African Development Bank

African Development Fund

GUIDELINES FOR COUNTRY ASSISTANCE EVALUATION

THIS REPORT HAS BEEN PRODUCED FOR THE

EXCLUSIVE USE OF THE BANK GROUP

OPERATIONS EVALUATION DEPARTMENT

Table of Contents

Abbreviations and Acronyms

ADF	:	African Development Bank
ADB	:	African Development Fund
APPR	:	Annual Portfolio Performance Report
CAE	:	Country Assistance Evaluation
CAN	:	Country Assistance Note
CSP	:	Country Strategy Paper
CDF	:	Comprehensive Development Framework
CPRR	:	Country Portfolio Review Report
DAC	:	Development Assistance Committee
EPCP	:	Economic Prospects and Country Programming
ECG	:	Evaluation Cooperation Group (of MDBs)
MDBs	:	Multilateral Development Banks
MDGs	:	Millennium Development Goals
OECD	:	Organization for Economic Cooperation and Development
OPEV	:	Operations Evaluation Department
PCR	:	Project Completion Report
PPER	:	Project Performance Evaluation Report
PRSP	:	Poverty Reduction Strategy Paper

Preface

In the last few years, the Operations Evaluation Department has strived to scale up post evaluation, beyond project and sector evaluation, to country level evaluations. In the process, it has produced some six country assistance evaluation reports. But it has done so without adherence to any systematic set of guidelines. There were a set of guidelines issued in 1996 but these are not strictly used because they were not couched in the contemporary language of post evaluation. They also paid little or no attention to country strategies, which are the driving forces behind country evaluations. These guidelines are produced to fill this gap. In this context, they seek to replace or supersede the 1996 guidelines.

Guidelines for Country Assistance Evaluation[1]

1. Introduction

In recent years, the increasing preoccupation of donors with the effectiveness of their development assistance has led to a shift of emphasis from project and sector reviews to the evaluation of the entire donor assistance to a country. This ‘scaling up’ of evaluation beyond projects and sectors to the country level is considered rightly, to be a more meaningful way of assessing development effectiveness, as it makes the country the relevant unit of analysis of the impact of development assistance. Another factor that has increased the importance of country assistance evaluation (CAE) is the widespread adoption of country assistance strategies by most donors. This in turn has challenged evaluators to assess results at the country level rather than at the project or sectoral levels. Another factor in the increasing importance of CAEs is the directive of donors, particularly of Multilateral Development Banks (MDBs) to produce annual reports on the development effectiveness of their development assistance. The preparation of such reports using only project or even sector evaluation findings would not be ideal as such findings would only be partial in their analyses. The preparation of CAEs has thus become imperative in the drive to produce development effectiveness reports, which use the country as the unit of evaluation.

A Country Assistance Evaluation can have several uses. One of them is lesson learning. By drawing lessons from previous interventions in a country, a CAE can influence the design of future Country Strategy Papers (CSPs). Another use of a CAE is that it can be used as tool of accountability, whereby an institution is able to render account of the use of resources in a given country to its shareholders

The development of the methodology for carrying out Country Assistance Evaluation (CAE) has been pioneered by the World Bank, along with other members of the Multilateral Development Banks (MDBs) operating under the aegis of their Evaluation Cooperation Group (ECG) and other donors operating under the Development Assistance Committee (DAC) of the OECD. Bilateral donors also carry out CAEs, using like MDBs, country strategies as basis for evaluation. Though multilateral and bilateral approaches may differ, particularly with respect to coverage and depth, there is the common understanding that CAEs are desirable as a means of scaling up evaluation in a way that can permit the measurement of development effectiveness of donor assistance.

The African Development Bank is relatively new to Country Assistance Evaluations. To date, its Operations Evaluation Department (OPEV) has carried out about six such evaluations. Although the Department issued, in 1996, a set of guidelines for the preparation of what it called Country Programme Evaluation[2], a reading of CAE reports produced to-date shows different approaches by their authors presumably because the guidelines were not couched in contemporary evaluation criteria of relevance, efficacy, efficiency and institutional development as advocated by both the ECG and the DAC, thus making them of limited use in today’s

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[1] These guidelines have been produced by O. Ojo, Consultant, OPEV

[2] African Development Bank (1996), Guidelines and Format for Preparation of Country Programme Evaluation Reports. (ADB/BD/IF/96/267)

evaluation environment. In addition, the guidelines paid little attention to country assistance strategies as the main driving force in country assistance evaluation.

While most the CAEs produced by OPEV to date have tended to follow the approach adopted by the World Bank, they do so rather imperfectly for two reasons. One is the inadequate country database. Whereas the World Bank has built up large country information database (called country information files) consisting of project, sectoral and thematic evaluation reports and findings, the ADB is yet to build up such files. Thus the preparation of CAE in the ADB has been haphazard, with the result that country information data are gathered about the same time that the CAE is taking place.

Another reason is that the World Bank has been able to invest in the development of CAE methodology, thus giving it an edge in this area. In the absence of such investment by the ADB, it has tended to catch up with the tools being developed by others. In order to have a consistent methodological basis for carrying out CAEs in the Bank, it has become necessary to produce a new set of guidelines for CAEs that would correct for the shortcomings of the 1996 guidelines by reflecting recent developments in the literature of country assistance evaluation.

2. Methodological issues in Country Assistance Evaluation[3]

A Country Assistance Evaluation takes the country as the unit of analysis and attempts to evaluate donor assistance to that country using an already prepared country strategy as a point of reference. In this context, there are some issues that are pertinent to CAEs. One is that it must be decided in advance what is to be evaluated. Using the Logical Framework Analysis, the activities of donors in a country usually involve the definition of a country strategy consisting of a strategic goal (or goals) and a series of clearly defined objectives that contribute to the attainment of the goals. In this context, traditional investment projects are easier to evaluate, but at the macro-economic level (the domain of CAEs), results are more difficult to measure and attribute. Thus at the outset of a CAE, the subject and scope of the evaluation should be made clear.

An evaluation office must also decide, ahead of time, the purpose of a country evaluation. If the purpose is to provide a real time review of the portfolio in a country, then a full CAE may not be necessary. In this case, a short review similar to the World Bank's Country Assistance Note (CAN), which provides a quick snapshot of the performance of Bank assistance may just be adequate[4]. But if the aim is to evaluate Bank assistance with a view to determining the effectiveness of its operations and influencing the next round of country assistance strategy, then it may be necessary to carry out a full CAE of the type being discussed here.

Closely related to this is the timing of a CAE. In general, its timing has always been dictated by the need to influence the thrust of the next round of country strategy through the lessons emanating from the findings of a CAE. Given this premise, then a CAE should be prepared at such a time that its findings would feed directly into the next round of country strategy. In the case of the Bank, the findings of a CAE report should be available at about the

[3]This section has benefited from the papers presented at the1999 Vienna Workshop on Evaluating Country Programmes and published by the Organization for Economic Co-operation and Development, (Paris,1999) under the same title.
[4] CANs have recently been discontinued by the World Bank.

time of preparation of the three-yearly Country Strategy Paper (CSP) so that appropriate changes could be made to the country strategy (if need be) as a result of the findings of the CAE report.

Another issue in CAE is the question of attribution. When assessing impact, it is usually difficult to disaggregate impacts and identify individual donor contribution, the contribution of the private sector or that of the government itself. This is a problem that has faced CAEs from its inception and will continue to do so for sometime to come. While some solutions have been offered (for example, joint evaluations), assessing attribution of success or failure should be carefully done.

The counterfactual question is yet another issue in CAE. Attempts to measure the counterfactual are still in their infancy and as such, there is no reliable or generally acceptable methodology for its measurement. But several approaches have been suggested. These include the construction of long-run growth models. These models are used to forecast an economy's growth on the basis of some assumptions about resource, demographic and other endowments. Based as they are on long-term assumptions, they do not take into consideration external factors such as short-term fluctuations in commodity prices, which may exert influences on an economy and change the pattern of growth. Another approach is the construction of multi-equation econometric models where simulations can be run using the "with and without scenarios". Where such models exist, different simulations could be run to determine how an economy would have performed in the absence of development assistance. This approach may be of limited use in countries without the relevant data and expertise for constructing such models. Yet another approach is to take a country or two at about the same level of development and compare the development outcomes of a country receiving assistance with that not receiving development assistance. This is the "with and without treatment" approach that is frequently used in biological experiments. The approach requires the availability of base line data for its effective application and most of the time this is not usually available. There is also the randomized control trials which are perhaps more useful in evaluating the impact of individual or group participation in specific programs. A final method is the "before and after" approach whereby the situation obtaining before development assistance is simply compared with that which obtains after the assistance. This is the most commonly used method, perhaps because it is the simplest and perhaps also, the cheapest. But care must be take as it can lead to wrong inferences about a donor's contribution. In the end and in other to be able to make some statement on counterfactual, (however limited), the solution might be to reconstruct an implicit counterfactual from the various CSPs.

Another issue, which a CAE must confront, is the measurement of performance and results. For projects of physical nature, results are easily quantified. In others, such as capacity building projects, results are more qualitative and of long term nature. It is thus important to have a sound information system on which to assess aid effectiveness.

Participation and partnership needs to be considered in the context of CAEs. There is need for ownership not only in the preparation of country assistance strategies but also in the evaluation of development assistance. Thus joint evaluations are desirable not only in fostering partnership but also in solving partially at least, the attribution question. The World Bank's Comprehensive Development Framework (CDF) is a good example of this type of partnership.

An evaluation office must also confront two other issues. One is country selection and the other is the coverage of a typical CAE. Ideally, CAE ought to be carried out for all countries for which the Bank provides development assistance. But given the high cost of CAEs, it may be necessary to be selective in the choice of countries. Among the list of criteria to guide decision-making are: the size of the Bank's portfolio relative to the size of the country's economy, the number of operations processed under the various CSP cycles, strategic goals and objectives of the programs, the risks inherent in the strategies, and the potential for lesson learning in the exercise. For the coverage, the period of evaluation should be sufficiently long to permit the completion and evaluation of projects and programs prior to the commencement of a CAE. Three CSP cycles (not too long to render analysis unwieldy and not too short to make analysis unrepresentative), could be a convenient rule of thumb for the coverage of a CAE. However, in some instances the CAE may need to consider projects prior to the three programming cycles with a view to shedding light on present activities based on lessons learned from past experience. Older projects may thus be used to assess Bank strategy by pointing to missed opportunities, and/or identifying development constraints that would not have been revealed otherwise. Also significant shifts in portfolio focus over a longer period could be highlighted and evaluated.

3. Towards the development of Guidelines and format for CAE Reports

In the light of the methodological issues raised above, how should a set of guidelines for the preparation of a CAE look like? What should be its scope and what should it focus on such that its findings would be meaningful? But prior to the preparation of a CAE, certain conditions must be fulfilled.

First, for the chosen country, country information (in the form of project and sector evaluation) must be available[5]. It is particularly important that these evaluation reports carry appropriate ratings as the CAE will aggregate all these in order to form a judgment of donor assistance to the country. If these reviews (particularly the sector reviews) are not available, they should be undertaken alongside the CAE report and the findings made available for use by the CAE. Secondly, project ratings must be consistent across projects and sectors in order to avoid any ambiguity in CAE ratings.

In developing guidelines for CAE, it needs to be borne in mind that what is being evaluated is not the progress of a country but rather, the outcome of a specific program of assistance, where that program has been agreed upon by the government and the donor(s). But this outcome is the joint product of three objects. These are: the country development performance, the Bank's assistance program, the Bank's own performance in designing and implementing the program. Although they are inter-related, they are not identical. For example, favourable Bank program outcomes do not necessarily translate into favourable economic and social development for the country. Similarly a good Bank performance does not necessarily mean the assistance was successful. While a CAE is not aimed at the evaluation of the performance of a country or of other development partners, it is important to have a good perspective on these issues in order to adequately assess the outcome of a program as any obstacle emanating from any of these sources could affect the results of a program.

In the Bank, the key document, which enunciates Bank strategy towards a country, is the Country Strategy Paper[6] (CSP). This paper is produced on a three-yearly cycle for ADF countries with annual updates and for a longer time frame for the ADB countries. The CSP spells

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[5] An outline for a typical sector evaluation is contained in Annex II.
[6] Until 1996, it was called the Economic Prospects and Country Programming Paper.

out Bank strategy towards a country and is associated lending program. Although it started out as an all-inclusive Bank document, these days it is the outcome of consultations with the government and other stakeholders and potential beneficiaries of Bank programs. Lately, some countries have being producing Poverty Reduction Strategy Papers (PRSP) or national development plans. Bank CSPs must be able to draw their inspirations from these documents.

To be useful as basis for CAE, a country strategy must satisfy certain evaluability criteria. Based on the Logical Framework approach, a country strategy (a CSP in the case of the Bank) must have been formulated to include:

- A goal or goals to which the strategy contributes;
- A set of clearly defined objectives;
- Performance benchmarks and indicators which will enable the assessment of whether these goals and strategic objectives are being met; and
- A list of activities or business plan, which can be monitored using the performance indicators.

As the CAE is the evaluation of a specific program of assistance (as spelt out in a CSP, for example), it should start off by evaluating those activities that are directly under the control of the Bank, notably the quality of its products and services, aid coordination, its role in promoting participation and partnership, its efforts in aid coordination and resource mobilization and its application of selectivity, and its creativity, initiative and efficiency. In so far as they impinge on program outcomes, judgments will also be passed on other actors but this would be secondary.

In the light of the above, the following outline is being proposed for a typical OPEV country assistance evaluation report. It bears emphasizing that an outline should not be cast in stone, as it is only a guide. It should be possible to revise it from time to time to reflect changes in the literature or even in changes internal to the Bank. It should also be also be flexible enough to permit the user to use his/her initiative to accommodate specific problems which are identified in a particular country.

Outline of a typical CAE Report

Abbreviations and Acronyms
Preface
Executive Summary
Table of Contents

I. ECONOMIC AND SOCIAL BACKGROUND

II. DEVELOPMENT CHALLENGES AND CONSTRAINTS FACING THE COUNTRY

III. BANK PRODUCTS AND SERVICES
Bank Strategy and its Relevance
Implementing the Strategy: Lending Services
Implementing the Strategy: Analytical and Advisory Services[7]

[7] These are: Economic and sector work, Policy dialogue and advice, Aid Coordination and Resource Mobilization

IV. DEVELOPMENT IMPACT OF COUNTRY ASSISTANCE

V. PERFORMANCE OF DEVELOPMENT PARTNERS

VI. LESSONS AND RECOMMENDATIONS

- References
- Tables and Annexes

4. Brief description of the Table of Contents

The approach to the evaluation is based on the three dimensions mentioned above. Section I will describe the country's economic and social developments in the country, while section II will discuss the development challenges and constraints facing the country and to which the assistance strategy is responding. Section III (a Products and Services dimension) is a "bottom-up" evaluation of major programme inputs—loans, non-lending assistance, aid coordination and resource mobilization. It will start with an evaluation of the strategy pursued by the Bank for the period being evaluated. In this context the contents of the various EPCPs and CSPs will be evaluated in order to establish their relevance to the development problems of the country. This will be followed by an evaluation of lending and non-lending assistance for their relevance, efficacy, efficiency, sustainability and their institutional development impact. It will draw on sector reviews for the ratings of these measures to form an overall judgment on Bank's lending and non-lending assistance to a country.

Section IV (a Development Impact dimension) is a "top-down" analysis of the principal programme objectives. Most of the time, higher order objectives like poverty reduction cannot be achieved directly. Thus in evaluating development impact, CAE will identify intermediate interventions leading to these higher order objectives, such as accelerated economic growth, private sector development, delivery of social services and integrated rural development. It is expected that CSPs would have clearly established causative links between intermediate outcomes and the higher order objectives. Section V is the attribution dimension in which responsibility for programme outcome will be assigned to the four categories of actors—the Bank a contributor to country outcome, the Government, other development partners, and of course, exogenous factors. Section VI will contain the lessons that can be learnt from the evaluation of Bank assistance to a country and the recommendations emanating there-from.

A good CAE report should be able to answer the following questions, among others:

- Was Bank strategy relevant to the development problems of a country?
- Did the instruments of intervention (lending and non-lending) achieve their desired objectives?
- If they did, were they achieved efficiently?
- Are the achievements sustainable over time?
- Did the interventions contribute to the enhancement of the capacity of the government to manage the economy?

- What is the overall impact of Bank assistance for example, on the economy, poverty reduction and other millennium development goals?

Answers to these questions would suggest a framework similar to what the World Bank calls a three-dimensional approach to evaluation[8] across three program dimensions. The dimensions are:

- A Products and Services Dimension, is a "bottom-up" evaluation of major programme inputs—loans, non-lending assistance, aid coordination and resource mobilization. These are evaluated for relevance, efficacy, efficiency, sustainability and institutional development.

- A Development Impact Dimension is a "top-down" analysis of the principal programme objectives (as spelt out in the country strategy paper).

- An Attribution Dimension assigns responsibility for programme outcome to the four categories of actors—the Bank, the client, other development partners, and of course, exogenous factor

5. <u>Ratings Scale</u>

Unlike the World Bank, which uses a 6-point rating scale, the Bank normally uses a 4-point rating scale in its operations and this practice has been carried over to post-evaluation. These range from highly satisfactory (4 points), satisfactory (3 points), unsatisfactory (2 points) to highly unsatisfactory (1 point). It is important to continue the use of the 4-point rating scale in order to ensure consistency in ratings throughout the project cycle in the Bank. As for the CAE, it is important to give consistent ratings to each of the elements making up the three dimensions. The followings are hereby proposed as capable of capturing the performance of each of the elements.

Relevance of strategy

- Highly relevant (4 points)
- Relevant (3 points)
- Irrelevant (2 points)
- Highly irrelevant (1 point)

Efficacy

- Highly satisfactory (4 points)
- Satisfactory (3 points)
- Unsatisfactory (2 points)
- Highly unsatisfactory (1 point)

[8] John Johnson and R. Lamdany, "An Approach to Country Assistance Evaluations" in George K. Pitman, Osvaldo N. Feinstein and Gregory K. Ingram (editors) Evaluating Development Effectiveness. Transactions Publications, New Brunswick (USA) and London (UK), 2004

Sustainability

- Highly likely (4 points)
- Likely (3 points)
- Unlikely (2 points)
- Highly unlikely (1 point)

Institutional Development

- High (4 points)
- Substantial (3 points)
- Modest (2 points)
- Negligible (1 point)

Efficiency

- Highly efficient (4 points)
- Efficient (3 points)
- Inefficient (2 points)
- Highly inefficient (1 point)

These criteria will be rated as indicated above[9], but meanwhile it is important to explain what each of them means[10]. *Relevance* is the extent to which the strategy adopted by the Bank and which has guided its intervention in a given country is relevant to the development problems of the country as identified ex post. E*fficacy* is the impact of intervention as measured against the objectives set out in the CSP. *Sustainability* is the extent to which the achievements of intervention can be sustained beyond program period. *Institutional development* is the extent to which Bank intervention has strengthened a country's capacity to manage, among others, the following areas: economic management, the structure of public sector, in particular the civil service, institutional soundness of the financial sector, legal, regulatory and judicial systems, monitoring and evaluation systems, aid coordination, financial accountability, building NGO capacity, social and environmental capital. *Efficiency* measures the cost per unit of benefit delivered. The latter (efficiency) may be difficult to measure, at least for now, as costs are not currently imputed to activities. But with the development of cost centers in Bank budgeting, it should be easy in future, to know for example how much it costs (staff and consultant's time) to produce a CSP in comparison with countries in the same region or at the same level of development. Thus for now, this concept may be confined to trying to find out, for example, if there are cost and time overruns in program implementation.

6. <u>Some House-keeping Issues</u>

The adoption of these guidelines by OPEV requires that some housekeeping issues be brought up for attention and necessary action.

Consistency of ratings: Until now, the word satisfactory has been used in all reports even when the factor being rated does not call for the use of the word. An example is sustainability.

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[9] The rating scale is explained in the annex I.

[10] See Annex III for details as recommended by the Evaluation Cooperation Group of Multilateral Development Banks.

Sustainability can only be likely or not but not satisfactory. The same applies to relevance, institutional development impact and efficiency. The use of these words in OPEV reports and in PCRs may need to take account of this new usage in order to ensure consistency throughout the project cycle and to reduce ambiguity at the level of the Annual report on Development Effectiveness.

Country information data: One of the assumptions underlying a CAE is the availability of country information data in the form of project/sector reviews with appropriate ratings. Where they do not exist, one may need to build them up alongside the preparation of the CAE. As this could be tedious, it is important for OPEV to invest in sector reviews for countries that are potential candidates for CAE long before the commencement of CAE. This gives the necessary lead-time to examine the reviews for the consistency of their ratings.

Size of CAE Report: A CAE report should ideally not be longer than 30 pages, particularly if the sector reviews have been well done. The CAE only need to use the sector reviews and their ratings as inputs while they will remain as background materials.

Timing of CAE: Country assistance evaluations should be carried out in anticipation of the next round of CSP for a country. This will imply close consultation between OPEV and the Operations complexes in order to determine the timing of CAE preparation.

Preparatory work for a CAE: An important preparatory work that must be carried out prior to the commencement of a CAE is the preparation of an Approach paper. This paper (of about 5 pages) will clarify the objectives of the CAE, its methodology, its duration, an assessment of sector reviews and their ratings, and the cost of consultants (if required).

Resources for CAE: Given that resources are not limitless and indeed subject to competing demands, the Department may need to decide, in the preparatory stages of a CAE, the percentage of the portfolio in a country to cover and the number of programming cycles to cover. The choice of coverage can be determined by focusing on the strategic components of the portfolio while the sample can be limited to three programming CSP cycles.

7. Conclusions

A Country Assistance Evaluation is the ultimate in any attempt to establish the development effectiveness of a donor. Any set of guidelines for carrying it out should not be cast in iron. Indeed it should be seen as a living document, subject to modification in the light of for example, changes in knowledge on evaluation or even in changes that are internal to the institution.

One of the purposes of a CAE is to be able to effect a change (if need be) in the quality of assistance being given to a country. This will require that the lessons emanating there-from be disseminated as widely as possible not only to the operational departments of the donor but also to other stakeholders, including the country itself. Experience has shown that countries do not usually respond to requests for comments on such documents. In order to ensure the usefulness of the report to the country, an in-country discussion of a CAE should be mandatory once the management of OPEV clears the product. Needless to say that strong efforts must be made to obtain comments from the relevant operational departments of the Bank.

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4. Organization for Economic Cooperation and Development, (999), Evaluating Country Programmes, Paris.

Annex I

Guide to Ratings Scale for CAE

The evaluation criteria of relevance, efficacy, sustainability, institutional development impact and efficiency are rated on a 4-point scale. This guide is provided to assist the evaluator in assigning points to each of the criteria.

Relevance:

Highly relevant (4 points): a strategy is deemed to be completely (and without any reservation) relevant to the development problems/constraints of a country.

Relevant (3 points): a strategy is deemed relevant with minor reservations to the development problems of a country.

Irrelevant (2 points): a strategy is deemed irrelevant when it does not address the development problems of a country.

Highly irrelevant (1 point): a strategy is deemed highly irrelevant if it has no bearing whatsoever to the development problems of a country.

Efficacy (of Lending and Non-lending assistance):

Highly Satisfactory (4 points): Efficacy is adjudged highly satisfactory if a country strategy completely achieves its objectives and can demonstrate best practice in one or two areas.

Satisfactory (3 points): Efficacy is adjudged satisfactory if a country strategy achieves about 50% of its objectives, and possibly with some minor shortcomings.

Unsatisfactory (2 points): Efficacy is adjudged unsatisfactory if a country assistance strategy achieves less than 50% but greater than 30% of its objectives.

Highly unsatisfactory (1 point): Efficacy is adjudged highly unsatisfactory if a country strategy achieves less than 30% of its objectives, and with major shortcomings.

Sustainability[11]:

Highly likely (4 points): Sustainability is adjudged highly likely if it is established that the benefits of an assistance program are fully resilient to risks that could derail them[12].

Likely (3 points): Sustainability is adjudged likely if the benefits of an assistance program are moderately susceptible to risks.

Unlikely (2 points): Sustainability is adjudged unlikely if program benefits are susceptible to some risks.
Highly unlikely (1 point): Sustainability is adjudged highly unlikely if there are major risks to the resilience of program benefits.

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[11] It may be necessary to distinguish between the expected duration of benefits vs. the likelihood that some or all the expected benefits may not materialize. This is an area requiring more work.

[12] The resilience factors include: technical resilience, financial resilience (including policies on cost recovery) economic resilience, social support, environmental resilience, ownership by government and other stakeholders, institutional support (including a supportive legal/regulatory framework) and resilience to exogenous shocks like terms of trade fluctuations.

Institutional Development Impact:

High (4 points): Institutional development impact is rated as high if in the opinion of the evaluator a country's capacity to manage the economy (as defined in section 5) has been strengthened as a result of the assistance program to the point where it no longer requires little or no outside assistance in the areas mentioned in section 5.

Substantial (3 points): Institutional development impact is rated as substantial if some progress has been made to strengthen the institutional capacity of the country but there are still some few areas of weakness.

Modest (2 points): Institutional development impact is rated modest if limited progress was made in strengthening the institutional capacity of the country.
Negligible (1 point): Institutional development impact is rated negligible if no observed progress was made towards the strengthening of institutional capacity and there are several areas of major weaknesses.

Efficiency:

As indicated in section 5, efficiency may be difficult to measure in the absence of relevant data on costs of various activities in the project cycle. But this could change with the introduction of cost centers and the imputation of costs to various activities in the project cycle. Even when these are available, judgment may have to be made by comparing the situation of a country with countries in the same region or at the same level of development.

Highly efficient (4 points): a program of assistance is deemed highly efficient when the cost of delivery of that service is substantially lower than for the costs comparator countries.

Efficient (3 points): a program of assistance is deemed efficient when the cost of delivery of the assistance is just about equal to the cost of delivering assistance to comparator countries.

Inefficient (2 points): a program of assistance is deemed inefficient when the cost of delivery of the assistance is about 30% higher than the cost of delivering assistance to comparator countries.

Highly inefficient (1 point): a program of assistance is deemed to be highly inefficient if the cost of delivering the assistance is about 50% or more higher than the cost of delivering assistance to comparator countries.

Annex II

An outline for sector evaluations

1 Abbreviations and Acronyms
2 Preface
3 Executive Summary
4 Table of Contents

I Background

- economic and country context
- brief description of historical relationship with the Bank

II Bank assistance to the sector

- Bank sector strategy, its relationship to government strategy and the rating of its relevance

  a) Lending by project to the sector
  - description of lending activities to the sector by CSP period/objectives/results
  - Evaluation of the sector projects using the criteria of efficacy, sustainability, efficiency and institutional development with appropriate ratings as described in CAE guidelines.

  b) Analytical and Advisory Services (or Non-lending activities):
    - economic and sector work (or studies, as appropriate)
    - policy dialogue and advice
    - aid coordination
    - resource mobilization

  c) Overall assessment
    - overall assessment of the assistance to the sector (i.e. summary of the evaluation outcomes of lending and non-lending assistance to the sector)
    - impact on cross-cutting issues (Poverty reduction, gender, environment, other MDGs)
    - the counterfactual

III Contributors' performance

- the Bank
- the government
- Other donors

IV Lessons and Recommendations

Annexes

Ratings by project and summary sectoral ratings
Tables
List of projects in the sector

Annex III

Definition of Project/Programme Evaluation Criteria[13]

- *Relevance:* evaluation focuses on consistency of project with (i) the needs of (a) the project's beneficiaries, (b) a country's development strategy and (c) the MDB's assistance strategy for that country, as reflected in a Country Assistance Strategy or equivalent document, and (ii) MDB's statutory requirements, comparative advantage and policy priorities. "Relevance" refers to current circumstances, i.e., it is based on (i) and (ii) as they stand at the time of evaluation. If there have been significant changes under (i) or (ii) since Board approval, the evaluation will reflect these. Since evaluations cover both accountability and lesson learning, restructuring of project objectives in response to the operating environment is itself a feature that deserves careful evaluation.

- *Achievement of Objectives ("Efficacy"):* Evaluation against objectives enhances accountability. Different categories of objectives are normally specified, such as physical, social, economic, financial, institutional, and environmental, as well as policy changes. Often there are multiple objectives: the evaluator will have to make judgments about the weight to be placed on the separate objectives in determining a sound evaluation under this criterion.

- *Efficiency:* Economic and financial rates of return should be used where feasible. Special care will be necessary when treating costs and benefits for projects restructured during implementation. Transparency in evaluations is essential so as to avoid the introduction of doubtful sunk cost assumptions. Where calculation of economic and financial rates of return is not feasible, the evaluation should address explicitly cost-effectiveness (considering the cost of alternative ways to achieve project objectives; or unit costs for comparable activities), and timing (were objectives achieved on time; what were the benefits of early completion, or costs of late completion). Such evaluation may not be feasible in the case that project design or monitoring did not provide for cost indicators.

- *Sustainability:* for a systematic application of this criterion, the following factors should be considered (their priorities/weights will vary according to the nature of the project): (i) technical soundness, (ii) government commitment, including supportive legal/regulatory framework, (iii) socio-political/stakeholder support, (iv) economic viability, (v) financial viability, (vi) institutional, organizational and management effectiveness, (vii) environmental impact, and (viii) resilience to exogenous factors. MDBs will give special attention to the continuation of project benefits over time and after external financing ceases. Sustainability, together with institutional development impact discussed next, may already be included under the preceding three criteria, especially for projects that are subjected to an economic and financial rate of return assessment. Nevertheless given the need to take account of risks in a generally volatile operating environment, and the

[13] Adapted from Multilateral Development Bank Evaluation Cooperation Group, (May 2002) "Good Practice Standards for Evaluation of MDB Supported Public Sector Operations".

emphasis given by MDBs on environmental impact and other factors underlying project sustainability, the *explicit* assessment of these factors is essential for a high quality evaluation – though, as already noted, attention will have to be given to prevent double counting.

- *Aggregate Project Performance Indicator:* This is not an independent evaluation criterion. The goal sought by this criterion is to aggregate, through a single indicator, overall project performance. The challenge for the evaluator is to (i) ensure completeness, i.e., to account for all the projects' effects that can be measured under any of the core evaluation criteria (listed above), and (ii) weigh the relative importance of all effects in a fully transparent fashion.

- *Institutional Development:* evaluation encompasses, as applicable, the project's effects on (i) the broad scope of institutional development: the formal laws, regulations and procedures, and informal norms and practices that govern social and economic interactions and exchanges between people, and on (ii) the organization that operates within these broader institutional arrangements.

- *Other Impacts:* learning from the experience with past operations, MDBs have introduced special areas of focus to improve their development effectiveness. At this stage, several areas have been identified and recognized on a sufficiently broad basis so as to require a good practice standard, e.g., *poverty reduction*. This will require further deliberations among its members before a general good practice standard can be developed.

- *Borrower Performance:* conceptually, this criterion (and the following one on MDB performance) is treated separately from the foregoing criteria that address project performance. It focuses on processes that underlie the Borrower's effectiveness in discharging its responsibilities as the owner of a project. This includes, importantly, the Borrower's efforts and success in establishing a lasting support for a project by its beneficiaries, thereby laying the basis for project sustainability.

- *MDB Performance:* evaluation encompasses (separately) the quality, benchmarked against corporate good practice, of the MDB's at entry-screening, appraisal and supervision work, its role and contribution (the need for the MDB's participation relative to other available financing, and the quality of the MDB's delivered additionality over the operation's life from inception to evaluation). It considers compliance with basic operating principles, the operation's client capacity building objectives (as relevant), consistency with furtherance of the MDB's corporate, country and sector strategies, and its client service satisfaction.

DETAILED TABLE OF CONTENTS

ANNEX IV