank Group staff and RMC officials. Full use needs to be made of these sources, especially RMC officials, in obtaining relevant evaluative information. "Key informant interviews" would be used to gather information from these sources. Guidance on conducting such interviews is included in the companion paper, *Guidelines and Methodology for Impact Evaluations*. Key informant interviews would be a major source of information for a number of the detailed "factors to be evaluated". Much of this information can be gathered as part of a PPAR mission. Some additional key informant information may need to be gathered during selected follow-up missions in connection with primary data collection.

(ii) Secondary Data Collection. This would include statistics compiled by the Executing Agency or RMC. Some data, e.g., that for Objective and Goal indicators should be available in national and international publications available at Bank headquarters, although very recent data would need to be requested from the RMC or gathered at the time of a mission. Secondary data also includes various relevant program documents, reports and records prepared by both the Bank Group and by the RMC.

(iii) Primary Data Collection. This would take place in the countries selected for gathering information from producer-beneficiaries of SALs and/or SECALS. The measurement techniques would utilise several "rapid, low-cost data collection methods." These would include "Mini-surveys" designed to obtain systematic information, including quantitative information, from a relatively small, but systematically selected sample of respondents; and "Group interviews" of both a larger "community" type and a smaller "focus group" type.

The above-mentioned measurement techniques will be employed to elicit responses concerning the effects of SECAL operations along the lines suggested in Appendix 11.3. As noted there, associations of industrialists, of small and medium enterprises, and of artisans, may provide good sources for interviewing, or lists from which samples can be drawn for interviewing purposes. Such organisations may be willing to organise group interviews.

Each measurement technique has its own strengths, limitations and requirements in terms of preparation, cost, time and need for skilled interviewers. These issues are summarised in the companion paper, *Guidelines and Methodology for Impact Evaluations*. 
One point worth highlighting about these techniques is that some questions may not lend themselves very well to one technique or another (for example, questions intended to elicit views regarding policy or regulatory changes may be difficult to pose in a large group setting). However, overlap in the questions posed by different instruments is to be encouraged since consistency of responses will add to the confidence that can be placed in the results and will contribute to the task of attribution of benefits.

Regardless of the measurement technique, decisions with respect to type and size of sample will be required. One of several "probability" sampling methods is to be preferred since their use will minimise selection bias and permit an estimate of sampling error. While large samples are not necessarily required for valid probability sampling, constraints on time, logistics and resources may nonetheless dictate one of several non-probability or "informal" sampling methods. However, even with "informal" approaches, there is a body of experience that can be drawn upon in order to minimise sampling bias.18

It is recommended that OPEV contract with a local social science research or survey organisation to undertake the primary data collection activity. An annotated roster of local research capabilities should be maintained for this purpose. Successful use of such capacity will require the preparation of explicit, clear terms-of-reference by OPEV.

B. Assessment of Attribution of Benefits.

In the context of evaluation, attribution refers to assigning cause-and-effect relationships to the observed or evaluated phenomena. In evaluating PBL operations, it is important to divide attribution into two components of (i) attribution of changes in socio-economic magnitudes to policy reforms designed to impact on them; and (ii) attribution of policy reforms to assistance provided by a particular donor (ADB).

Attribution of socio-economic changes. The quantity and quality of empirical evidence will rarely permit a precise assignment or attribution of observed effects in socio-economic magnitudes to policy changes. Even with good data, it is a complex matter methodologically to attribute effects on broad economic magnitudes such as GDP, sectoral value added, or investment to specific policy changes. The complexity arises from the need to separate out the influence of external, or "exogenous," factors on the socio-economic magnitudes. In effect, in order to ascertain the influence of the policy reforms, one must be able to estimate what would have been the case or the "counterfactual" path of the economy if the reforms had not taken place. With sufficient data and the application of quantitative statistical and econometric methodologies, attribution can be determined with a reasonable degree of confidence. In view of the demands of a rigorous approach to assessing attribution of economy-wide PBL operations to socio-economic magnitudes, it is suggested that the ADB join with other donors who have co-financed structural adjustment in a given country in a joint evaluation effort.19

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18 An excellent discussion of probability and non-probability sampling methods, as well as of the issue of sample size, is contained in Conducting Mini Surveys in Developing Countries, by Dr. Krishna Kumar (Washington, D.C.: Agency for International Development, A.I.D. Program Design and Evaluation Methodology Report No. 13, December 1990), pp. 27-41. The author discusses the advantages and limitations of four methods of probability sampling and four methods of informal sampling.

19 A full analysis would attempt to determine: (1) the "counterfactual" path of the economy if no reforms had been undertaken; (2) the path with reforms the RMC might have put in place without external support; (3) the likely future path of the economy with the PBL support of the donors; and (4) the "optimal" counterfactual path of the economy under a programme that eliminated all policy distortions. For a description of an evaluative effort along these lines employing
Even in the absence of data-intensive econometric analysis, defensible informed judgements about attribution can often be made. These will need to be based on evidence drawn from all sources for a given country and PBL operation, including documents reviewed, key informant interviews, trends suggested by secondary data, and the results of primary data collection from producer-beneficiaries. While this will not be sufficient to infer causality in a scientific sense, by drawing on multiple sources of empirical findings and assessing their consistency or lack thereof, a process of "triangulation," it should be possible to draw defensible inferences, or plausible associations about attribution. A basic starting point should be a critical examination of the descriptions of objectives and goals, and associated measurable indicators and assumptions in the PBL Logical Framework, or MPDE Matrix. A further key to being able to infer attribution will be a thorough grasp of the chronological sequences of (1) the implementation of specific policy measures; and (2) changes in the relevant socio-economic magnitudes. BOX A outlines such an approach.

BOX A

ATTRIBUTION IN EVALUATIONS OF POLICY-BASED LENDING OPERATIONS

The "Before-and-After" Method

- The most straightforward approach to attribution in evaluations of PBL operations, or for that matter, of any development activity, is the so-called "before-and-after" method. One application of this method is to measure indicators of the key development objectives and goals of the operation over a period of three or four years before the start of the operation, and for a similar period beginning near or at the end of the operation. In the case of a typical industrial SECAL these indicators include:
  - growth of GDP
  - growth of industrial or manufacturing value-added
  - share of industrial value-added in GDP
  - share of manufactured exports in total country exports
  - share of country manufactured exports in all manufactured exports from developing countries
  - ratio of investment (public and private) to GDP
  - rate of inflation
  - real exchange rate and real rate of interest

- Some SECALs (e.g., in their Logical Framework matrices) may also include:
  - growth of industrial employment
  - reduction in balance of payments trade account deficit
  - indicators of growth in efficiency or productivity
  - changes in rate of industrial capacity utilisation

A Modified Before-and-After Approach

- The "before-and-after" approach by itself cannot separate out the effects of other, "external" factors that could influence the kinds of indicators listed above. These can include:
  - Changes in world markets beyond the control of the country that affect the prices of major imports or exports;
  - Drought or other serious weather-induced impacts on agricultural production and markets;
  - Civil disturbances in neighbouring countries that interfere with important trading relationships or stimulate large inflows of refugee populations.

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• Therefore, a careful analysis of trends and sequences in economic, social and political factors likely to influence SECAL objective and goal indicators is important, as is a critical assessment of the validity of the "assumptions" of the Logical Framework (MPDE) Matrix.

• Advantage should also be taken of previous evaluations and research, including comparative studies of country experience with structural adjustment. They can suggest factors, based on a range of experience, which have been associated with successful adjustment. This experience formed the basis for the "Sequence Model for Sectoral Policy-Based Lending" described in BOX A.

• Finally, the insights obtained from other sources of information, including key informant and group interviews and mini-surveys can shed further light on attribution issues. Ideally, there should be opportunity for iteration between methods of data collection. For example, review of secondary data and key informant interview results may suggest important questions to be asked in mini-surveys and group interviews.

Attribution of policy changes to ADB. Barring the exceptional case where it can be demonstrated that ADB advice and support were indispensable to a particular measure being adopted, precise attribution of a policy reform or set of reforms to an ADB-supported PBL operation is not feasible. It would require extricating ADB's role from the joint influence that all donors supporting the reforms may have had, from the weight of public opinion in the country, and the inclinations of RMC government officials regarding alternative policy courses. However, it would be useful to attempt to:

• reconstruct the role the ADB played with RMC officials, the country's private sector, and other donors; and
• assess whether ADB's actions were appropriate in light of the RMC's economic, political and social conditions, and the participation and goals of other donors.

On the basis of this information, an evaluation could infer whether ADB support was likely to have increased the probability of sound policy decisions, and full and sustained policy implementation. A key consideration would be the extent to which the ADB contributed to the "internalisation" of the policy reform process and programme in the RMC. For example, what role did it play in helping the RMC:

• carry out the necessary process of consultation and discussion with key sectors of the society in preparation for the reform process;
• present, clearly and comprehensively, the rationale for the change in policies and what could be expected in the short run and longer run;
• openly establish its commitment to the new policy course; and
• develop the capacity to monitor and maintain the momentum of the process through necessary additional action of justifiable course corrections.²⁰

APPENDIX 10

INDICATORS OF KEY GOALS AND OBJECTIVES
FOR SECTORAL PBL OPERATIONS

The following indicators are typically measured to assess the effects of industrial SECALs. The focus here will be on the industrial sector although a similar approach could be applied to other sectors, such as agriculture. *It will be noted that the proposed indicators are of both an aggregate and a structural nature.* They are based on national and sectoral data that are gathered in most countries on a regular basis:\textsuperscript{21}

1. average annual growth of real Gross Domestic Product (GDP);
2. average annual growth of real value added (VA) in manufacturing;
3. share of manufacturing VA in GDP;
4. share of manufacturing in total country exports;
5. share of country's manufacturing exports in global manufacturing exports from developing countries;
6. ratios of total and public and private industrial investment to GDP.
7. While it is not as widely available, there is usually some information available on the rate of industrial capacity utilisation, which is directly relevant to the objectives of most industrial SECALs. In addition, changes in certain macro-economic indicators that measure the effectiveness of basic structural adjustment measures supported by economy-wide SALs should also be reported:
8. the rate of inflation;
9. the "real" exchange rate (nominal rate adjusted for inflation); and
10. the "real" rate of interest (prevailing rate adjusted for inflation).

\textsuperscript{21}The approach is based on the previously cited World Bank OED study, \textit{op.cit.}, Chapter 7. The treatment in the text above uses manufacturing as a "proxy" for "industry," partly for reasons of greater data availability as well as the fact that manufacturing enters into international trade much more than the other components of "industry" (construction and utilities).
SURVEYS OF "PRODUCER-BENEFICIARIES" OF INDUSTRIAL SECALS

APPENDIX 11

BOX B

Who are "Producer-Beneficiaries" of Industrial SECALS?

- They are, in the first instance, the owners of industrial enterprise of all sizes and in all sub-sectors, who will be affected in one way or the other by an industrial SECAL.
- They are also the employees of industrial enterprises, whose livelihoods will also be affected by an industrial SECAL.
- Finally, even though they may not have been explicitly considered at the time of PBL preparation, they are also the owners and workers in micro-enterprise, typically found in the informal sub-sector of industry, generally outside the scope of many, but not all, policies and regulations affecting industry.

Why do we need to know more about and from producer-beneficiaries?

- In spite of the insights we are able to glean from existing completion reports, audits and evaluations, questions and issues remain, particularly regarding frequently observed "lack of supply response" to structural adjustment measures supported by industrial SECALs.
- Research and evaluation in other fields has shown that the participants and beneficiaries often have valuable insights and the seeds of possible solutions to problems confronted by program and project interventions; there is no reason why this should not be the case here.
- Associations of industrial enterprises, including of small and medium enterprises and artisans, are potential sources of candidates for interviewing, or for lists of enterprises from which to draw a sample for interviewing.

What are the questions that should be asked?

- The precise questions will depend on the nature of the SECAL and the country and sector economic and cultural contexts, but it is possible to delineate some types of questions that should be asked:

  (1) Questions bearing on capacity utilisation - what the current rate of capacity utilisation is; what the highest and lowest remembered rates were; what accounts for the differences; what the causes of low capacity utilisation are (e.g., reduction of market demand in the first instance, lack of access to working capital, lack of access to raw materials and spares, obsolete machinery and equipment, undependable or poor quality infrastructure services, scarcity of critical skilled worker categories, etc.).

  (2) What measures, including policy and regulatory changes, might be taken to relieve bottlenecks and in what sequence? (See Box A, especially Section III-B, for examples.)
(3) Questions bearing on expansion of capacity - what would lead to a decision to invest in an expansion of plant and equipment?; what obstacles would have to be overcome?

(4) What measures, including policy and regulatory changes, would need to be taken to lead to a decision to expand investment?

(5) At least a small, "purposive sample," of informal sector entrepreneurs should also be surveyed and asked the same questions. This is important to do, because, among other reasons, there is an indication in the evaluation literature that at least in one country where formal sector employment contracted in response to reforms associated with policy-based lending, growth in employment in the informal sector more than compensated for the contraction in the formal sector.22

What sources and measurement techniques should be used to get answers to these questions?

Briefly, the recommended approach will be to utilise two or three relatively "low cost, rapid data collection methods:"

-- **Mini-surveys** that employ structured questionnaires that are administered to small, but "purposively selected" samples of respondents; and

-- **Group interviews** of two types: (1) larger, so-called "community interviews;" and (2) smaller, so-called "focus group interviews" where a moderator encourages and guides inter-action among the participants, led by a guide of questions (which the leader of the community interview also follows).

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22 This is a finding of a case study of USAID and other donor (including the Bank Group)-supported industrial policy reforms in Senegal (A.I.D. Economic Policy Reform Programs in Africa: A Synthesis of Findings from Six Evaluations, December 1991). Similarly, the Bank Group PPAR prepared by OPEV for the **Senegal: Structural Adjustment Programme I** (March 1992) reports a study indicating that employment in the Senegalese informal sector doubled between 1985 and 1990, with much of the growth resulting from firms that fled the constraints and bureaucracy of the formal sector (pp. 22-23). However, as the USAID case study points out, "many individuals suffered because they were unable to gain an informal sector job to replace the job they lost in the formal sector" (p.18).
APPENDIX 12

SOME ASPECTS OF THE SOCIAL DIMENSIONS OF ADJUSTMENT OF RELEVANCE FOR EVALUATION

This Appendix discusses the three important aspects of the Social Dimensions of Adjustment that could be taken into account in an evaluation of a Policy-Based Lending Operation. The extent to which each of these is applicable will depend on the specific country situation and lending operation. The chapter on "Poverty Reduction and Accelerated Growth with Equity" in the African Development Report 1995 provides a significant review of empirical evaluative research on the social effects of adjustment efforts in Africa and on attempts to ameliorate adverse effects of adjustment programmes. It also needs to be pointed out that Bank Group efforts directed at the alleviation of poverty, especially after the issuance of the Bank Group Policy Paper, Poverty Alleviation Strategy and Action Programme in November 1992, have tended to become stand-alone operations, not integral parts of PBL operations.

(i) Effect of PBL operations on the poor. Efforts are already underway in a number of countries to develop better information on poverty through the aegis of the World Bank-led Special Program for Africa (SPA). The direction if not the degree of effects on the poor of Bank Group PBL operations can be suggested by taking advantage of the results of previous research on the social impact of PBL. This research, some of which has employed rather complex econometric models and methods, has traced differences in the impact of adjustment to:

-- differences in the "initial conditions" of the country prior to adjustment in terms of the relative participation of different social groups (e.g., rural and urban groups) in different productive activities and the consumption baskets of different groups; and

-- differences in the design of the adjustment or PBL packages.23

Specifically, the results of this research have shown that:

• If the poor are net producers rather than net consumers of tradable goods, a macro-economic reform package dominated by "expenditure-switching" policies, such as a devaluation in the real exchange rate, will have a better impact on the poor than those dominated by "expenditure-reducing" policies (i.e., cutting back public expenditures to reduce the fiscal deficit).

• Since rural populations in most countries (especially in Africa) are dominated by net producers of tradable goods, the adverse effects of adjustment reforms on the rural population have tended to be offset by positive income effects, so that on balance, the rural population has benefited, and rural-urban income inequality has declined in most countries (although to the extent that the rural poor participate less in exportable crop production, income inequality within rural areas appears to have gone up in some countries, even though the absolute incomes of most rural groups has increased).

23 These and the immediately following observations are drawn largely from the previously cited OED World Bank study, op. cit., Chapter 6, "The Social Impact of Adjustment," particularly pp. 111-112, and p. 117.
Conversely, the short-run effects of adjustment policies on urban populations appears more often to have been adverse, although there is no clear evidence that the urban poor have suffered disproportionately more than the urban population as a whole. In fact, direct adverse effects have probably been most strongly felt by urban middle classes because they have been major consumers of formerly subsidised public goods and services, and because they have tended to be employed in the formal sectors, which have often contracted during adjustment. While the poor may have suffered indirectly from the contraction of the formal sector, to the extent that employment in the informal sector expanded more than employment contracted in the formal sector, for which there is some evidence, the urban poor as a whole may still have benefited in net terms.

Finally, some countries have managed to increase or maintain public expenditures in the social sectors, or increase their efficiency, or both; in these cases, social indicators (e.g., such health status indicators as infant mortality rates and educational attainment indicators as literacy, enrolment and completion rates) have been maintained or improved in spite of overall expenditure reductions. This dimension is explored in more depth in the next section.

(ii) Effect of PBL operations on social expenditures that benefit the poor.

To begin with, expenditure reductions need not necessarily impact on such sectors as health and education. Among twenty developing countries undergoing structural adjustment, nine countries managed to increase social sector expenditures as a percentage of GDP in the three years immediately following adjustment as compared with the three years just before adjustment (five of the nine were African countries: Ghana, Kenya, Tunisia, Uganda and Zimbabwe).

Secondly, even if aggregate expenditures on health and education must be cut, there is scope in a number of countries for better targeting of expenditures on the poor within the two sectors. For example, a reallocation of reduced total expenditures within the sectors to primary and preventive health care, and to basic education, respectively, need not adversely affect the poor (or at least, the adverse impact can be mitigated) since they would be expected to benefit more than proportionately from expenditures directed to these sub-sectors.

As of 1992 when the World Bank conducted its review of structural adjustment evaluations, there was no systematic information available on changes in the composition of expenditures within such social sectors as health and education that would permit drawing conclusions on this question. This is important since it has been observed that such restructuring of social expenditures “is at least as important . . . if not more important than increases in total expenditure in the social sectors.”

24 See footnote no.21 under Box C for the source of this observation and further discussion.

25 Drawn from analysis undertaken by the OED, World Bank, op.cit., pp. 113-114.

26 OED, World Bank, op.cit., p. 114, para. 6.25.
• Monitoring and analysis of the composition of social sector expenditures, with special reference to their impact on the poor, is thus an area where the Bank Group, working together with RMCs, could make an important, distinctive contribution to work on the Social Dimensions of Adjustment.

(iii) Special programs employed to address adverse impact of adjustment programs on the poor and vulnerable.

• In view of the short-term negative social impact that some middle class and poorer groups often experience during structural adjustment, special programs intended to alleviate this impact can be important to preventing resentment and opposition to adjustment, leading to ultimate derailment. As reported in the Review of the Results of Operations Evaluation 1992-93 recently prepared by OPEV:

In the IRP in Zambia, the ERP in Uganda, the PSFERP in Chad and the ISAP in Kenya no steps were taken at appraisal to minimise the negative social impact or provide a social safety net for the vulnerable. In Kenya, the Government much later in 1993 rejected the entire contemporary reform package because of its adverse impact. On the other hand programme design of the ISAP in Tunisia by the inclusion of a scheme of assistance to the impacted groups alleviated their hardships and enhanced the chances of programme sustainability. In the other programme countries also poverty alleviation schemes are now under consideration or implementation. It is crucial for the success and sustainability of adjustment programmes that their social dimensions are fully studied at appraisal and adequate action and safeguards to minimise the costs incorporated in the programme. (para 4.3.9)

• There are three broad categories of special programs that have been supported by various countries and donors:

(i) Single-sector programs, administered by one executing agency that exclusively target those adversely affected. Types of programs in this category include:

- Severance payments to retrenched civil servants.
- Retraining programs.
- Credit schemes.
- Resettlement programs.

(ii) Multi-sector programs, administered by several agencies, that exclusively target the adversely affected. An example is the "PAMSCAD" Program in Ghana ("Programme of Actions to Mitigate the Social Costs of Adjustment").

(iii) Programs that benefit the chronically poor as well as those adversely affected by adjustment. Examples of such programs include:

- Employment-intensive public works construction and/or maintenance programs.
- Nutritional support programs for children and pregnant mothers.
- Targeted food subsidy programs.
- Micro-enterprise finance programs.

- Several findings and lessons have emerged from evaluations of such programs that should be kept in mind in future design efforts and evaluations.  

- A general conclusion is that for such programs to succeed, they must have:
  - clear objectives related to identified target groups;
  - the firm commitment and complete involvement of the host government;
  - proper donor co-ordination; and
  - an implementing agency with appropriate resources and experience in running such programs.

- It should be kept in mind that most of these special programs are essentially compensatory in nature and limited in their coverage of affected people; they are useful instruments as long as they accompany, but are not substitutes for more fundamental reforms and investments, such as restructuring government expenditures and giving more attention to human resource development.

- The Bank Group have embarked on a program of Poverty Alleviation projects undertaken in the context of structural adjustment and policy-based lending. In particular, two projects were submitted for approval to the Board of Directors in recent years that contain many of the features discussed in foregoing sections. The proposals were for loans to finance poverty alleviation projects in Zambia and Uganda, submitted to the Board in November 1992 and July 1993, respectively. Both projects were designed to focus on the credit needs of small and micro-enterprise, including targeting of women entrepreneurs. The Zambia project was to have had a Project mid-term Review in December 1994, and the Uganda project is to have a mid-term Review in December 1995. OPEV collaboration with the operational departments in mid-term reviews of these projects might be desirable, in view of their significance for poverty alleviation and the social dimensions of adjustment.

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27 The USAID Center for Development Information and Evaluation has completed two reviews of experience with these programs, one on programs where the World Bank was the lead external donor, Compensatory Social Programs and Structural Adjustment: A Review of Experience, April 1992, and the other where USAID was the main source of external assistance, Programs for Mitigating Adverse Impacts During Adjustment: The A.I.D Experience, May 1994, both by David Kingsbury. Both studies are summarized in USAID Evaluation Highlights No. 18, February 1994, “Compensatory and Social Safety Net Programs: Findings from Two Studies.” Some of the World Bank experience is also summarized in OED, World Bank, op. cit., pp. 114-117.