

Corporate
Evaluation

Navigating through the Polycrisis: Asian Development Fund 12 and 13 Support to Vulnerable Countries



Independent
Evaluation **ADB**

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Navigating through the Polycrisis: Asian Development Fund 12 and 13 Support to Vulnerable Countries

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NOTE

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Abbreviations

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CCA	–	climate change adaptation
CCPR	–	composite country performance rating
COL	–	concessional ordinary capital resources lending
COVID-19	–	coronavirus disease
CPRO	–	COVID-19 Pandemic Response Option
CPSFRV	–	country partnership strategy final review validation
CRS	–	Commitment Reporting System
DMC	–	developing member country
DRF	–	Disaster Response Facility
DRF+	–	Expanded Disaster and Pandemic Response Facility
DRR	–	disaster risk reduction
EAP	–	Emergency Assistance Project
EAP-AF	–	Emergency Assistance Project–Additional Financing
FAO	–	Food and Agriculture Organization of the United Nations
FCAS	–	fragile and conflict-affected situations
FSA	–	Fragile and Conflict-Affected Situations and Small Island Developing States Approach
IDA	–	International Development Association
IED	–	Independent Evaluation Department
M&E	–	monitoring and evaluation
MDB	–	multilateral development bank
NFA	–	novel financing arrangement
OCR	–	ordinary capital resources
OECD-DAC	–	Organisation for Economic Co-operation and Development's Development Assistance Committee
PBA	–	performance-based allocations
PBL	–	policy-based lending
PCR	–	project or program completion report
PPER	–	project or program performance evaluation report
PSW	–	private sector window
PVR	–	project or program completion report validation report
PSM	–	public sector management
RCI	–	regional cooperation and integration
RPG	–	regional public good
SDG	–	Sustainable Development Goal
SIDS	–	small island developing states
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund
UN	–	United Nations
UNICEF	–	United Nations Children's Fund
WFP	–	World Food Programme

Glossary

Asian Development Fund (ADF)	– Provides grants to the poorest and most vulnerable developing member countries (DMCs) of the Asian Development Bank (ADB). Established in 1973, the ADF initially provided loans on concessional terms, with grants introduced in 2005. Since 2017, it has become a grants-only facility following the merger of ADB concessional lending and ordinary capital resources (OCR) balance sheets.
Concessional assistance countries	– Countries with access to ADF grants, concessional OCR lending, and regular OCR lending.
ADF blend countries	– Countries that have access to ADF grants and concessional OCR loans.
ADF country allocation	– The sum of performance-based allocation, economic vulnerability premium for grant recipient small island developing states (SIDS), and the special allocation for Afghanistan.
ADF-only countries	– Countries that have access to ADF grants-only.
ADF private sector window	– Supports private sector development in frontier markets by offering grant resources to fund financial products that tackle and reduce common financing constraints hindering many private sector transactions.
ADF thematic pool	– Provides ADF grants to incentivize governments to consider projects with strong national and regional positive externalities and to support the implementation of Strategy 2030. The pool focuses on (i) regional cooperation and integration (RCI), including the provision of regional public goods (RPGs); (ii) disaster risk reduction and climate adaptation; and (iii) the Sustainable Development Goal 5 transformative gender agenda. Regional health security will be supported along with RCI and RPGs.
Cofinancing	– An arrangement under which ADB and multilateral or bilateral organizations, foundations, and other emerging development partners finance a project or program in a developing member country.
Contingent disaster financing	– A financing option under ADB's policy-based lending that provides quick-disbursing and flexible financing for DMCs impacted by disasters triggered by natural hazards and health emergencies.
Countercyclical support facility	– Provides budget support during an economic crisis, in conjunction with a DMC's fiscal stimulus package to restore growth.
Country performance assessment	– Assessment of a DMC's policy and institutional framework for reducing poverty, promoting sustainable growth, and using concessional assistance effectively. Country performance is assessed based on the (i) quality of macroeconomic management, (ii) coherence of structural policies, (iii) degree to which policies and institutions promote equity and inclusion, (iv) quality of governance and public sector management, and (v) performance of the concessional assistance project portfolio.

Disaster Response Facility (DRF)	– A financing mechanism piloted under ADF XI and regularized under ADF 12 to help Group A countries respond effectively and quickly to disasters triggered by natural hazards.
Expanded Disaster and Pandemic Response Facility (DRF+)	– A financing mechanism in ADF 13 that provides grant resources to Group A DMCs in case of disasters triggered by natural hazards; emergencies; large cross-border movements of displaced persons; and public health emergencies, including epidemics and pandemics.
Group A DMCs	– Concessional assistance—only countries, 13 of which have access to grant country allocations: Afghanistan, Kiribati, the Kyrgyz Republic, Maldives, the Marshall Islands, the Federated States of Micronesia, Nauru, Samoa, Solomon Islands, Tajikistan, Tonga, Tuvalu, and Vanuatu. Country classification as of January 2023.
Group B DMCs	– OCR blend countries, including Bangladesh, the Cook Islands, Fiji, India, Mongolia, Niue, Pakistan, Palau, Papua New Guinea, Sri Lanka, Timor-Leste, and Uzbekistan.
Humanitarian response	– Protection and assistance provided to people affected by crises, including natural hazards, conflicts, and other emergencies (derived from the World Bank definition).
International Development Association (IDA) gap countries	– Group A countries that are not eligible for ADF grant country allocations. They have had gross national income per capita above the operational cutoff for IDA eligibility for more than 2 consecutive years and are assessed as IDA gap by IDA, as used in this report.
Novel financing arrangement	– (i) An innovative approach in resource mobilization, or (ii) an innovative financing modality for which a policy paper has not yet been prepared.
Official development assistance (ODA)	– Resource flows (grants, loans, and equity) to the Organisation for Economic Co-operation and Development's Development Assistance Committee list of ODA-recipient developing countries and to multilateral agencies. Resource flows are undertaken by the official sector, promoting economic development and welfare at concessional financial terms.
Performance-based allocation (PBA)	– A system that links ADF resource allocation, country needs, and country performance. The PBA formula is a weighted geometric function of the composite country performance rating, per capita income, and population.
PIC-11	– 11 small Pacific island countries recognized in ADB's Pacific Approach 2016–2020: the Cook Islands, Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

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Foreword

This year marks 50 years of the Asian Development Fund (ADF) in its ongoing efforts to tackle pivotal challenges, such as poverty, debt distress, and crises, faced by vulnerable countries in Asia and the Pacific. The ADF has evolved in the past 5 decades from providing concessional loans to providing grants for developing member countries (DMCs), becoming the second-largest provider of concessional finance in Asia and the Pacific.

The ADF is a key component in delivering ADB's mandate and strategy, serving as a platform for coherent donor support to ensure predictable development assistance. The ADF enables the Asian Development Bank (ADB) to establish long-term commitments to advance the development agendas of fragile and conflict-affected situations (FCAS) and small island developing states (SIDS).

The need for the ADF is even greater now, as the coronavirus disease (COVID-19) pandemic suddenly and unexpectedly slowed down progress in achieving the Sustainable Development Goals (SDGs) and reversed decades-long progress in reducing poverty in DMCs, especially the most vulnerable. ADF grants focus on SIDS and countries navigating fragility, conflict, and violence, offering concessional finance and technical assistance in more challenging and riskier operational environments.

As climate change, geopolitical tensions, and transmissible diseases have heightened economic risks, multilateral development banks (MDBs) need to strike a balance between their long-term development goals and the immediate needs of vulnerable countries. The ADF has enabled ADB to respond swiftly in partnership with the donor community and international organizations. Support for basic needs and humanitarian assistance contributes significantly to achieving ADB's goal to eradicate extreme poverty in Asia and the Pacific.

The evaluation assesses the performance of ADF 12 and the first 2 years of ADF 13 concessional resources, contributing insights to the ADF 14 negotiations. ADB has used concessional resources well, reaching the most vulnerable DMCs at risk of debt distress. While there is opportunity to enhance ADF's impact further through its instruments and windows, and by tailored monitoring and evaluation and adaptive learning to improve project design and management, ADF has been highly relevant to DMCs facing complex challenges and binding constraints to development. Vulnerable countries have turned to ADB in difficult times, and ADB must continue to use concessional resources to bridge financing gaps and to incentivize innovative interventions in regional cooperation and integration, disaster risk reduction and climate change adaptation, and the SDG 5 transformative gender agenda.

The ADF can improve as a platform in several ways: incentivizing performance within the country allocation framework; closing monitoring and evaluation system gaps that limit the measurement of ADF outcomes; and leveraging policy-based lending by reevaluating the cap for policy-based grants, improving the design of policy-based lending, and strengthening joint policy reform frameworks. Lastly, in response to a new area of demand, the ADF should provide institutional guidance on crisis support in conflict-driven emergencies.

Amid multiple crises, the ADF has been instrumental in advancing the region's development. It has become a platform of collaboration on a regional scale, uniting and consolidating donor efforts to alleviate poverty, foster economic resilience, and ensure a more equitable future for Asia and the Pacific.



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IED remains fully responsible for the report.

Executive Summary

Asian Development Fund (ADF) 13 supports Strategy 2030's vision of a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. The rationale for concessional resource use is that poor countries, at risk of debt distress, have limited access to development finance and need grants to achieve inclusive and sustainable development. The Independent Evaluation Department assesses the operations and performance of the ADF every 4 years and recommends ways to improve its development effectiveness, informing the next replenishment. The evaluation examines ADF 12 (2017–2020) and the first 2 years (2021–2022) of ADF 13. It focuses on the allocation, use, and performance of Asian Development Bank (ADB) concessional assistance primarily for Group A countries, which comprise 10 grants-only and 3 ADF blend countries.

The evaluation includes a special chapter on ADF crisis support for the Afghan people and displaced persons from Myanmar in Bangladesh. It examines the ways ADF 12 and 13 grant assistance addressed the crises and supported economic resilience.

Allocation of Concessional Resources

The ADF has been relevant for developing member countries (DMCs), effectively allocating resources to support the most vulnerable countries, especially during crises.

The ADF is a safety net in a time of polycrisis.

Geopolitical challenges, climate change, the coronavirus disease (COVID-19) pandemic, and the Russian invasion of Ukraine have brought added complexity to the development context in which the ADF operates, posing significant obstacles to achieving the Sustainable Development Goals. The ADF offers a safety net to the region's poorest and most vulnerable countries that face those challenges and has provided essential support for sustainable recovery efforts and vital humanitarian assistance.

In the midst of the polycrisis, demand for grants in country allocations is likely to grow. Multifaceted global challenges have significantly strained the financial capacities of many countries, particularly fragile and conflict-affected situations (FCAS) and small island developing states (SIDS). As a result, there is a pressing need for ADF grants to aid in their recovery efforts.

The ADF is reaching poor and vulnerable countries.

While modest in volume relative to the International Development Association (IDA), the ADF is reaching and supporting the most vulnerable countries in the region. The grant allocation system ensures that ADB does not contribute to DMCs' debt sustainability challenges. The performance-based allocation (PBA) balances country needs and country performance. However, it is not clear whether the objective of incentivizing performance is met. To increase financial support to countries facing significant challenges caused by fragility and vulnerability to external shocks, multilateral development banks have supplemented PBAs with top-up facilities or vulnerability premiums. Since the economic vulnerability premium was introduced in ADF 13 and the special allocation for Afghanistan, the use of the current PBA formula has had limited impact on the level of grant allocations for most countries.

Disaster response and adaptation support have been proactive and increasingly convergent.

ADF support to disaster response evolved from an ex-post response to a more proactive approach towards enhancing resilience. The allocation system for the Disaster Response Facility (DRF) and subsequently the Expanded Disaster and Pandemic Response Facility (DRF+) have demonstrated positive outcomes. With the increasing convergence between the DRF+ and disaster risk reduction and climate change adaptation (DRR-CCA), there is an opportunity to enhance conceptual connections between the two windows and to adopt a holistic approach to the allocation of resources.

The private sector window faces challenges.

The pilot private sector window in Group A countries has faced challenges in limited uptake due to internal and external factors. Internal factors include limited presence of ADB nonsovereign operations staff, while external factors include lingering effects of COVID-19 and sponsor-related issues. Despite this, the private sector window has been instrumental in getting a number of transactions across the line.

The thematic pool is relevant but diffused.

The thematic pool has been viewed as highly relevant in supporting innovation and transformative projects, but its implementation has been diffused, with resources allocated to smaller projects across multiple strategic areas. In ADF 13, the allocation of thematic funds to Group B countries was limited to 10% from the overall thematic pool, despite the high level of need. For the remainder of ADF 13, donors agreed to waive the 10% cap for Group B DMCs because of the reclassification of specific SIDS into Group B from Group C.

The policy-based lending ceiling is due for review.

ADB budget support grants offer flexibility to concessional assistance countries at risk of debt distress and are especially relevant to FCAS and SIDS that are vulnerable to crises and require support for institutional reforms. The ceiling on policy-based lending (PBL) for concessional finance (22.5%), established in 1992, is currently not a constraint as a new system is in place from 2022 to 2024. During this period, a total ADB-wide commitment value of \$18 billion temporarily replaces the PBL ceiling; but for concessional assistance PBLs, the 22.5% ceiling remains in effect. However, a review is due considering the need for flexibility, as demand could increase during crises. The World Bank no longer has a specific ceiling for policy-based finance but instead has a reporting requirement. The African Development Bank has a higher concessional finance ceiling at 25% and the Inter-American Development Bank at 30%.

Performance of Operations

The performance of ADF operations has been unchanged, with SIDS showing a decline. The use of monitoring and evaluation (M&E) for adaptive learning is limited, while gaps constrain measurement of results. Technical assistance (TA) remains relevant to concessional assistance countries.

The performance of ADF-supported operations is unchanged.

Group A countries had varying project success rates overall, with Group A FCAS showing modest improvement and Group A SIDS performance declining in the recent 6-year period (2017–2022). Country performance assessment policy performance remains low in most concessional assistance countries with less-than-successful country programs, which are mostly FCAS, indicating a need to strengthen structural policies and institutional capacity. As for ADF 12 and 13 operations, which are mostly ongoing, portfolio performance shows positive progress. ADF 12 and 13 operations aligned well with the Strategy 2030 operational priorities. Country missions for most ongoing projects noted implementation progress despite the pandemic.

Monitoring and evaluation systems are inadequate for adaptive learning.

M&E systems are inadequate for measuring results of ADF grants and for contributing to adaptive learning. For concessional assistance countries, particularly FCAS and SIDS, differentiated approaches to M&E are limited. ADB must enhance country and project monitoring systems, including identifying indicators oriented to FCAS and SIDS drivers of fragility and conflict.

Technical assistance is critical for concessional assistance countries.

Given pervasive capacity constraints in concessional assistance countries, the relevance of TA is widely acknowledged. In the Pacific, TA

provided crucial support for project preparation and implementation. However, TA has the potential to have an even greater impact by playing a larger role in transformative capacity development. By leveraging TA to strengthen capacity in critical areas in FCAS and SIDS, there is an opportunity to support the achievement of the Sustainable Development Goals.

Crisis Support

The ADF has enabled ADB to respond swiftly in a new area of demand in partnership with the donor community and international organizations. While ADB has been well regarded, current policies on the sustainability of ADF support in this context lack clarity.

The ADF has enabled swift responses while maintaining its focus on long-term development.

The ADF is a valuable tool for ADB as it addresses a new area of demand: the need to swiftly support vulnerable populations during unforeseen crises while still focusing on its long-term development mission. Collaborative partnerships with the donor community and international organizations, such as the United Nations (UN), have contributed to ADB's ability to provide critical support.

ADB has been decisive and adaptable in its emergency interventions through the Sustaining Essential Services Delivery Project (Support for Afghan People) and the Bangladesh Emergency Assistance Project, both financed through the ADF. The approaches adopted by ADB in each country have proven reasonably effective.

Institutional guidance is needed for crisis support in conflict-related emergencies.

ADB is a major contributor to the humanitarian response in Afghanistan and Bangladesh, which are now in protracted emergencies. Looking ahead, ADB may need to extend its support to other DMCs facing complex emergencies driven by conflicts or other chronic crises.

Recommendations

The evaluation concludes that the ADF played a vital role in providing lifesaving assistance and supporting the economic resilience of vulnerable countries, particularly FCAS and SIDS, during a time of polycrisis. To further enhance the ADF's effectiveness, the evaluation recommends the following:

1. **Revisit the country allocation framework to strengthen performance incentives while recognizing the importance of stability and predictability of allocations.** Within the country allocation framework, performance incentives can be enhanced by adjusting the PBA formula or the economic vulnerability premium. Options may include revisiting the variables in the PBA formula for Group A SIDS or incorporating a performance-based element into the calculation of the economic vulnerability premium for SIDS. These adjustments can help ensure that in ADF 14 and beyond, country performance incentives will be clearer.
2. **Increase the allocation of thematic resources toward key ADF priorities.** The priorities include regional cooperation and integration (RCI), encompassing regional public goods (RPGs); DRR-CCA; transformative gender initiatives; and greater access to the thematic pool for countries with more limited capacity. As development contexts can shift, management should be granted greater flexibility to reallocate resources across themes, while again considering the stability and predictability of allocations. Consider greater use of TA for FCAS and SIDS to facilitate proposal design and improve project implementation.
3. **Review the PBL ceiling for concessional finance in the context of the 2024 PBL review.** Reassess the specific policy objectives achieved by implementing an ADF PBL ceiling of 22.5% of overall allocations for policy-based grants and redefine the ceiling to focus on concessional loans only. Use PBLs in concessional assistance countries to promote policy and institutional reforms for climate action and engage climate

change affected countries. Harmonize reform approaches in Group A countries for IDA and the ADF by coordinating on policy reform issues and contingent disaster financing with the World Bank, to improve leverage through PBLs and budget support. Prioritize strengthening PBL design and joint policy matrixes.

4. Establish an ADF performance assessment framework to improve monitoring of results and capture the impacts of ADF operations. Strengthen M&E systems to generate and gather knowledge on project performance. In sectors with lower success rates, robust M&E systems can foster adaptive learning and improve the likelihood of success. It is important to expand post-program monitoring activities for PBLs,

utilizing appropriate TA approaches, to assess development outcomes.

5. Develop institutional guidance on ADB's crisis support for conflict-related emergencies. This is crucial for effectively addressing the challenges arising from conflict-related emergencies and to support the roles established by the Bangladesh Emergency Assistance Project and the Afghanistan novel financing arrangement. Ensure alignment and address any gaps with the principles and operational objectives of the Disaster and Emergency Assistance Policy and the FCAS and SIDS Approach. Continue to provide ADF support to respond strategically with a broad package of projects seeking to protect human capital and prior development gains while taking the opportunity to build economic resilience.

Linkage between Findings and Recommendations

Findings, Issues, and References	Recommendations
<ul style="list-style-type: none"> - Country allocations are the sum of performance-based allocation (PBA), economic vulnerability premiums for Asian Development Fund (ADF) grant-eligible small island developing states (SIDS), and a special allocation for Afghanistan. The PBA balances country needs and country performance through a formula that is a weighted function of the composite country performance rating, per capita income, and population. A number of multilateral development banks (MDBs) use the PBA for concessional resources, but with different weights for each variable. Country performance is often given more weight than per capita income and population (para. 16). - MDBs have implemented various approaches in their country allocation frameworks to increase concessional resources to fragile and conflict-affected situations (FCAS) and SIDS through their preferred vulnerability premiums. The approach aims to provide additional financial support to countries facing significant challenges caused by fragility and vulnerability to external shocks (para. 17). - Since the economic vulnerability premium was introduced in ADF 13 and the special allocation for Afghanistan continued, 10 out of 13 countries receiving grants from country allocations have significant portions (at least 75%) of the allocations that are fixed. As a result, the current PBA formula has only a marginal impact on the allocation levels for most countries and whether it meets the objective of incentivizing performance is unclear (paras. 17, 99). - Overall, a significant portion of ADF grants were targeted and provided mainly to the 13 most vulnerable ADF grants-only and ADF blend countries, which received 86% of all ADF grant commitments (\$4.12 billion out of \$4.78 billion). ADF grants help alleviate the burden of debt and promote sustainable development, poverty reduction, and resilience building in the poorest countries in the region. However, performance incentives are not clear for concessional assistance countries (para. 22). 	<p>(1) Revisit the country allocation framework to strengthen performance incentives while recognizing the importance of stability and predictability of allocations.</p>
<ul style="list-style-type: none"> - Resources available for disaster risk reduction and climate change adaptation (DRR-CCA) within the thematic pool may not align with ADB's expanded climate finance aspirations or achieve the scale required to provide substantial concessional financing to developing member countries (DMCs) (para. 29). - In ADF 12, at least 10% of ADF and/or concessional ordinary capital resources lending was to be allocated to RCI, including regional public goods; the target was achieved, as in ADF XI (para. 46). - The amount of ADF grant financing available to Group B is relatively small compared to needs in RPGs and the SDG 5 transformative gender agenda. Group B countries have access to the TASF and to ADF grant financing limited to \$61 million through the thematic pool of ADF 13; ADF 12 had no grant financing for Group B countries (para. 50). 	<p>(2) Increase the allocation of thematic resources toward key ADF priorities.</p>
<ul style="list-style-type: none"> - ADB's PBL has a ceiling of 22.5% for concessional finance, introduced in 1992 because of the high incidence of PBLs (then called program lending) from the ADF (para. 40). - Given the spike to 24.6% (3-year rolling average) in 2021, the 22.5% ceiling was breached for 2019–2021. ADB obtained a waiver from ADF donors and, subsequently, from the Board. The ceiling breach arose from PBL to four countries that accounted for 75% of all concessional finance PBLs: none of the countries was eligible for country grant allocations. In 2022–2024, a different system is in place for PBLs. A total ADB commitment value of \$18 billion has temporarily replaced the ceiling percentage of sovereign operations on a 3-year rolling average basis, but 22.5% concessional assistance PBL ceiling was maintained (para. 40). - Instead of a specific ceiling for development policy financing, the World Bank requires reporting on the anticipated share for policy-based commitments on a 3-year rolling average. The African Development Bank 	<p>(3) Review the PBL ceiling for concessional finance in the context of the 2024 PBL review.</p>

Findings, Issues, and References	Recommendations
<p>has a higher concessional finance ceiling at 25% and the Inter-American Development Bank at 30% (para. 40).</p> <ul style="list-style-type: none"> - The use of PBLs has been linked to crisis response in vulnerable countries (footnote 50) and has been well regarded by ADF FCAS and SIDS as highly relevant and efficient during sudden-onset disasters, providing critical fiscal support in times of urgent need amid difficult policy choices (para. 41). - With increasing challenges of climate adaptation and mitigation, utilizing the PBL modality to engage with DMCs facing climate-related issues could drive demand for climate focused PBLs, and the ceiling breach for 2019–2021, suggests the likelihood of a breach remains high (paras. 40–41). 	
<ul style="list-style-type: none"> - With limited use of M&E systems for learning, demonstrating the impact of ADF grants and improving project performance based on evidence are challenging (para. 63). - Project M&E puts greater emphasis on measuring outputs and less on measuring outcomes, and the lack of appropriate outcome indicators hinders the collection of outcome results (para. 64). - The need to tailor M&E systems to country contexts and build country M&E capacity is even greater for Group A countries and in FCAS and SIDS. ADB must bolster country and project monitoring systems by using more baseline and endline surveys, and using indicators oriented to FCAS and SIDS' drivers of fragility and conflict (para. 64). 	<p>(4) Establish an ADF performance assessment framework to improve monitoring of results and capture the impacts of ADF operations.</p>
<ul style="list-style-type: none"> - MDBs are facing the challenge of balancing their long-term development missions with the urgent needs of vulnerable countries during crises (para. 71). - The ADF is ADB's most useful tool for handling humanitarian crises, given its focus on FCAS, capacity for flexible and timely assistance, and ability to bring multiple stakeholders together (para. 72). The ADF is a valuable resource as ADB responds to a new area of demand--the need to swiftly support vulnerable populations during unforeseen crises while maintaining steadfast commitment to its long-term development goals (para. 73). - ADB swiftly responded to a crisis of significant human and economic impact in Afghanistan with the Sustaining Essential Services Delivery Project (Support for Afghan People). Despite the absence of an internationally recognized government, ADB directed financial support to four specialized UN agencies to ensure the continued provision of essential services directly to the Afghan people through a novel financing arrangement (para. 75). - ADB was decisive in assisting Bangladesh in dealing with the large influx of displaced persons from Myanmar to Cox's Bazar through the 2018 Emergency Assistance Project and subsequent additional financing in 2022 (para. 76). - The approval and processing of ADF grants from the DRF for sudden-onset natural disasters have been efficient, as were the ADF grants for the coronavirus disease (COVID-19) response (para. 91). - However, the Afghanistan and Bangladesh projects were not as straightforward. Waivers, work-arounds, and novel arrangements were required, reflecting gaps and a lack of clarity in policy and the absence of an ADF provision for conflict-related emergencies (para. 91). ADB may increasingly be drawn into conflict-related emergencies in FCAS and climate-related emergencies in SIDS. Current policies may not provide an adequate steer in responding to increased demand (para. 91). - Demand for the ADF to respond to emergencies is expected to increase, but the potential for ADF support remains constrained because of the absence of clear institutional guidance that would clarify eligibility and sustainability of such support (paras. 95, 102). 	<p>(5) Develop institutional guidance on ADB's crisis support for conflict-related emergencies.</p>

Supporting Vulnerable Countries

1. The Asian Development Fund (ADF) plays a vital role in realizing the overarching vision of the Asian Development Bank (ADB) of eradicating extreme poverty and fostering a prosperous, inclusive, resilient, and sustainable future for Asia and the Pacific.¹ In 2017, ADB became the first multilateral development bank (MDB) to leverage its equity by merging concessional and non-concessional resource balance sheets, which expanded ADB's capital base. As a result, ADB and ADF donors agreed to convert the ADF into a grants-only facility. ADF 12 (2017–2020) became the first replenishment cycle that focused exclusively on providing grants, followed by ADF 13 (2021–2024).

2. ADB provides concessional ordinary capital resources (OCR) lending (COL) and ADF grants to ADB's lower-income developing member countries (DMCs), consistent with Strategy 2030. The ADF was established in 1973, offering concessional loans to low-income countries; in 2005, grants were introduced. Since 2017, the ADF has been a grants-only facility.²

3. For ADF 12 and 13, donors provided 63% of the funding, OCR transfers 28%, and other sources 9% (Table 1). For ADF 13, a two-pillar resource allocation framework was adopted with country- and theme-based allocations. Country-based ADF allocations utilize the performance-based allocation (PBA) framework, with exceptional support to Afghanistan and economic vulnerability premiums for small island developing states (SIDS). Theme-based allocations channel support to three priority areas: regional cooperation and integration (RCI), including regional public goods (RPGs); disaster risk reduction and climate change adaptation (DRR-CCA); and the Sustainable Development Goal (SDG) 5 transformative gender agenda. ADF 13 includes special windows such as the Expanded Disaster and Pandemic Response Facility (DRF+) and the pilot private sector window (PSW).

4. The chapter examines the allocation and utilization of concessional resources, specifically ADF grants, during ADF 12 and 13. It considers targeting ADF resources to countries in Asia and the Pacific, reviews ADF country- and theme-based components of the resource allocation framework, and discusses the concessional assistance policy-based lending (PBL) modality.

5. As ADB does not have a theory of change (ToC) for its ADF grants and COL, a ToC is derived from the Concessional Assistance Policy for ADF 13.³ In the ToC, concessional assistance (inputs) enables the poorest DMCs to tackle development priorities in areas where governments might otherwise underinvest, thereby improving debt sustainability (outputs). Thus, development outcomes (ADB Strategy 2030 operational priorities) can be achieved, resulting in prosperous, inclusive, resilient, and sustainable societies. In Appendix 1, the evaluation scope and methodology, along with a ToC for ADF 13, are outlined.

Table 1: Asian Development Fund 12 and 13 Financing Frameworks
(\$ billion)

Funding Source	Asian Development Fund 12	Asian Development Fund 13	Total	Share
Donor Contributions	2.594	2.341	4.935	63%
Ordinary Capital Resources Transfer	1.038	1.170	2.208	28%
Income from Liquidity Investment	0.180	0.213	0.393	5%
Others	0.000	0.337	0.337	4%
Total Replenishment	3.812	4.061	7.873	100%
Of which:				
Asian Development Fund	3.250	3.544	6.794	
Regional Health Security	0.053		0.053	
Technical Assistance Support Fund	0.461	0.517	0.978	

Note: "Others" refer to partial releases of Asian Development Fund (ADF) 12 set-asides for the Disaster Response Facility and reserves for changes in debt distress classification.

Source: Asian Development Bank. ADF 13 Financing Framework Update. Paper prepared for the second ADF 13 replenishment meeting. 11–12 February. Unpublished.

¹ ADB. 2018. *Strategy 2030. Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

² COL is now provided by ADB separately although it is still part of the ADF resource allocation framework negotiated with ADF donors. Funding for ADF grants and technical assistance support is provided through a 4-year replenishment cycle.

³ ADB. 2020. *Concessional Assistance Policy for the ADF 13 Period*. Manila.

A. Resources Are Well Targeted to Vulnerable Countries

6. ADF grants have a crucial role in supporting the poorest and most vulnerable countries in Asia and the Pacific, particularly in times of multiple crises. The ADF targets SIDS and countries dealing with fragility, conflict, and violence, providing a safety net to countries in need. While a number of DMCs have started to recover from the economic impacts of the coronavirus disease (COVID-19) pandemic, more have experienced heightened economic vulnerability, fragility, and conflict.

7. ADB classifies DMCs according to their gross national income (GNI) and creditworthiness.⁴ Group A comprises countries that lack creditworthiness and Group B those with limited creditworthiness. Group C countries have adequate creditworthiness and a per capita income that exceeds the World Bank's International Development Association (IDA) operational threshold.

8. The 28 DMCs eligible for support through financing from ADF 12 and 13 are at various stages of economic and social development. ADB classifies countries into three groups for purposes of eligibility to receive concessional resources (Table 2):

- (i) Group A: eligible for ADF grants and/or COL;⁵
- (ii) Group B: eligible for COL and can access regular OCR lending but are not eligible for ADF country allocation grants, and can access ADF grants on a selective basis through the thematic pool and the DRF+;⁶ and
- (iii) Group C: not eligible for ADF grants or COL and can access only regular OCR lending.

9. ADF grants-only and blend countries are diverse in their per capita GNI, population, and income group. By per capita GNI classification, there is one fragile low-income country (Afghanistan); there are seven lower-middle-income countries (Kiribati, the Kyrgyz Republic, the Federated States of Micronesia, Samoa, Solomon Islands, Tajikistan, and Vanuatu) and four upper-middle-income countries (Maldives, the Marshall Islands, Tonga, and Tuvalu); and there is one fragile and small-island state high-income country (Nauru).⁷ Of the 13 countries, 10 are ADF grants-only and ADF blend and are micro or small states with a total population of 2.23 million people. Aside from Afghanistan, the Kyrgyz Republic (33.3%), Tajikistan (26.3%), and Tonga (27%) have a significant proportion of their populations living below the national poverty line.

10. All ADF grants-only and ADF blend countries are also IDA recipient countries, except for Nauru. The average Human Development Index (HDI) value of Group A countries (0.635) is notably lower than that of East Asia and the Pacific region (0.749) and developing countries (0.685).⁸ Table A2.1, Appendix 2 presents the salient features of concessional assistance DMCs.

⁴ GNI per capita is measured based on the World Bank's Atlas method, which smoothens exchange rate fluctuations by using a 3-year moving average, price-adjusted conversion factor.

⁵ Group A countries are further differentiated based on the terms on which concessional assistance is provided: countries receiving only grants, countries receiving a mix of grants and COL, and countries receiving only COL.

⁶ Under the ADF 13 grant and COL frameworks, ADF and COL countries are eligible for grants from the single thematic pool; Group B countries are eligible on a highly exceptional basis and through the DRF+.

⁷ Country income grouping is based on the World Bank classification of economies using GNI per capita data (World Bank Atlas method).

⁸ United Nations Development Programme. 2022. [Human Development Report, 2021–2022: Uncertain Times, Unsettled Lives: Shaping our Future in a Transforming World](#). New York.

Table 2: Concessional Assistance Countries, January 2023 (Groups A and B)

Group A (ADF grants, COL, and TASF)				Group B (COL, regular OCR, and TASF)
ADF Grants Only (100% ADF grants) high risk of debt distress	ADF Blend (50% ADF grants) moderate risk of debt distress	COL Only (0% ADF grants) low risk of debt distress	IDA Gap (0% ADF grants and 100% COL)	
Afghanistan <i>f</i> Federated States of Micronesia <i>f</i> <i>σ</i> Kiribati <i>f</i> <i>σ</i> Maldives <i>σ</i> Marshall Islands <i>f</i> <i>σ</i> Nauru <i>f</i> <i>σ</i> Samoa <i>σ</i> Tajikistan Tonga <i>σ</i> Tuvalu <i>f</i> <i>σ</i>	Kyrgyz Republic Solomon Islands <i>f</i> <i>σ</i> Vanuatu <i>σ</i>	Nepal	Bhutan Cambodia Lao PDR <i>f</i> Myanmar <i>f</i>	Bangladesh Cook Islands <i>σ</i> Fiji <i>σ</i> Mongolia Niue <i>σ</i> Pakistan Palau <i>f</i> <i>σ</i> Papua New Guinea <i>f</i> <i>σ</i> Timor-Leste <i>f</i> <i>σ</i> Uzbekistan

f = fragile and conflict-affected situations, *σ* = small island developing states, ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, IDA = International Development Association, Lao PDR = Lao People's Democratic Republic, OCR = ordinary capital resources, TASF = Technical Assistance Special Fund.

- Notes:
1. IDA gap countries are not eligible for ADF grant country allocations. Seven countries (except small island developing states) have had gross national income per capita above the operational cutoff for IDA eligibility for more than 2 consecutive years. The operational cutoff is \$1,315 (2022 prices), estimated using the World Bank Atlas method.
 2. Group B countries also have access to ADF grants on a selective basis, through the thematic pool and the Expanded Disaster and Pandemic Response facility.
 3. The Cook Islands became a Group B country effective 1 January 2023.
 4. India is in Group B but has no access to concessional assistance.
 5. Group A and Group B are eligible for the ADF's TASF (donor contribution), but Group A is prioritized.
 6. Maldives became an ADF blend country as of 6 June 2023. The financing terms for Maldives were hardened to 50% grant and 50% COL in 2023 because of repeated breaches of the non-concessional borrowing ceiling. ADB. Overview. Paper prepared for the ADF 13 (2021–2024) Midterm Review. Unpublished.
 7. Sri Lanka became a Group B country effective 5 June 2023 and is thus excluded from the table.

Sources: ADB. 2023. Classification and Graduation of Developing Member Countries. *Operations Manual*. OM/A1. Manila; and ADB. 2023. [2022 Development Effectiveness Review](#). Manila (Table A1.2, Appendix 1, Classification of ADB Developing Member Countries).

11. Group A countries received about half of country-allocated official development assistance (ODA) commitments to concessional assistance countries, but two-thirds were received as grants.⁹ In 2017–2021, concessional assistance countries directly received, from all bilateral donors and multilateral institutions, \$143.7 billion of concessional finance or about 18% of country-allocated commitments.¹⁰ Overall, 47% of concessional finance received was in the form of grants, but their percentage varied significantly when disaggregated by ADB country classification (Table 3).

12. ADB is the third-largest provider of concessional finance and is consistently among the three largest donors in all concessional assistance countries. During 2017–2021, ADB was the third-largest provider of concessional finance (making 13% of all donor commitments) and the seventh-largest provider of grants in concessional assistance countries (6%) (Table A2.2, Appendix 2).¹¹

⁹ Data are from the ADB commitment database for the ADF and from the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) Commitment Reporting System (CRS) for all other donors. The CRS captures official financial flow transactions self-reported by donors; as of June 2023, data were available only up to 2021. The reported ADB commitments are a more conservative estimate than ADB figures in the CRS. In 2017–2021, figures in the ADB commitment database were lower by \$0.45 billion for grants and by \$0.69 billion for COL because of timing differences: approvals in 2016 reported in 2017 in the CRS and other adjustments. Concessional assistance countries may have received funding recorded as multicountry, regional, and global activities (CRS, Part 1 Unallocated), which cannot be easily estimated since such commitments were recorded as regional projects in three geographic regions (East Asia and the Pacific, South Asia, and Europe and Central Asia). Some regional projects may have benefited ADB DMCs (other than the concessional assistance countries) or countries that are not ADB DMCs.

¹⁰ Global concessional finance commitments and ODA increased from about \$200 billion per annum right before the pandemic to about \$250 billion during 2020 and 2021. Of the total amount, about 72% was committed to countries. Grants constituted 59% of concessional finance provided directly to countries.

¹¹ OECD countries, non-OECD countries, and multilateral institutions report to DAC. See the [complete list of reporting donors](#). Some countries (notably the People's Republic of China) do not report to DAC.

Table 3: Concessional Finance Commitments to Concessional Assistance Countries, 2017–2021

(current \$ billion)				
Country Groups	ODA Grants	ODA Loans	Total ODA	Grants
ADF Only	28.7	2.2	30.9	93%
ADF Blend	3.9	1.5	5.4	73%
COL Only	3.1	6.0	9.1	33%
IDA Gap	11.2	15.1	26.3	42%
Total Group A	46.9	24.9	71.8	65%
Group B	21.1	50.9	72.0	29%
Total Concessional Assistance Countries	68.0	75.7	143.7	47%

ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, IDA = International Development Association, ODA = official development assistance.

Notes: 1. In addition to grants and concessional loans, total ODA includes equity investment of \$20.0 million in ADF-only, \$1.5 million in COL-only, \$72.8 million in International Development Association (IDA) gap, and \$58.8 million in OCR blend (Group B) countries.

2. As of June 2023, only preliminary 2022 ODA data were available. Hence, the table presents data until 2021.

Sources: ADB commitment database; other donor commitments from the Organisation for Economic Co-operation and Development's Development Assistance Committee Commitment Reporting System as of June 2023.

13. Among multilateral institutions, ADB was the second-largest provider of concessional finance (making 26% of all multilateral commitments) and the third-largest provider of grants (19%) (Table A2.2, Appendix 2).¹²

14. ADF grants, while modest in volume relative to IDA grants,¹³ are well targeted towards the most vulnerable countries as determined by ADB's country classification and play an important role in supporting these countries. ADB was an important provider of concessional finance across all eligible country groups. However, its ranking in concessional assistance countries relative to other ODA grant providers (Table A2.2, Appendix 2) varied significantly across country groups. ADB's ranking was higher in Group A countries (to which 97% of ADB grants were provided) than in Group B countries (3%) (Table 4).

15. The recipients of the five largest ADF grants were Afghanistan (\$1.74 billion), Tajikistan (\$0.94 billion), the Kyrgyz Republic (\$0.40 billion), the Lao People's Democratic Republic (\$0.26 billion), and Samoa (\$0.17 billion). The recipients of the five largest concessional loans were Pakistan (\$3.93 billion), Bangladesh (\$3.69 billion), Nepal (\$2.78 billion), Myanmar (\$2.15 billion), and Cambodia (\$2.01 billion); they received a small amount of grant financing (\$0.28 billion in total).¹⁴

Table 4: ADB Commitments to Concessional Assistance Countries by Country Classification
(2017–2021, \$ billion, current prices)

ADB Country Classification	Concessional Finance			Grants		
	Rank	\$ billion	Share in category	Rank	\$ billion	Share in category
Group A	3	10.5	15%	5	3.7	8%
ADF Only	3	2.9	9%	3	2.8	10%
ADF Blend	2	0.9	17%	2	0.5	12%
COL Only	2	2.4	26%	16	0.02	1%
IDA Gap	2	4.3	16%	9	0.4	3%
Group B	3	7.7	11%	23	0.1	1%
Total	3	18.2	13%	7	3.8	6%

ADB = Asian Development Bank, ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, IDA = International Development Association.

Notes: 1. The percentage is calculated as a share of all donor commitments for the country group.

2. The country classification follows the ADB country classification as of 1 January 2023.

Source: ADF commitments from the ADB commitment database and other donor commitments from the Organisation for Economic Co-operation and Development's Development Assistance Committee's Commitment Reporting System (CRS) as of June 2023. In addition to ADF commitments, the CRS recorded ADB grant commitments of \$0.285 billion from the Technical Assistance Special Fund and the trust funds.

¹² The other two multilaterals with significant commitments were IDA, with 47% of multilateral concessional finance and 28% of multilateral grants; and European Union institutions, with 8% of multilateral concessional finance and 25% of multilateral grants.

¹³ The 20th replenishment of IDA (IDA 20), finalized in December 2021, resulted in a \$93 billion financing package. [IDA 20 Replenishment](#).

¹⁴ Of the amount, \$0.1 billion was for the 2018 [Bangladesh Emergency Assistance Project](#), whose objective was to improve the living conditions and resilience of displaced persons from Myanmar; and \$0.041 billion for the [Emergency Assistance Project—Additional Financing](#).

16. Country allocations are the sum of the PBA, economic vulnerability premiums for ADF grant-eligible SIDS, and a special allocation for Afghanistan.¹⁵ The PBA balances country needs and country performance through a formula that is a weighted geometric function of the composite country performance rating, per capita income, and population.¹⁶ A number of MDBs use the PBA to allocate concessional resources but with different weights for each variable. Country performance is often given more weight than per capita income and population.¹⁷

17. MDBs have implemented various approaches in their country allocation frameworks to increase concessional resources to FCAS and SIDS through top-up facilities or preferred vulnerability premiums. The approach aims to provide additional financial support to countries facing significant challenges caused by fragility and vulnerability to external shocks.¹⁸ Since the economic vulnerability premium was introduced in ADF 13 and the special allocation for Afghanistan continued, 10 of the 13 countries receiving grants from country allocations have significant portions (at least 75%) of allocations that are fixed.¹⁹ As a result, the PBA formula has only a marginal impact on the allocation levels for most countries, and whether it meets the objective of incentivizing performance is unclear. Consideration may be given to further adjusting the allocation mechanism to ensure that the PBA component still serves its original purpose of incentivizing improvements in country policies and institutions while taking into account the stability and predictability of allocations. The PBA is discussed in Appendix 3.

18. ODA commitments to concessional assistance SIDS and FCAS are the following:
- (i) **Small island developing states.**²⁰ Sixteen concessional assistance countries are classified SIDS and received 24% of all ADF grants in 2017–2021. ADB's share of all ODA grants to the 10 ADF-only and ADF blend SIDS stood at 13%, more than twice ADB's share of grants to non-SIDS (5%) (Table 5).
 - (ii) **Fragile and conflict-affected situations.**²¹ Twelve concessional assistance countries are FCAS and received 54% of all ADB grants in 2017–2021, close to the proportion of all donor grants that went to FCAS (55%). Afghanistan was the single largest recipient, receiving 70% of ADF grants to FCAS (up to 15 August 2021, when the program was put on hold) (Table 5).

Table 5: Official Development Assistance Commitments to Concessional Assistance Fragile and Conflict-Affected Situations and Small Island Developing States, 2017–2021
(current \$ billion)

Country Classification	Total Donors		ADB		ADB Share of Total	
	Grants	Loans	Grants	Loans	Grants	Loans
SIDS	12.026	3.035	0.906	0.551	8%	18%
Group A SIDS	6.807	0.867	0.905	0.177	13%	20%
Group B SIDS	5.219	2.168	0.001	0.373	0%	17%
Non-SIDS	55.998	72.701	2.840	13.895	5%	19%
Total	68.024	75.736	3.746	14.446	6%	19%
SIDS' Share to Total	18%	4%	24%	4%		
FCAS	37.233	12.752	2.031	2.571	5%	20%
Group A FCAS	33.002	10.957	2.030	2.198	6%	20%
Group B FCAS	4.231	1.796	0.001	0.373	0%	21%

¹⁵ During ADF 12, Myanmar had a special allocation.

¹⁶ IDA and the African Development Fund have PBA formulae with the same components but slight differences in weights.

¹⁷ Other MDBs apply the PBA formula to allocate concessional resources to eligible member countries. Country performance rating has an exponent of 3 under IDA's PBA, while it has 4.125 in the African Development Fund PBA. IDA. 2020. [Building Back Better from the Crisis: Toward a Green, Resilient and Inclusive Future](#). Washington, DC (Annex 3); and African Development Fund. [ADF Country Resources Allocation](#).

¹⁸ ADB. Country Allocation Mechanism for Fragile and Conflict Affected Situations and Small Island Developing States. Paper prepared for the Asian Development Fund 13 (2021–2024) Midterm Review. Unpublished.

¹⁹ The economic vulnerability premium is based on the UN Economic Vulnerability Index, which captures characteristics such as population, remoteness, size of economic base, and vulnerability to climate change. Following structural modifications in 2020, the index was renamed the Economic and Environmental Vulnerability Index. The UN is developing a multidimensional vulnerability index for SIDS.

²⁰ SIDS (Table 2) are a distinct group of 37 UN member states and 20 non-UN members and/or UN regional commission associate members that face unique social, economic, and environmental vulnerabilities.

²¹ FCAS (Table 2) are countries that (i) scored 3.2 or below (on a scale of 0.0–6.0) on the harmonized MDB methodology, which averages ADB's country performance assessments and the World Bank's country policy and institutional assessments; and/or (ii) during the previous 3 years, had in their territory a UN and/or regional peacekeeping or peace-building mission, excluding border-monitoring operations.

Country Classification	Total Donors		ADB		ADB Share of Total	
	Grants	Loans	Grants	Loans	Grants	Loans
Non-FCAS	30.790	62.984	1.7156	11.874	6%	19%
Total	68.024	75.736	3.746	14.446	6%	19%
FCAS' Share to Total	55%	17%	54%	18%		

ADB = Asian Development Bank, FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

Notes: 1. Group A commitments were only for ADF-only and ADF blend countries.

2. SIDS figures exclude (non-ADB) official development assistance (ODA) equity investments of \$20 million in Maldives.

3. FCAS figures exclude non-ADB ODA equity investments of \$41 million (\$11 million in the Lao People's Democratic Republic and \$31 million in Myanmar).

4. The country classification follows the January 2023 ADB country classification.

Sources: ADB commitment database; Organisation for Economic Co-operation and Development's Development Assistance Committee's Commitment Reporting System (CRS) as of June 2023. The CRS recorded ADB grant commitments of \$0.285 billion from the Technical Assistance Special Fund and trust funds.

19. ADF 12 and 13 made up a quarter of ADB's overall FCAS portfolio. Afghanistan (\$3.3 billion), the Lao People's Democratic Republic (\$0.6 billion), Myanmar (\$2.5 billion), Papua New Guinea (\$1.7 billion), and Timor-Leste (\$0.6 billion) together accounted for about 90% of the ADF FCAS portfolio.²² Although ADB placed its regular operations for Afghanistan on hold effective August 2021 and for Myanmar in February 2021, it remains committed to supporting the people of both countries. Hence, projects in Afghanistan and Myanmar remain part of the ADB portfolio. The shares of grants and concessional loans to concessional assistance SIDS and FCAS are not additive as nine SIDS were also classified as FCAS.²³

20. ADF country allocations were provided as grants to countries based on their debt distress classification.²⁴ ADB's Concessional Assistance Policy indicates that access to country allocation grants is based on the risk of debt distress.²⁵ Actual grant allocations were consistent with the allocation system; ADF grants-only countries (at high risk of debt distress) received 97% of their commitments as grants and ADF blend countries (at moderate risk of debt distress) received 51% as grants.²⁶

21. Beginning with ADF 13, ADB strengthened its support for debt sustainability by aligning with IDA's Sustainable Development Finance Policy (SDFP) principles.²⁷ In accordance with the policy, ADB set aside 20% of Maldives' 2022 grant country allocation when an SDFP condition was not met. Subsequently, the financing terms for the remainder of Maldives' 2023 country allocation were adjusted to 50% grant and 50% COL.²⁸

22. Overall, a significant portion of ADF grants were targeted and provided mainly to the 13 most vulnerable ADF grants-only and ADF blend countries, which received 86% of all ADF grant commitments (\$4.12 billion out of \$4.78 billion) (Table A2.3, Appendix 2). The grants to other Group A countries (COL-only and IDA gap countries) and Group B countries were from the thematic pool, pilot PSW,²⁹ and Technical Assistance Special Fund (TASF, donor contribution). ADF grants help alleviate the burden of debt and promote sustainable development, poverty reduction, and resilience building in the poorest countries in the region. However, performance incentives are not clear for concessional assistance countries.

²² ADB. 2023. *Cultivating a Differentiated Approach in Fragile Contexts: FCAS and SIDS Approach 2022 Annual Report*. Manila.

²³ FCAS SIDS are Kiribati, the Marshall Islands, the Federated States of Micronesia, Nauru, Palau, Papua New Guinea, Solomon Islands, Timor-Leste, and Tuvalu. Non-SIDS FCAS are Afghanistan, the Lao People's Democratic Republic, and Myanmar.

²⁴ ADB. 2016. *Concessional Assistance Policy: Policy Paper*. Manila; and ADB. 2020. *Concessional Assistance Policy for the ADF 13 Period*. Manila.

²⁵ The risk of debt distress is determined utilizing the International Monetary Fund or the World Bank Debt Sustainability Analysis (DSA). The DSA uses country debt management data. Such data are reported to the World Bank Debtor Reporting System (DRS) and are more comprehensive. The loans recorded in it are higher than donor-reported loans in the OECD-DAC CRS. A recent estimate comparing the two systems placed DRS loan reporting at some 19% above CRS figures in 2010–2019. World Bank. 2021. *A Changing Landscape: Trends in Official Financial Flows and the Aid Architecture*. Washington, DC.

²⁶ According to ADB's Concessional Assistance Policy, countries at low risk receive no grants, countries at moderate risk receive an ADF grant allocation equivalent to 50% of PBA share, and countries at high risk receive 100% grants.

²⁷ The SDFP has two pillars: a debt sustainability enhancement program, which creates additional incentives for countries to move to sustainable development financing; and a creditor outreach program to facilitate information sharing and mitigate debt-related risks.

²⁸ Pakistan's 2022 and 2023 COL allocations had an additional 10% set-aside.

²⁹ ADF-only and ADF blend countries received grants for disaster recovery and thematic priorities in addition to their country allocations.

23. A significant proportion of countries with relatively lower country performance assessment ratings, based on their policy performance score, predominantly belong to FCAS and SIDS (Table A5.5, Appendix 5).³⁰ The Independent Evaluation Department (IED) assessed country programs of concessional assistance countries over the course of the evaluation period. Most countries with less-than-successful country programs exhibit low scores in country performance assessment policy performance, indicating extensive structural constraints and the need for structural policy reforms, bolstering of institutional capacities, strengthening of policies for social inclusion and equity, and emphasis on quality of public sector management.

B. Disaster Response Support Has Become More Proactive

24. ADF support to disaster response has evolved to changing needs in concessional assistance countries to become more proactive. The Disaster Response Facility (DRF) and subsequently, the DRF+, which finance recovery and reconstruction is complemented by the DRR-CCA window under the thematic pool, which addresses the root causes of disaster risks and includes climate adaptation. The shift to proactive, anticipatory measures focusing on resilience, and a concomitant focus on disaster risk reduction funded through the thematic pool, has resulted in an increasing overlap between the windows. Although the allocation processes for the DRF+ (by country) and DRR-CCA (by project through the thematic pool) differ, their intersection, evident in the growing use of contingent disaster financing instruments, is a positive development, pointing to complementarity.

25. The DRF, piloted in ADF XI to cover severe disasters triggered by natural hazards, was regularized in ADF 12 with an initial grant allocation of \$218 million. Fourteen projects received grant commitments of \$105 million.³¹ In ADF 13, the DRF became the DRF+, which covers severe disasters caused by large cross-border movements of displaced persons as well as public health emergencies, including epidemics and pandemics, and received an initial allocation of \$256 million.

26. The use of the DRF (under ADF 12) and the DRF+ (under ADF 13) has two notable features. First is the support provided as part of ADB's COVID-19 response to DMCs, including through the COVID-19 Pandemic Response Option (CPRO) (Box 1). While the COVID-19 response required a special waiver when it was undertaken, aid for future public health emergencies has now been institutionalized under the DRF+. Second, the policy evolved from focusing on post-disaster response evident in the pilot phase (ADF XI) to continuing investment in contingent disaster financing instruments and resilience in ADF 12 (DRF) and ADF 13 (DRF+). While the evolution has blurred the boundaries between the DRF or the DRF+ and DRR-CCA, the convergence has resulted in ADF support spanning the spectrum of activities in disaster preparedness and response.

27. The DRF and the DRF+ were appropriate for coping with increasing risks and impacts from climate change and disasters,³² including pandemics, and have fortunately not been needed to the full extent (\$130.48 million was committed in grants). Of the DRF+, \$57 million had been committed as of December 2022 for seven projects. About \$57.5 million was earmarked for the Asia Pacific Vaccine Access Facility (APVAX) for 11 small Pacific island countries (PIC-11),³³ but the PIC-11 did not access APVAX as bilateral development partners have supported them with procurement and delivery of vaccines.

³⁰ A policy performance score is the unweighted average of the four performance indicator clusters: economic management, structural policies, policies for social inclusion and equity, and governance. ADB. 2023. [Report on the 2022 Country Performance Assessment Exercise](#). Manila.

³¹ Including COL, 19 projects received \$567 million from the DRF.

³² ADB. 2019. [Strategy 2030 Operational Plan for Priority 3: Tackling Climate Change, Building Climate and Disaster Resilience, and Enhancing Environmental Sustainability, 2019–2024](#). Manila.

³³ Covered by ADB's Pacific Approach 2016–2020, the PIC-11 are the Cook Islands, the Federated States of Micronesia, Kiribati, the Marshall Islands, Nauru, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. With the recent addition of Niue to the group, the countries are now collectively called PIC-12.

Box 1: ADB's COVID-19 Pandemic Response Option for Concessional Assistance Countries

As part of its comprehensive coronavirus disease (COVID-19) response, the Asian Development Bank (ADB) provided rapid support to developing member countries (DMCs) to deal with the COVID-19 pandemic. Using the countercyclical support facility, ADB developed the COVID-19 Pandemic Response Option (CPRO) and approved 27 CPROs for DMCs (\$10.4 billion), with 13 provided for Group A DMCs (\$1.0 billion). Of the 13 CPROs, 10 received Disaster Response Facility funding totaling \$531.7 million: 4 Asian Development Fund (ADF) grants-only (\$73.8 million), 3 ADF blend (\$30.5 million), and 3 concessional ordinary capital resources lending-only countries (\$427.4 million).

COVID-19 Pandemic Response Option Commitments for Concessional Assistance Countries
(number and volume of commitments, 2020–2021)

Country Group	No.	Total ADB (\$ million)	DRF ADF Grant (\$ million)	DRF COL (\$ million)	DRF Total (\$ million)
Group A	13	1,106.93	69.27	462.43	531.70
Grants Only	6	250.00	48.76	25.00	73.76
ADF Blend	3	86.93	20.51	10.00	30.51
COL Only	4	770.00	–	427.43	427.43
Group B	6	1,870.00	–	–	–
Group C	8	7,463.60	–	–	–
Total	27	10,440.53	69.27	462.43	531.70
FCAS (Group A)	5	400.00	12.81	173.91	186.72
SIDS (Group A)	6	136.93	48.94	35.00	83.94

ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, DRF = disaster response facility, FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

Source: Asian Development Bank (Strategy, Policy, and Partnerships Department).

Of the 13 CPROs for Group A DMCs, 9 have program completion reports (PCRs); 2 have PCR validation reports (PVRs): the COVID-19 Active Response and Expenditure Support (CARES) programs for Tajikistan and the Kyrgyz Republic, both assessed *successful*. The CARES programs met access criteria and provided emergency budgetary assistance to fill development financing gaps, assisted the governments with their 2020 financing needs, and carried out timely fiscal stimulus during the crisis. The programs supported national response efforts to manage the effects of the COVID-19 pandemic and mitigate its social and economic impacts on vulnerable groups. However, the program had some design shortcomings and the monitoring framework had weaknesses, as noted in the PVR for the Kyrgyz Republic CARES program, including deficiencies in social outcome indicators and a lack of outcome indicators to assess the program's economic effectiveness.

Sources: Independent Evaluation Department (IED). 2023. [Kyrgyz Republic: COVID-19 Active Response and Expenditure Support Program](#). Manila: ADB; and IED. 2023. [Tajikistan: COVID-19 Active Response and Expenditure Support \(CARES\) Program](#). Manila: ADB.

C. The Thematic Pool and Private Sector Windows Can Be Enhanced

28. Aside from country-based allocations, the ADF 13 hybrid resource allocation framework includes theme-based components. ADF thematic pool grants are designed to support priority development objectives aligned with ADB's Strategy 2030 and to ensure that financing is available for underinvested projects.³⁴ In ADF 13, thematic grant allocations were provided through a thematic pool (\$657 million) consisting of three windows: RCI, including RPGs (indicative share of 40% of the total); DRR-CCA (40%); and the transformative gender agenda of SDG 5 (20%).³⁵ The SDG 5 agenda constituted 19% of grants up to the end of 2022. During ADF 13, Group B countries had access to thematic grant allocations, but their allocation was limited to 10% of the thematic pool. In March 2023, donors agreed to waive the 10% cap for Group B DMCs for the remainder of ADF 13. The decision was made in light of the reclassification of Fiji and the Cook Islands from Group C to Group B and the classification of Niue to Group B in 2021, enabling them to receive allocations from the thematic pool.³⁶ Despite the allocation, the financing available to Group B countries from the pool remains small compared to their needs.

29. Theme-based grants were deployed across an increasing number of windows with specific access criteria; in recent years, more thematic commitments have been made in conjunction with COL-funded projects. In ADF 12, theme-based allocations were provided to Group A countries through a large subregional set-aside window (\$769 million), and a regional health security facility (\$53 million)

³⁴ ADB. ADF 13 Thematic Pool. Paper prepared for the Asian Development Fund 13 Replenishment Meeting. Unpublished.

³⁵ Amount as of the ADF 13 midterm review. The original allocation of \$671 million was reduced by \$14 million because of exchange rate fluctuations. Grants are allocated 40:40:20 across the three windows. Management has some flexibility (up to 10 %) in redeploying resources across the windows.

³⁶ ADB. Chair's Summary. Paper prepared for the Asian Development Fund Midterm Review of ADF 13. Unpublished.

was available to Group A and Group B countries, which together constituted 25% of ADF grants. The ADF 13 midterm review of the thematic pool in March 2023 acknowledged that the resources available for DRR-CCA within the thematic pool may not align with ADB's expanded climate finance aspirations or achieve the scale required to provide substantial concessional financing to DMCs.

30. During 2017–2022, thematic grants amounting to \$740 million were committed to projects, most of which received parallel country grant and/or COL allocations.³⁷ Commitment patterns changed over the period. Initially, during 2017–2020, thematic grants were largely committed in conjunction with grants from country allocations.³⁸ However, since 2021, thematic grants have been increasingly committed with COL allocations (Table 6). Given the limitation on commitments to Group B countries, a larger share (38%) of thematic grant allocations has gone to COL-only and IDA gap countries in Group A.³⁹

Table 6: Funding Sources for Projects with Thematic Grant Funding
(\$ million)

Year	Thematic Grants	Country-Allocated Grants	Country-Allocated COL	Total Project Commitment
2017	11.00	11.00	0	22.00
2018	337.45	75.74	160.48	573.67
2019	102.33	85.96	0	188.29
2020	112.00	114.49	0	226.49
2021	55.80	29.36	85.50	170.66
2022	121.82	61.75	500.26	683.83
Total	740.4	378.3	746.24	1,864.94

COL = concessional ordinary capital resources lending.

Source: Asian Development Bank.

31. The thematic pool's implementation was initially slow but has picked up pace with steady progress in each strategic area. The processing of several projects was affected by delays related to the COVID-19 pandemic, changes in project design, or country-specific political or fiscal circumstances. Yet, the thematic pool supported innovation and transformative projects, including regional health and non-road transport (RCI, including RPGs); adaptation- and resilience-centered designs (DRR-CCA); and measures against gender-based violence and for the care economy (SDG 5). The evaluation observed innovative features and the demonstration value of thematic pool investments during country missions. More projects promote gender equality than before.⁴⁰ Table 7 on ADF 12 set-asides, shows the extent of the special ADF grant commitments achieved. A forthcoming IED gender and development evaluation, for delivery in 2024, will examine ADB operations under Strategy 2030 operational priority 2 and support for SDG 5's transformative agenda.

Table 7: Asian Development Fund Grant Commitment by Fund Subtype, 2017–2022

Fund Subtype	ADF 12		ADF 13	
	Number	\$ million	Number	\$ million
Set-Asides				
Disaster Response Facility	12	97.7	2	7.7
Disaster Risk Reduction	33	173.7	4	14.5
Regional Cooperation and Integration (Regional Pool)	26	483.9	2	36.7
Regional Health Security	7	52.8		
Total Set-Asides		808.1		58.9
Thematic Pool				
Disaster Risk Reduction–Climate Change Adaptation			9	63.1
Regional Cooperation and Integration, including Regional Public Goods			10	66.2

³⁷ Only 6 of 55 thematic grant commitments were for projects that were not supported by other funding from the ADF.

³⁸ The 2018 thematic grants committed in conjunction with COL were from the regional health set-aside (for Sri Lanka and Viet Nam) and for a country then receiving its PBA half as grants and half as loans (Tajikistan).

³⁹ Group A countries receiving country allocations received \$329 million of thematic allocations (compared with \$1,963 million in country allocations) while Group A countries not receiving country grant allocations received \$249 million of thematic allocations.

⁴⁰ Before ADF 13, only one gender equity theme stand-alone project focused on gender-based violence in ADB's operations. To date, the thematic pool has allocated financing for six new projects on gender-based violence, in Cambodia, the Maldives, Nepal, Palau, Tajikistan, and Vanuatu. ADB. Midterm Review of Strategy 2030 Operational Plan for Priority 2: Accelerating Progress in Gender Equality, 2019–2024 (OP2 MTR). Unpublished.

Fund Subtype	ADF 12		ADF 13	
	Number	\$ million	Number	\$ million
Sustainable Development Goal 5: Transformative Gender Agenda			6	41.6
Total Thematic Pool				170.9

ADF = Asian Development Fund.

Note: The Disaster Response Facility, disaster risk reduction, and regional pool resources committed in the ADF 13 period are for projects in the Pacific and the Kyrgyz Republic carried over from ADF 12.

Source: Asian Development Bank (Strategy, Policy, and Partnerships Department).

32. Despite the small average size of projects across thematic areas, ministries of finance that country missions visited and ADB staff regarded the ADF 13 thematic pool as a well-designed arrangement that incentivized special attention to projects focusing on gender equality, RCI, and DRR-CCA. ADB staff acknowledged the instrumental role of the competitive committee-based system for fund application within ADB, which facilitated timely project proposals and incentivized their high quality. ADB resident missions in Central Asia expressed their support for the thematic pool, seeing it as contributing an additional 15%–20% to the country allocations on merit-based proposals. The allocation of ADF 13 thematic funds is 90% for Group A countries and 10% for Group B countries, with 29% for Group A and Group B FCAS and 36% for Group A and Group B SIDS (Table A2.5, Appendix 2). About 38% of the thematic pool is allocated to Group A countries that do not receive a country allocation (IDA gap and COL only).

33. Establishing PSW operations faces a number of challenges. Uptake of the pilot PSW in Group A countries has been limited because of external factors, including delays caused by restrictions during the COVID-19 pandemic, as well as internal factors, including limited staff support for private sector operations in Group A countries. In ADF 13, a pilot PSW of \$63 million (about 2% of grant resources) was established to promote private sector growth and investment and mobilize private finance in Group A countries. The pilot PSW offered three products: local currency finance, blended finance, and loan guarantees. It was designed based on the experience of ADB with concessional and/or blended finance facilities as well as that of the African Development Bank Private Sector Credit Enhancement Facility and IDA's PSW. A pipeline of potential transactions in nine Group A countries was identified.

34. Progress until the ADF 13 midterm review was modest, with three project approvals of \$16.3 million and three more approved concepts for transactions in the pipeline,⁴¹ amounting to \$21.9 million or 35% of allocation.⁴² The limited uptake is attributed to delays in project development, which was seen more broadly in nonsovereign operations in concessional assistance countries.⁴³ Underlying causes included the impact of COVID-19, which has decreased investment appetite; lack of sponsor capacity and/or experience in dealing with international financial institutions; and limited presence of ADB's nonsovereign operations staff in Group A countries (footnote 42).

35. ADF 12 and 13 listed supporting private sector development as a priority. However, in Group A countries, the private sector faces several challenges. Inadequate support for private sector growth, weak institutions, and unique contextual complexities are prevalent in these settings. Group A countries have poor enabling environments for private sector development, and numerous prospective projects involve risks beyond ADB's conventional scope, even with PSW assistance. The risks often hold systemic implications, with limited avenues for mitigation through private sector financial mechanisms. In SIDS, a differentiated approach is needed that includes thorough assessments of binding constraints facing private sector development in each country. Tailoring other requirements, such as safeguard requirements, and providing clear guidelines would be beneficial in FCAS and SIDS.⁴⁴

D. Cofinancing Is Decreasing in Group A Countries

36. Cofinancing of ADF operations is decreasing in Group A countries but remains important. The composition of Group A countries changes as some countries move from one group to another, in line

⁴¹ The transactions are a \$10.00 million blended finance grant to support wind power generation, a \$5.25 million partial guarantee to support agribusiness, and \$1.00 million in viability gap funding for one of ADB's first private sector blue economy projects. ADB has obtained Blended Finance Committee endorsement for three projects in the Kyrgyz Republic, Maldives, and Nepal.

⁴² ADB. Pilot Private Sector Window. Paper prepared for the Asian Development Fund 13 Midterm Review. Unpublished.

⁴³ During 2017–2022, \$872 million in nonsovereign operations was committed to Group A countries: Afghanistan (\$14 million), Cambodia (\$75 million), Maldives (\$9 million), Myanmar (\$742 million), Nepal (\$30 million), and Samoa (\$2 million). The total constituted less than 1% of \$12.2 billion of nonsovereign operations commitments over the same period.

⁴⁴ IED. 2020. *Effectiveness of the 2009 Safeguard Policy Statement*. Manila: ADB.

with ADB's Graduation Policy. Under ADF 13, most concessional assistance countries are either FCAS or SIDS. Placing a hold on the programs in Afghanistan in August 2021 and Myanmar in February 2021 represent a change from previous replenishments. In 2013–2018, Afghanistan received the largest share of concessional cofinancing of grants, primarily from the Afghanistan Infrastructure Trust Fund.⁴⁵

37. The ADF's leveraging role—tying grants with concessional loans from ADB or grants and loans from other development partners—has been significant since ADF X (15%–90% of ADB's own financing for Group A and Group B over 2009–2022). However, the peak of cofinancing, during ADF XI (2013–2016), appears to be over. The reasons for the decline are unclear (Table A2.7, Appendix 2). Some exceptional project cofinancing over 2013–2016 distorts the figures.⁴⁶ But ADF operations in Group A countries are less able to leverage cofinancing than other groups, except for Group A SIDS, which still benefit from considerable support from several major bilateral development partners (Australia, New Zealand, Japan, the People's Republic of China, and the United States).

38. Cofinancing during the COVID-19 pandemic has had some positive aspects. As the ADF 13 donor paper highlights, the combination of loans and grants enabled ADB to generate substantial investments in countries that initially hesitated to borrow for health programs, including primary health care. During ADF 12, about \$53 million in regional health security grants was leveraged, which helped implement four projects worth about \$200 million.

E. The Policy-Based Lending Ceiling Is Due for Review

39. ADB budget support grants provide flexibility to Group A governments in keeping with global development cooperation commitments. PBL operations are especially relevant in Group A countries,⁴⁷ particularly FCAS and SIDS, where policy reform agendas can contribute to institution building, address immediate crises, and support longer-term reform to foster an enabling environment for development.

40. ADB's PBL has a ceiling of 22.5% for concessional finance, introduced in 1992 because of the high incidence of PBLs (then called program lending) from the ADF. Given the spike to 24.6% (3-year rolling average) in 2021, the 22.5% ceiling was breached in 2019–2021. ADB obtained a waiver from ADF donors and, subsequently, from the Board.⁴⁸ The ceiling breach arose from PBL to four countries (particularly Pakistan), which accounted for 75% of all concessional finance PBLs; none of the countries was eligible for country grant allocations.⁴⁹ In 2022–2024, a different system is in place for PBLs, whereby a total ADB commitment value of \$18 billion temporarily replaces the 20% ceiling of sovereign operations on a 3-year rolling average basis. For concessional assistance PBLs, the 22.5% ceiling remains in effect (footnote 48). Instead of a specific ceiling for development policy financing, the World Bank has a reporting requirement for the anticipated share of policy-based commitments on a 3-year rolling average.⁵⁰ The African Development Bank has a higher concessional finance ceiling at 25% and the Inter-American Development Bank at 30%.

41. The use of PBLs has been linked to crisis response in vulnerable countries and has been well regarded by ADF FCAS and SIDS as highly relevant and efficient during sudden-onset disasters, providing critical fiscal support in times of urgent need amid difficult policy choices.⁵¹ With increasing challenges of climate adaptation and mitigation, utilizing the PBL modality to engage with DMCs facing climate-related issues could drive demand for climate focused PBLs. The likelihood of a breach remains high and a review of the ceiling for ADF grants-only countries is, therefore, well overdue.

⁴⁵ IED. 2019. *Relevance and Results of Concessional Finance: ADF XI and 12*. Manila: ADB.

⁴⁶ Cofinancing in Group A (particularly COL only) in 2016 was an outlier; two projects in Myanmar had an aggregate collaborative cofinancing of \$1.3 billion from Japan and the World Bank, driving up the total of Group A to \$2.0 billion for the year (pre- and post-2016 maximum levels were within \$500 million–\$600 million per year).

⁴⁷ For PBL, "lending" and "loan(s)" include ADF grant(s) and guarantee(s), except that ADB's policy-based guarantee and special PBL are financed only from regular OCR. ADB. 2023. *Policy-Based Lending. Operations Manual*. OM/D4. Manila.

⁴⁸ ADB. 2022. *Strategic Management of Policy-Based Lending, 2022–2024*. Manila.

⁴⁹ The four countries and their share of concessional PBL are Cambodia (4%), Nepal (4%), Pakistan (59%), and Uzbekistan (8%).

⁵⁰ World Bank. 2006. *Development Policy Operations. IDA Operations Policy and Country Services*. Washington, DC.

⁵¹ PBLs in the Pacific are often connected to periods of crises. IED. 2018. *ADB's Policy-Based Lending, 2008–2017: Performance, Results, and Issues of Design*. Manila: ADB.

CHAPTER 2

Relevance and Performance

42. The changing landscape of Asia and the Pacific, characterized by unprecedented crises, will substantially affect outcomes and results of ongoing ADF 12 and 13 operations. The ADF's aggregate performance over 2019–2022 has been significantly impacted by the polycrisis and by regime changes in Afghanistan in August 2021 and Myanmar in February 2021, resulting in the suspension of ADB programs in those countries. ADF grants are instrumental in offering a social safety net to the most vulnerable countries in the region, providing crucial support during challenging times.

A. The Asian Development Fund Is Relevant to Concessional Assistance Countries

43. ADF 12 and 13 grants have been relevant to ADB's and concessional assistance countries' strategies. The ADF remains highly relevant in a time of unprecedented geopolitical and economic challenges. ADB selected relevant operations for concessional assistance countries and operationalized ADF 12 and 13 priorities over 2017–2022. Appendix 2 provides additional details on the relevance of ADF operations.⁵²

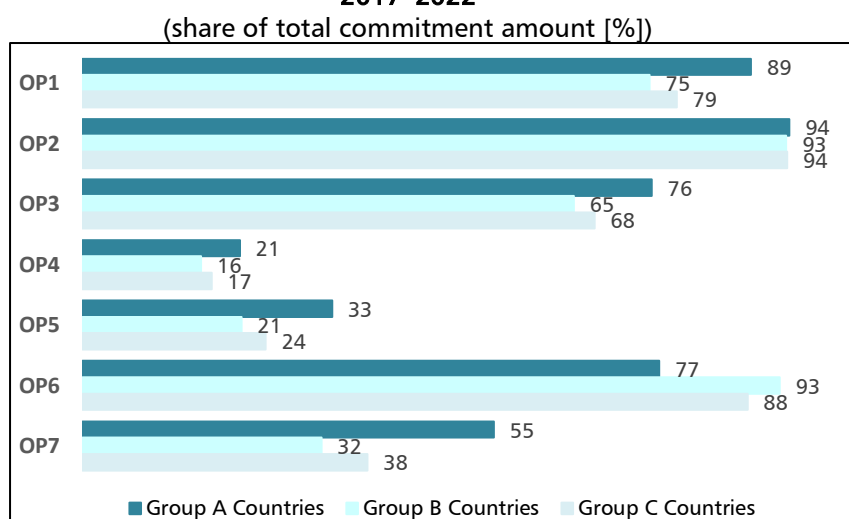
44. In previous replenishments, completed operations in Group A countries were strongly aligned with ADB and country strategies, indicating that ADB has done well in sector and project selection and identification. The result is higher relevance ratings of completed operations in Group A countries compared to effectiveness, efficiency, and sustainability ratings (Table A5.2, Appendix 5).

45. Group A countries received funding for 237 operations (\$9,817 million) from ADF 12 and for 91 operations (\$2,786 million) up to 31 December 2022 from ADF 13. ADF 12 and 13 operations align with Strategy 2030 operational priorities, and ADF 13 is the first replenishment to implement Strategy 2030 during its full cycle. A higher proportion of operations is tagged as related to RCI (operational priority 7), the environment (operational priority 3), and gender equality (operational priority 2) in Group A than operations tagged for these thematic areas in Group B countries (Figure 1). The ADF's thematic interest in RCI (including RPGs), DRR-CCA, and gender, in which countries are thought to underinvest, has led to more ADF financing and projects in those areas.

46. RCI is an ADF priority. In ADF 12, at least 10% of ADF and/or COL was to be allocated to RCI, including RPGs; the target was achieved (as it was in ADF XI). An estimated \$484 million was committed to operations classified as regional, including one allocated to a Group B country (\$100 million for the Bangladesh Emergency Assistance Project, dealing with the influx of displaced persons from Myanmar [Chapter 3]).

⁵² ADF 12 priorities included (i) gender; (ii) fragility; (iii) food security; (iv) private sector development; (v) governance, climate change, and disaster response; and (vi) RPGs. ADF 13 priorities are (i) supporting FCAS and SIDS; (ii) achieving the SDG 5 transformative gender agenda; (iii) mitigating climate change and supporting disaster resilience; (iv) fostering RCI, including providing RPGs; (v) supporting private sector operations in Group A countries; and (vi) enhancing debt sustainability.

Figure 1: Commitments for Strategy 2030 Operational Priorities in Group A Countries, 2017–2022



OP = operational priority, Group A = concessional assistance-only countries, Group B = ordinary capital resources blend countries.

Notes: 1. OP1: addressing remaining poverty and reducing inequalities; OP2: accelerating progress in gender equality; OP3: tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4: making cities more livable; OP5: promoting rural development and food security; OP6: strengthening governance and institutional capacity; OP7: fostering regional cooperation and integration.

2. Percentages are based on commitment amounts. In most cases, operations contributed to more than one OP.

Source: Asian Development Bank (Independent Evaluation Department).

47. ADF 12's objective to address food security in Group A countries led to more commitments, although these were relatively smaller than those for other operational priorities. Promoting food security was among the seven ADF 12 key priorities. Social protection operations increased as did efforts to strengthen food security during the COVID-19 pandemic.⁵³ While all COVID-19 PBL operations included social protection and food security, the 14 social protection operations to which ADB committed in 2022 brought the share of such operations to 14% of all ADB commitments in the reporting period 2020–2022, up from 12% in 2019–2021 (footnote 53). Other work on ADF food security went through significantly enlarged operations in agriculture, natural resources, and rural development.

48. Priorities on governance and institutional capacities were tackled less in Group A than in other groups, which is a concern in light of the weak country performance assessment policy performance of Group A FCAS and SIDS. Improving governance and capacities was one of the seven priorities highlighted in the ADF 12 donor paper. Public sector management operations in Group A countries remained static from 2011 to 2016, accounting for 11% of the total financing in that period and continued at the same level during 2017–2022 (Table A2.6, Appendix 2). The investments were smaller than those for Group B and C countries. Financing for Group B countries was 15% on average, with dips (6% over 2011–2016) and peaks (20% over 2017–2022). It was also the case for Group C countries: 22% of the financing was in public sector management over the whole period, with dips and peaks (from 17% over 2011–2016 to 25% over 2017–2022). While total financing is smaller in Group A, the number of operations is relatively higher than in Groups B and C. However, the number of operations grew at a slower pace between 2011–2016 and 2017–2022 in Group A than in Groups B and C (Table A2.6 Appendix 2). A higher number of operations, but with low volume of financing, point to Group A countries' limited absorptive capacity to take on larger-scale operations. However, if not programmatic, focusing on smaller operations could mean delays in achieving transformative change in public sector management, and potentially higher personnel, administrative processing, and management costs. In all three country groups, PBLs and

⁵³ ADB. 2023. [2022 Development Effectiveness Review](#). Manila.

countercyclical support facilities, including the CPRO, were important vehicles for helping countries through difficulties and crises.

49. ADF operations are well regarded by central ministries and development partners. The finance and planning ministries in the countries visited had high support for ADF programs. Coordination is done well through formal platforms in all five mission countries.⁵⁴ Formal mechanisms such as the joint policy reform matrixes and joint policy reform groups in the Pacific have been important in coordinating development efforts and beneficial to governments, helping reduce the burden of coordinating with multiple development partners.⁵⁵ Joint policy reform groups present an opportunity for development partners to collaborate and align on policies and to support more substantive reforms moving forward.

50. The amount of ADF grant financing available to Group B is relatively small compared to needs in RPGs and the SDG 5 transformative gender agenda. Group B countries have access to the TASF and to ADF grant financing limited to \$61 million through the thematic pool of ADF 13; ADF 12 had no grant financing for Group B countries.

B. Performance Overall Is Unchanged but Declining in Small Island Developing States

51. Overall performance of ADF operations in Group A countries (Appendix 5) was evaluated using project or program completion report validation reports (PVRs) and project or program performance evaluation reports (PPERs) over 2011–2016 and 2017–2022. In 2011–2022, 196 projects were completed and independently validated in Group A countries, with most approved before ADF 12 and 13.⁵⁶ The evaluation drew from IED's country partnership strategy (CPS) final review validations (CPSFRVs) of concessional assistance countries (2017–2022). The PIC-11 do not have individual country performance ratings or strategies (footnote 33). Instead, the evaluation relies on the validation of the Pacific Approach, 2016–2020.⁵⁷

52. In 2011–2016 and 2017–2022, the aggregate success rate for completed ADF projects in Group A countries remained at 69%, indicating no improvement in project performance (Figure 2). ADF success rates in Group A were roughly the same for ADB overall. The figure illustrates the overall percentage of *highly successful* or *successful* ratings, based on IED validations, for mostly pre-ADF 12 approved projects that had been completed and validated.

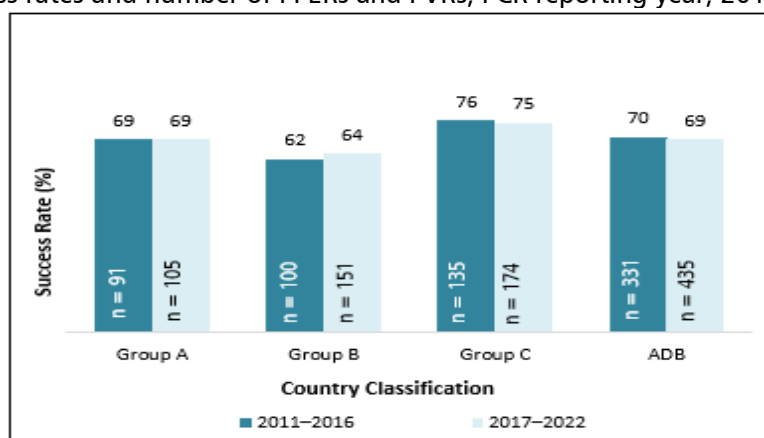
⁵⁴ The evaluation team conducted country missions to the Kyrgyz Republic, the Marshall Islands, Solomon Islands, Tajikistan, and Tonga.

⁵⁵ The country partnership strategy final review validation of the Pacific Approach concluded that absorptive capacity in the Pacific increases when ADB collaborates with other development partners to provide support jointly, e.g., through policy-based loans and grants, as the joint policy reform matrix approach reduces the burden on government counterparts. Agreement on the matrix helps (i) ensure consistency of advice and approach, (ii) ensure government ownership and commitment, and (iii) reduce the burden on small governments that would otherwise need to engage separately with multiple development partners. IED. 2020. [Pacific Approach: Validation of the Country Partnership Strategy Final Review, 2016–2020](#). Manila: ADB.

⁵⁶ Of the validated project or program completion reports in Group A countries during the period, 50% were for projects in grants-only countries and ADF blend countries and 50% for COL-only countries. A total of 58.7% of all PVRs and PPERs for project or program completion reports circulated during 2011–2022 were for projects in FCAS and SIDS.

⁵⁷ The Pacific Approach serves as ADB's operational framework for the Pacific region and represents the collective country strategy for the PIC-11. IED. 2020. [Pacific Approach: Validation of the Country Partnership Strategy Final Review, 2016–2020](#). Manila: ADB.

Figure 2: Project Performance by Country Classification
(success rates and number of PPERs and PVRs, PCR reporting year, 2011–2022)



Group A = concessional assistance-only countries; Group B = OCR blend countries; Group C = regular ordinary capital resources countries; n = number of PVRs or PPERs or number of evaluated PCRs, PPERs, or PVRs; PCR = project or program completion report; PPER = project or program performance evaluation report; PVR = project or program completion report validation report.

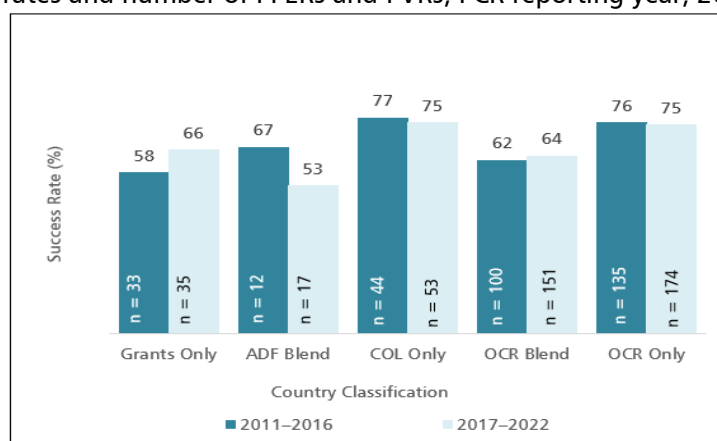
- Notes: 1. The country classification follows the 2022 ADB country classification in line with reporting in Independent Evaluation Department (IED). 2023. [Annual Evaluation Review 2023: What Explains ADB's Project Performance, 2016–2022](#). Manila: Asian Development Bank (ADB).
2. Reporting year for success ratings is based on the date that the project or program completion report was circulated. For a given year, reporting year covers completion reports circulated from 1 July to December 31 of the previous year and from 1 January to 30 June of the following year.

Source: Asian Development Bank (Independent Evaluation Department).

53. Success rates among Group A countries vary depending on country classification. ADF grants-only countries improved from 58% (2011–2016) to 66% (2017–2022), indicating an upward trend (Figure 3a). Following the same trend, FCAS countries demonstrated modest improvements in success rates (Figure 3b).

Figure 3a: Project Performance in Concessional Assistance Countries and Ordinary Capital Resources Countries

(success rates and number of PPERs and PVRs, PCR reporting year, 2011–2022)



ADF = Asian Development Fund; COL = concessional ordinary capital resources lending; n = number of PVRs or PPERs or number of evaluated PCRs, PPERs, or PVRs; OCR = ordinary capital resources; PCR = project or program completion report; PPER = project or program performance evaluation report; PVR = project or program completion report validation report.

performance evaluation report; PVR = project or program completion report validation report.

Note:

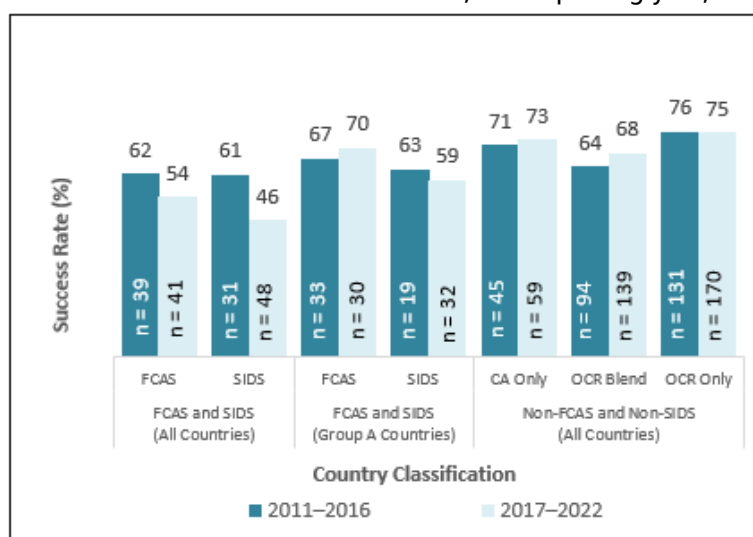
1. The country classification follows the 2022 ADB country classification in line with reporting in Independent Evaluation Department (IED). 2023. [Annual Evaluation Review 2023: What Explains ADB's Project Performance, 2016–2022](#). Manila: Asian Development Bank (ADB).

2. Reporting year for success ratings is based on the date that the project or program completion report was circulated. For a given year, reporting year covers completion reports circulated from 1 July to December 31 of the previous year and from 1 January to 30 June of the following year.

Source: Asian Development Bank (Independent Evaluation Department).

54. Among grants-only countries, particularly FCAS and SIDS, there are disparities in success rates across country classifications, reflecting the unique challenges they face. The performance of all ADB FCAS declined, but success rates for Group A FCAS improved marginally from 67% in 2011–2016 to 70% in 2017–2022. While for SIDS in Group A, project performance slipped from 63% to 59% over the same evaluation period (Figure 3b). The performance of SIDS across ADB country groups dropped from 61% to 46%. Symptoms of fragility continue to constrain performance of ADF operations in FCAS and SIDS.

Figure 3b: Project Performance in Group A Countries, FCAS and SIDS
(success rates and number of PPERs and PVRs, PCR reporting year, 2011–2022)



CA = concessional assistance; FCAS = fragile and conflict-affected situations; n = number of PVRs or PPERs or number of evaluated PCRs, PPERs, or PVRs; OCR = ordinary capital resources, PCR = project or program completion report; PPER = project or program performance evaluation report; PVR = project or program completion report validation report; SIDS = small island developing states.

Note: The country classification follows the 2022 ADB country classification in line with reporting in Independent Evaluation Department (IED). 2023. [Annual Evaluation Review 2023: What Explains ADB's Project Performance, 2016–2022](#). Manila: Asian Development Bank (ADB).

Reporting year for success ratings is based on the date that the project or program completion report was circulated. For a given year, reporting year covers completion reports circulated from 1 July to December 31 of the previous year and from 1 January to 30 June of the following year.

Source: Asian Development Bank (Independent Evaluation Department).

55. Project performance in ADF blend countries declined the most, by 12 percentage points, slipping to 53% in 2017–2022 from 67% during 2011–2016 (Figure 3a). The Kyrgyz Republic CPSFRV identifies

slow project implementation and limited capacity of line ministries as a key issue.⁵⁸ Project performance in Solomon Islands and Vanuatu has issues, such as environmental vulnerabilities and institutional weaknesses, similar to those in the rest of the Pacific. Overall performance in the Pacific remained low, largely attributed to the inherent complexities and challenges faced by FCAS.⁵⁹ Still, Solomon Islands and Vanuatu performed better than average among Pacific countries (2017–2022), with overall success rates of 50% (Solomon Islands) and 67% (Vanuatu).⁶⁰

56. The evaluation's five country missions found that counterpart agencies and development partners perceived project efficiency to be influenced by ADB's response time, which was specifically challenging in SIDS; ADB's presence in the countries; and weak local implementation capacity, particularly in the Kyrgyz Republic and the Pacific, attributed to frequent turnover and the small number of government staff and limited pool of local consultants.

57. Across all ongoing ADF 12 and 13 operations, portfolio performance monitoring indicates a positive trend. The percentage of on-track operations improved up to 2021 (Table A5.8, Appendix 5).⁶¹ But in 2022, a total of 59% of SIDS projects were *on track*, down from 67% in 2021.⁶² Projects rated *for attention* increased to 35% in 2022 from 18% in 2021. Projects rated *for attention* had low contract award and disbursement rates.

58. ADB staff interviewed said that insufficient government capacity and onerous national systems affected operations' efficiency. Delays caused by COVID-19-related restrictions compounded implementation challenges. Rising costs of imported equipment and materials resulted in significant overruns and reduced capital for new ADF operations, including climate action projects.⁶³

59. In the case of public sector management operations in ADF grants-only countries, the success rate slightly surpasses the overall average: with a rate of 74%, compared with the ADB average of 73% for 2011–2022. Notably, the success rate of public sector management operations improved slightly during 2017–2022 (76%) from 2011–2016 (71%) (Figure A5.2, Appendix 5).

60. The success rates of operations tagged for gender and environmental operations approved in 2011–2022 have consistently been 65%–75% based on PVRs and PPERs for ADF grants to Group A countries.⁶⁴ Among the three thematic areas, RCI-tagged operations had comparatively lower success rates in ADF grants-only and ADF blend countries (64%) in 2011–2022 than in Group B countries (83%) and ADB overall (74%) (Table A5.3, Appendix 5). However, a limited number of completed ADF 12 and 13 operations with validated ratings were available as of the evaluation.

61. All ongoing ADF 12 and 13 investment projects reviewed by the evaluation missions in the Kyrgyz Republic and Tajikistan are generally on schedule or will be making up for time lost during the pandemic. Projects are anticipated to reach expected disbursement rates with no significant cancellations. The three missions in the Pacific reported good progress in most of the ongoing projects although capacity remains constrained. In Solomon Islands and Tonga, ADB staff and government officials believe that most ongoing projects are making good progress and have potential for high development impact. In the

⁵⁸ IED. 2022. [Kyrgyz Republic: Validation of the Country Partnership Strategy Final Review, 2018–2022](#). Manila: ADB.

⁵⁹ IED. 2020. [Pacific Approach: Validation of the Country Partnership Strategy Final Review, 2016–2020](#). Manila: ADB.

⁶⁰ Aside from the Improving Fiscal Sustainability Reform Program (approved in 2018), the following projects and programs were assessed *successful* in PVRs: (i) Transport Sector Flood Recovery Project (2014), (ii) Economic Growth and Fiscal Reform Program (2016), (iii) Second Road Improvement (Sector) Project (2009), (iv) Post-Conflict Emergency Rehabilitation Project (2000), and (v) Economic and Financial Reform Program (2013). The following were assessed *below the line*: (i) Domestic Maritime Support (Sector) Project (2009) and Transport Sector Development Project (2010), *less than successful*; and (ii) Provincial Renewable Energy Project (2014), *unsuccessful*.

⁶¹ Under ADB's project performance-rating system, ongoing projects are rated using five indicators: outputs, contract awards, disbursements, financial management, and safeguards. A three-level traffic light rating system applies: green is *on track*, amber *for attention*, and red *at risk*.

⁶² ADB. 2023. [2022 Annual Portfolio Performance Report](#). Manila.

⁶³ In the Kyrgyz Republic and Tajikistan, about \$100 million has been lost to unexpected costs, while in the Pacific, cost overruns are about \$100 million. ADB. [Asian Development Fund 13](#).

⁶⁴ IED, 2022 annual evaluation review database.

Marshall Islands, several ongoing projects are recovering ground lost during the pandemic and expected to achieve their development objectives, with TA playing an important role in supporting project implementation.

62. Results of ADF 12 and 13 operations in Group A countries are likely effective but there is room for improvement to maximize their impact considering that most of the projects are in progress. The changing context since 2020, including the effects of the COVID-19 pandemic and the Afghanistan and Myanmar developments, has to temper expectations of overall ADF results, particularly in Group A countries, including FCAS and SIDS. Assessing the impact of ADF grants in Group A countries has limitations, given low monitoring and evaluation (M&E) capacity. As of early 2023, with most ADF 12 and 13 operations still ongoing, only 10 PVRs were available. Of the 10 ADF 12 projects with PVRs, 9 were PBL operations, including 2 countercyclical support facilities (Box 1, CPROs), and 1 was an investment project.

C. Gaps in Monitoring and Evaluation Constrain Impact Measurement

63. With limited use of M&E systems for learning, demonstrating the impact of ADF grants and improving project performance based on evidence are challenging. Previous IED evaluations have underlined the inadequacy of M&E systems in fostering learning and accountability and in enabling effective reporting in FCAS and SIDS (footnote 45). M&E systems in FCAS may not consistently deliver timely information necessary for making adjustments and course corrections.⁶⁵ CPSFRVs found weaknesses in CPS results frameworks and indicate that inadequate results monitoring impedes learning from country level implementation experience to inform future country programs (Appendix 6). Endorsed by the Development Effectiveness Committee, recommendations from IED's previous evaluations are included in the Management Action Record System, which supports ADB's commitment to accountability and learning.⁶⁶ While management has made significant strides in implementing recommendations from IED's evaluations of ADF X and XI, and ADF XI and 12, additional actions could be pursued based on these recommendations (Box 2).

64. Although considerable improvements have been made in M&E at the corporate level, individual project level M&E remains inadequate. Project M&E puts greater emphasis on measuring outputs and less on measuring outcomes, and the lack of appropriate outcome indicators hinders the collection of outcome results. In FCAS and SIDS, availability of reliable data remains a persistent concern throughout the project cycle. Data collection efforts, such as the utilization of baseline and endline surveys, are limited, resulting in insufficient information about project and program performance. While new approaches are being piloted (Table A6, Appendix 6), differentiated approaches to project M&E have not been mainstreamed in concessional assistance countries, particularly FCAS and SIDS. For example, ADF has no performance assessment framework or tool similar to IDA's Results Measurement System, exacerbating challenges in obtaining evidence to assess the performance of ADF grants compared with other funding sources. The need to tailor M&E systems to country contexts and build country M&E capacity is even greater for Group A countries and in FCAS and SIDS. ADB must bolster country and project monitoring systems by using more baseline and endline surveys, and using indicators oriented to FCAS and SIDS' drivers of fragility and conflict.⁶⁷ Ultimately, the gaps in M&E should be bridged and adaptive learning integrated into project cycles to utilize knowledge on what works in local contexts and improve project design and implementation based on evidence.

⁶⁵ IED. Validation Report: Country Partnership Strategy Final Review, 2015–2020 in Afghanistan. Unpublished.

⁶⁶ IED. 2023. [2023 Annual Evaluation Review: What Explains ADB's Project Performance, 2016–2022](#). Manila: ADB.

⁶⁷ IED. 2022. [2022 Annual Evaluation Review: Fragile and Conflict-Affected Situations and Small Island Developing States](#). Manila: ADB.

Box 2: ADB Actions on Prior Asian Development Fund Evaluation Recommendations

The Asian Development Bank (ADB) has taken important steps to operationalize recommendations from the Independent Evaluation Department (IED) evaluations of Asian Development Fund (ADF) X and XI (2015) and ADF 11 and 12 (2019). ADB focuses on improving support to fragile and conflict-affected situations (FCAS) and small island developing states (SIDS) and on strengthening support for inclusive and environmentally sustainable growth, with increased efforts to improve disaster risk reduction and climate change adaptation (DRR-CCA).

ADF evaluations have underscored the significance of supporting concessional assistance countries and allocating additional resources for CCA, especially in SIDS. In response to recommendations from the ADF X and XI evaluation report, the Disaster Response Facility, piloted in ADF XI for concessional assistance-only countries, was regularized in ADF 12, while in ADF 13, a single thematic pool has been established for DRR-CCA. Progress has been made in streamlining grant set-asides and providing incentives to mainstream DRR-CCA and gender equality through (i) the Expanded Disaster and Pandemic Response Facility; and (ii) the ADF 13 thematic pool, which includes regional cooperation and integration, DRR-CCA, and the transformative gender agenda.

IED recommended that ADB systems be tailored to meet the needs of FCAS and SIDS, including by devoting resources to a centralized FCAS unit and boosting results monitoring, evaluation, and reporting. In response, Management appointed an advisor for conflict-affected situations and staff to the Climate Change and Sustainable Development Department. As part of the FCAS and SIDS Approach, broader indicators with targets were developed.

Although it has taken action, ADB must continue to (i) improve monitoring, evaluation, and reporting on ADF grant projects; and (ii) strengthen DRR-CCA in concessional assistance-only countries, particularly FCAS and SIDS.

As recommended by the ADF 11 and 12 evaluation, ADF grants and concessional ordinary capital resources lending (COL) were allocated separately under ADF 13; COL was allocated based on a combined performance-based allocation (PBA) and need-based mechanism. However, the use of PBA in the processes may be reconsidered.

Source: Asian Development Bank (Independent Evaluation Department).

D. Technical Assistance Is Critical to Concessional Assistance Countries

65. The TASF is a key component of ADB's knowledge services and capacity building in concessional assistance countries in line with ADB Strategy 2030, which highlights ADB as a knowledge institution.⁶⁸ TASF replenishments coincide with ADF replenishments and are cited as important to ADF operations' success.⁶⁹ Lack of capacity is a binding constraint in concessional assistance countries, particularly FCAS and SIDS. Technical assistance (TA) has been highly valued by government counterparts interviewed during the evaluation's missions and is often linked to programs' success. However, while TA is highly relevant, effectiveness in SIDS may be constrained by low absorption capacities, calling for a long-term strategy tailored to local contexts. Based on mission findings, Box 3 provides insights into capacity development. Box 4 outlines the approaches employed to address capacity constraints in the Pacific, specifically in the Marshall Islands.

66. In 2022, Group A countries received about 20% of the \$1.93 billion TA portfolio from ADB country operations and 18% of the \$1.13 billion regional TA. Nevertheless, the share of resources to Group A countries remained marginally lower than TA resources going to Group B (24%) and C (22%) countries because loan- and grant-based operations in Group A constitute only about 15% of the value of the total ADB portfolio.

⁶⁸ ADB's Strategy 2030 highlights ADB's continued relevance as a knowledge institution in light of the rapid changes in Asia and the Pacific. ADB's role as a knowledge provider includes generating, capturing, and sharing tacit and explicit knowledge through various products and services by allocating and utilizing TA, among others. The role involves working closely with DMCs to meet their needs and integrating knowledge into financing and capacity building throughout the operational cycle, while supporting institutional capacity building and policy dialogue in DMCs.

⁶⁹ ADB. Technical Assistance Special Fund 7. Paper prepared for the Asian Development Fund 13 Midterm Review. Unpublished.

Box 3: Views on and Experiences with Technical Assistance and Capacity Development in the Pacific

Tonga. Several areas in the public and private sectors require long-term and consistent capacity building. Increased outmigration of skilled workers to Australia and New Zealand complicates efforts to build institutional and personnel capacity. Respondents suggest that the Asian Development Bank (ADB) could pay attention to strengthening implementing agencies through sustained and long-term approaches, as whether a cohesive strategy is in place for capacity development is unclear. According to an implementing agency official, ADB's capacity development support often focuses on meeting ADB requirements. While knowledge of ADB requirements is valuable, capacity development should also focus on fostering the organization's long-term capacity. The Ministry of Finance and the Planning Office have said the country needs assistance in strengthening its monitoring and evaluation capabilities and systems.

Solomon Islands. ADB has contributed to strengthening capacity in various sectors (e.g., infrastructure [roads], solid waste management), but views differ as to whether capacity development is adequate. While ADB supports capacity development through its various projects, some training is oriented to meeting its own requirements. The country needs long-term capacity development in areas such as asset management and strengthening of organizations and their operations in general, rather than just ADB administrative requirements. Long-term support was viewed as essential for core government functions, such as planning and budgeting.

Source: Asian Development Bank (Independent Evaluation Department).

67. ADB utilizes a principles-based approach and introduced a TASF allocation framework to ensure that the most vulnerable countries receive adequate TA.⁷⁰ The TASF allocation framework ensures that sufficient resources are available to FCAS, SIDS, and Group A DMCs before support goes to Group B and then Group C countries. During 2021–2022, ADB allocated \$139 million to FCAS, SIDS, and Group A DMCs, of which \$135 million or 97% was committed (footnote 69). Considering the challenges Group A countries face in capacity building and, consequently, the greater need for project design and preparation support, increased TA support is an appropriate step.⁷¹ IED's CPSFRVs show that concessional assistance countries, particularly FCAS and SIDS, continue to contend with weak capacity, which, in turn, affects country project performance.

68. The strategic use of TA becomes crucial as FCAS and SIDS seek ADB's long-term capacity development support in key areas. In the Pacific, government officials and development partners have emphasized the importance of enhancing national emergency management offices and overall DRR and disaster risk management capabilities. This includes supporting regional cooperation among these national agencies due to the rising frequency and severity of disasters in Pacific SIDS. Leveraging TA presents an opportunity to bolster capacity in this vital area within SIDS, ultimately contributing to the achievement of the Sustainable Development Goals. TA operations in FCAS and SIDS may underperform, and a lack of absorptive capacity may have a greater impact on TA effectiveness than other types of operations. ADB country offices with limited resources, such as those in SIDS, can influence the effectiveness of TA operations (Table A5.9, Appendix 5).

69. Relative to Group B and C countries, Group A countries have exigent needs and high demand for capacity development and project preparation support. Most TASF finance went to capacity development (\$125 million in 2021–2022 [51%]), followed by project preparation (\$83 million [34%]). The rest went to policy advice (\$23 million [9%]) and research and development (\$16 million [6%]) (footnote 62). Across ADB, 58% of TA was dedicated to capacity development and 25% to project preparation in 2022.⁷²

70. Based on available TA completion report validation reports, nine TASF 6-funded TA projects met TASF's priority to strengthen DMC capacities. TA projects assisted in preparing ensuing investment

⁷⁰ TA operations are funded by (i) TASF (donor contribution); (ii) TASF (income transfer, also known as TASF [others]); (iii) ADB's other special funds; (iv) trust funds; and (v) TA project-specific cofinancing. TASF (donor contribution) is replenished in conjunction with ADF replenishment and TASF (income transfer) through OCR net income transfers. All DMCs are eligible for TASF (income transfer), while only Group A and B DMCs with access to concessional resources are eligible for TASF (donor contribution).

⁷¹ ADB. 2023. [2022 Annual Portfolio Performance Report](#). Manila. Group A countries' share of TA resources was greater in 2022 (19.7%) than in 2021 (17.3%).

⁷² Transaction TA represents about 54% of the total and knowledge and support TA about 46%.

projects and in building capacity in specific areas (e.g., procurement and financial management). TA completion report validation reports identified shortcomings in the design and monitoring framework, such as poorly specified outcome indicators or lack of output indicators.

Box 4: Approaches to Capacity Supplementation in the North Pacific

Under the Marshall Islands' Public Financial Management Grant Project, supported by the Asian Development Fund (ADF), a reform coordination unit has been established and integrated into the Ministry of Finance to strengthen its capacity to implement the public financial management road map.^a To help deal with issues related to government staff turnover, the government has partnered with the College of the Marshall Islands to train young Marshallese on basic accounting skills to ensure that the government has a pool of trained employees. As a result of completing the course, some are now working for the government.

A complementary regional technical assistance package covering the Federated States of Micronesia, the Marshall Islands, and Palau will implement an approach that supplements staff capacity, fills specific gaps, and builds long-term economic management capacity.^b Under the capacity supplementation component, economic management and/or statistics experts will be outposted long term in the three north Pacific developing member countries (DMCs).

Capacity supplementation can offer a long-term, differentiated solution to capacity building for small island developing states (SIDS). As part of building capacity in SIDS, continuing to make resources available to more DMCs through the ADF and/or the Technical Assistance Special Fund for such interventions on a larger scale or with a broader scope would be appropriate. The lessons learned from the projects can help inform the design and implementation of future capacity-building initiatives.

^a Asian Development Bank (ADB). 2017. *Republic of the Marshall Islands: Public Financial Management Project*. Manila.

^b ADB. 2022. *A Differentiated Approach to Building Economic Management Capacity in the North Pacific*. Manila (\$5 million from TASf resources).

Source: Asian Development Bank (Independent Evaluation Department), based on project documents and interviews with project staff.

CHAPTER 3

Crisis Support

71. ADB fulfills a pivotal responsibility in the global response to emergencies, complementing its development partners such as the World Bank and IDA.⁷³ Recently, these crises have had profound humanitarian implications, with disproportionate effects on those in extreme poverty and other vulnerable groups such as women and children, especially in FCAS countries. Drawn into supporting economic recovery and social assistance of member countries, MDBs such as ADB are facing the challenge of balancing their long-term development missions with the urgent needs of vulnerable countries during crises.

72. The ADF is the most useful tool for ADB in addressing crises, primarily because of its focus on FCAS, capacity for flexible and timely assistance, and ability to bring multiple stakeholders together. This chapter examines two examples of the ADF's vital assistance to humanitarian crises in recent years and discusses the relevance, efficiency, and effectiveness of ADF 12 and 13 grant assistance to (i) displaced persons from Myanmar in Bangladesh, and (ii) the Afghan people through the novel financing arrangement (NFA) with United Nations (UN) agencies. ADB has done well to respond to crises, aided by effective collaboration with development partners. However, staff could benefit from clearer institutional guidance on when and how to engage in humanitarian interventions.

A. Balancing Crisis Response with Long-Term Development

73. The ADF is a valuable resource for ADB as it responds to a new area of demand—the need to swiftly support vulnerable populations during unforeseen crises—while maintaining steadfast commitment to its long-term development goals. ADB has been well regarded for its rapid provision of support to UN agencies in Afghanistan and to the Government of Bangladesh. ADB demonstrated decisiveness and adaptability, protecting human capital while seeking to strengthen economic resilience. The support is a turning point for ADB's engagement in crisis action, given the risk of further conflict-related emergencies in Asia and the Pacific.⁷⁴

74. The approach to conflict-related crises in Afghanistan and Bangladesh aligns with the FCAS and SIDS Approach (FSA), as it responds decisively to conflict-related emergencies in varying contexts. The alignment was evident in ADB's response to the large influx of displaced persons from Myanmar to Cox's Bazar from August 2017; the Emergency Assistance Project (EAP) was approved in July 2018. It was also evident in ADB's response to the complex political, social, and economic crisis that followed the takeover of the Taliban in August 2021; the Sustaining Essential Services Delivery Project (Support for Afghan People) was approved in January 2022. ADB's response to COVID-19, which the World Health Organization declared a pandemic in March 2020, was similarly decisive and adaptable; ADB's policy paper on pandemic response was approved in April 2020.⁷⁵

⁷³ The World Bank manages the multi-donor Afghanistan Reconstruction Trust Fund (ARTF) and the Global Financing Facility. ARTF-financed projects under Approach 2.0 include activities in health, food security, livelihoods, education, and nongovernment organization capacity. World Bank. 2021. [Education Emergency Response in Afghanistan](#). Washington, DC. IDA provides humanitarian support through the Window for Host Communities and Refugees and the Fragility, Conflict, and Violence Envelope (IDA 20 Financial Architecture). ADB. Afghanistan. Paper prepared for the ADF 13 Midterm Review. Unpublished.

⁷⁴ Conflict-related emergencies' overlap with "complex emergencies," a term used by humanitarian agencies to refer to an emergency caused by or taking place in the middle of a breakdown in the authority of the state, normally because of conflict.

⁷⁵ ADB. 2020. [ADB's Comprehensive Response to the COVID-19 Pandemic: Policy Paper](#). Manila.

75. In Afghanistan, ADB swiftly responded to a significant human and economic crisis. Despite the absence of an internationally recognized government, ADB used the ADF to direct financial support to four specialized UN agencies to ensure the continued provision of essential services directly to the Afghan people through the NFA. ADF regulations allow the financing of international organizations concerned with the region's development and, in the absence of a suitable financing modality, ADB envisages stand-alone innovative financing arrangements to be presented for Board approval,⁷⁶ as was the case for the NFA.⁷⁷

76. ADB was decisive in assisting Bangladesh to deal with the large influx of displaced persons from Myanmar to Cox's Bazar, and adaptable in identifying infrastructure gaps (Box 5). The Emergency Assistance Project–Additional Financing (EAP-AF), approved in 2022, is more conventional than the NFA, being a sovereign operation focused on infrastructure works. ADB had not previously responded to an emergency involving a cross-border influx and a high level of engagement with UN agencies. Bangladesh, a Group B country, required a waiver to access ADF grants.

Box 5: Displaced Persons from Myanmar in Bangladesh

More than 700,000 displaced persons from Myanmar crossed into Bangladesh and sought refuge in Cox's Bazar in 2017. With a ratio of 2:1 of displaced persons to locals, the influx significantly strained infrastructure and the economy. Providing food and essential services posed considerable challenges. Although United Nations agencies and donors offered humanitarian relief, existing services were overwhelmed, leaving significant gaps.

In July 2018, the Asian Development Bank (ADB) approved a \$100 million grant to meet the immediate needs of displaced persons, with technical assistance (TA) provided for implementation. The objective was to accelerate the social recovery of displaced persons in Teknaf and Ukhia camps, improving their living conditions and resilience. In June 2022, the second phase of the Emergency Assistance Project–Additional Financing (EAP-AF) was approved, offering a \$41.4 million grant effective from August 2022. The EAP-AF included a concessional ordinary capital resources loan of \$30 million to further upgrade the highway, extending it by 37 kilometers to Teknaf.

The project's major investment focused on improving water and sanitation facilities in the camps and meeting essential needs. Significant efforts were made to improve road access by upgrading a crucial lifeline: the national highway connecting Cox's Bazar to the primary camps 50 kilometers south. The installation of solar streetlights alleviated community safety concerns, particularly of women and girls. The project has upgraded conditions for the displaced persons from Myanmar, achieving substantial impact despite the modest funding. By supporting humanitarian actors, the EAP-AF has added value, assisting the displaced and host populations.

Source: Asian Development Bank (Independent Evaluation Department).

77. Unlike the EAP, the EAP-AF was developed after the release of Strategy 2030 and the adoption of the FSA. While Bangladesh is not classified as FCAS, Strategy 2030 supports adopting a differentiated approach in prioritizing interventions to reduce poverty and fragility in non-FCAS countries. ADB drew on that provision to continue to apply a differentiated approach in Cox's Bazar, including reinforcing and supporting emergency needs identified by the humanitarian community for displaced persons and the government's national development goals for the host communities.⁷⁸

78. The exceptional access to ADF grant funds given to Bangladesh in 2018 was relevant and appropriate. Support for Bangladesh was warranted considering the extent of economic stress in Cox's Bazar. ADB, in consultation with the government, humanitarian agencies, and partners such as the World Bank, identified infrastructure gaps that needed to be filled to improve the living conditions and resilience

⁷⁶ ADB. 2015. *Enhancing Operational Efficiency of the Asian Development Bank*. Manila.

⁷⁷ ADB. 2022. *Sustaining Essential Services Delivery Project (Support for Afghan People)*. (Food and Agriculture Organization of the United Nations, United Nations Development Programme, United Nations Children's Fund, and World Food Programme). Manila (paras. 41–42).

⁷⁸ ADB. 2018. *People's Republic of Bangladesh: Emergency Assistance Project*. Manila (para. 22).

of displaced persons and of the host community. ADB has made a valuable contribution to alleviating a major crisis, reflecting ADB's Strategy 2030 operational priorities.

79. The Board approved Bangladesh's EAP grant of \$100 million in response to the government's request for assistance to provide basic infrastructure and essential services; the original request was for \$200 million. The grant and associated TA were processed efficiently. Some project milestones were completed in mid-2021, including upgrading the highway and installing solar lighting, but some water and sanitation works were substantially delayed and required extensions. Several factors, including the impact of the COVID-19 pandemic on camp accessibility, issues with civil construction, land acquisition, and environmental concerns, contributed to the delays.

B. Effective Collaboration Is Vital to Crisis Support

80. Collaborative partnerships with the donor community have contributed to ADB's ability to respond swiftly to unforeseen crises while remaining focused on economic resilience. The partnership between ADB and UN agencies provides an opportunity to leverage resources, mitigate risks, and effectively navigate complex environments, ultimately enhancing the impact and success of projects.

81. ADB has been positioned as a "humanitarian plus" donor, indicating that it "would help preserve and promote human capital development, paving the way to accelerated and sustainable economic growth" (footnote 77). The balance is reflected in the NFA, providing support for emergency food assistance delivered by the World Food Programme (WFP) alongside support for livelihoods and economic resilience delivered by the Food and Agriculture Organization of the UN (FAO). The NFA includes funding to the UN Children's Fund (UNICEF) to help maintain access to health and education. The project seeks opportunities to support resilience in Afghanistan, but investing in infrastructure is limited as the de facto government cannot be engaged. Despite the limitations, ADB has remained committed to identifying opportunities to support resilience-building initiatives. ADB's support for the Afghan people is discussed in Box 6.

82. ADB's support for the Afghan people and for displaced persons in Bangladesh has been timely and shown good progress. The projects differ in context and implementation. While the EAP and the EAP-AF involve infrastructure development executed through the government and align well with ADB's standard project approach, Afghanistan poses a different scenario that does not align smoothly with ADB's standard approach.

83. ADB's assistance has been described by UNICEF as ahead of the curve. ADB's willingness to support UN agencies encouraged other donors to follow, including the World Bank-led Afghanistan Reconstruction Trust Fund. FAO emphasized the beneficial ripple effect of ADB's assistance among development partners. ADB acted early, and the disbursement of its funding was efficient, with a considerable proportion provided in the first tranche, which proved helpful to UN agencies. The project's 2-year duration was relevant, as many donors provided funding only for shorter periods.

84. The ban on girls' secondary education is a significant implementation constraint for ADB, the UN, and the rest of the donor community, adversely affecting the education component of the Sustaining Essential Services Delivery Project (Support for the Afghan People). However, as of 10 March 2023, progress had been made in achieving project outputs, with a rating of "0.94000 on track." Contract awards reached 95.33% of the original projections and disbursements stand at 92.61%. Progress in awarding contracts and disbursing grants had been uneven by this date.

85. While project implementation was on track to meet its targets for sustaining food security, supporting food production, and providing basic health services (footnote 77), whether that equates to achieving the anticipated project outcome results is unclear. Assessing midterm NFA outcome results is challenging because of limited reporting, with current reporting focusing primarily on numerical targets achieved. Unlike in other ADB projects, the NFA outcome cannot be taken to be an end state achieved at completion, as the intention is to protect lives and livelihoods in the near term.

Box 6: Support for the Afghan People

The economic and humanitarian crises in Afghanistan have reached alarming levels, with millions in desperate need of assistance. Grants are crucial in providing lifesaving support, meeting immediate needs, and helping rebuild communities affected by the ongoing conflict. Following the Taliban's takeover on 15 August 2021, development partner financing, which had recently accounted for 75% of public expenditures, was halted. As a result, the economy was projected to have contracted by 30% in 2021, plunging the nation into near-universal poverty in 2022. The situation quickly escalated into a multidimensional protracted crisis.

The United Nations (UN) estimated that 24.4 million people would need humanitarian assistance in 2022. In November 2021, the UN Assistance Mission in Afghanistan requested the Asian Development Bank (ADB) to provide grant financing amounting to \$405 million for (i) emergency food assistance and food production support through the World Food Programme (WFP) and the Food and Agriculture Organization of the UN (FAO); (ii) core public health services, including coronavirus disease (COVID-19) vaccines, through the UN Children's Fund (UNICEF); (iii) delivery of primary and secondary education, particularly for girls and young women through UNICEF; and (iv) project implementation and monitoring support through the UN Development Programme (UNDP). The UN agencies were to undertake and implement the proposed activities during 2022 and 2023 without formally engaging with the de facto government and entirely outside the government budget.

The four grants comprising the Sustaining Essential Services Delivery Project (Support for Afghan People) were approved by ADB under a novel financing arrangement (NFA) on 5 January (UNDP) and 25 January 2022 (FAO, UNICEF, and WFP) to support food security and help sustain the delivery of essential health and education services. The total amount of \$405 million was 5.3% of then projected UN needs, which were not fully met. A successor project is underway (new NFA).

The project, implemented in accordance with ADB's Fragile and Conflict-Affected Situations and Small Island Developing States Approach, aims to alleviate the adverse impacts of the crisis on the most vulnerable populations, including women and girls, and help sustain medium-term development.

Source: Asian Development Bank (Independent Evaluation Department).

86. The project administration manuals initially agreed upon with each UN partner provide the details for project implementation, including disbursement arrangements, financial management, procurement plans, and others. However, rapidly changing contexts require accommodating changes in operational settings, and the process of formally renegotiating modifications in the manuals can be time-consuming for all parties.

87. ADB's monitoring and reporting mechanisms in Afghanistan were designed to verify the UN's delivery of specified outputs and targets outlined in the project's design and monitoring framework, but less attention is given to the project's outcomes and results. For instance, the delivery of emergency assistance to 1.5 million beneficiaries from WFP's caseload of about 22 million did not mention progress on important outcome achievements. The focus on design and monitoring framework outputs rather than outcomes is reflected in sector stakeholder engagement.⁷⁹

⁷⁹ The NFA applies three layers of project monitoring and assessment, the first being existing UN agency systems that include the monitoring and reporting of design and monitoring framework outcomes, outputs, indicators, and targets. The second layer is a third-party monitor contracted by FAO, UNICEF, and WFP to verify reported delivery of outputs, to be included with biannual and annual reporting. The third layer is an integrated system for monitoring and verifying project achievements and results (not up and running as of end March 2023).

88. The discussion in the ADF 13 midterm review meetings suggests that the remainder of Afghanistan's ADF allocation is on track to be committed. Ongoing support through UN agencies is uncertain because of various concerns such as UN capacity to take on new projects as well as uncertainty over funding, impacting their ability to undertake long-term planning for the protracted emergency. Although the specific circumstances of Afghanistan may not be replicated, other variations could emerge among FCAS DMCs.

89. With its newly acquired experience, ADB has the opportunity to ensure that policies, practices, and procedures support principled humanitarian donorship and better mitigation of risks, including operational and reputational risks. Channeling ADF grants through UN agencies proved to be a workable solution in the absence of a recognized government. The UN agencies offer economies of scale, access to extensive networks of subcontractors and service providers, and well-established management structures at different levels. The practice not only mitigates risks for ADB but also yields enhanced design and implementation of programs, drawing from the donor community's expertise.

C. Enhancing Support through Institutional Guidance

90. ADB is not new to disasters and emergencies, but the context is changing and ADB may increasingly be drawn into providing crisis support in emergencies related to conflict in FCAS DMCs and to climate in SIDS. Current policies may not provide an adequate steer in responding to increased demand. The FSA provides general direction but is not designed to provide guidance for emergency responses. While the 2021 Disaster and Emergency Assistance Policy focuses on early recovery from and reconstruction in the wake of disasters, emergencies, and even post-conflict situations, it does not offer guidance for responding to chronic and protracted conflict-related emergencies with differentiated approaches per the FSA.⁸⁰

91. Afghanistan and Bangladesh now face protracted emergencies and there is a possibility that ADB may need to assist other DMCs with conflict-driven emergencies in the future. ADF funding for such situations is uncertain and the process unclear. The approval and processing of ADF grants for sudden-onset disasters triggered by natural hazards from the DRF and DRF+ have typically been efficient, as were the ADF grants for the COVID-19 response. The Afghanistan and Bangladesh projects, however, were not as straightforward. Waivers, work-arounds, and novel arrangements were required. Although these flexible and adaptive solutions were important to mobilize crisis support, they reflected gaps, a lack of clarity in policy, and the absence of an ADF provision for conflict-related emergencies.

92. To access the ADF regional grant of \$100 million for Bangladesh in 2018, a special waiver was required. Securing support for additional financing from the ADF in 2022 took considerable time to negotiate. The DRF+ mainly financed the grant component of the EAP-AF, which includes a new provision for large cross-border influxes. However, the provision could not be used because the influx was not within the 12-month period. Instead, eligibility was secured by an IDA provision for COVID-19.

93. The provision of ADB grant assistance is not clear should the displaced persons from Myanmar continue to flee and remain indefinitely in Cox's Bazar. As it stands, the DRF+ door could be closed and another waiver would be the only route. The Bangladesh operation underscores the need for more predictable and efficient eligibility criteria in humanitarian crises.

94. Afghanistan presented a unique challenge that required an NFA to provide funding through specialized UN agencies. Although ADB's response was considered timely, the NFA took several months to develop and approve, in part reflecting the time to finalize terms with the UN Development Programme, UNICEF, FAO, and WFP, indicating the need to develop a UN framework agreement. The

⁸⁰ ADB. 2021. [Revised Disaster and Emergency Assistance Policy](#). Manila.

indicative country allocation for Afghanistan under ADF 13 is \$904 million, of which \$405 million was committed to the NFA.

95. Conflict-related emergencies are not time bound and tend to become protracted, requiring ongoing external financial support. This is the case for Afghanistan and Cox's Bazar, neither of which has a transition or sustainability plan. To the extent that the new NFA and the EAP-AF represent temporary but substantial measures, they serve to highlight the uncertainty about future funding from the ADF.⁸¹ Looking ahead, the demand for the ADF to respond to emergencies is expected to increase, but the potential for ADF support in conflict-related emergencies remains constrained because of the absence of clear institutional guidance that would ensure the sustainability of such support.

⁸¹ The new NFA project refers to the ADF grants to support Food Security and Health Services for the Afghan people approved on 20 September 2023.

CHAPTER 4

Issues and Recommendations

96. The evaluation affirms that the ADF remains relevant for the delivery of ADB's Strategy 2030 and is targeted at the most vulnerable countries. The ADF remains a key instrument in fulfilling ADB's mandate and vision and provides a platform for coherent and collaborative donor support, promoting a harmonized approach to regional development efforts. ADB, through the ADF, can commit long term to support the development priorities of FCAS and SIDS.

97. Globally, grants have grown at a far slower rate than concessional lending over the last decade. ADF grants have played an increasingly important role in concessional assistance countries, particularly those at risk of debt distress. Demand for grants in country allocations is likely to increase in the aftermath of the polycrisis. Even as grants have become scarcer, demand for them is increasing to tackle global challenges such as climate change and pandemics.

A. Issues

98. The evaluation found that while ADF allocations are relevant and target the most vulnerable DMCs, a number of issues must be considered in the ADF 14 replenishment discussions.

99. First, ADB management has already made improvements in ADF 13 to streamline the country allocation system, including by delinking grant and COL allocation pools and using the PBA for only 50% of COL allocations. The introduction of the economic vulnerability premium for SIDS aims to provide additional concessional resources amid significant challenges faced. However, since 10 of 13 countries receiving grants from country allocations have a largely fixed allocation, the use of the PBA formula has only a limited impact on the level of allocations for most countries and, hence, on incentivizing performance. While incentivizing performance is key, stability and predictability of allocations remains important for ADF support in FCAS and SIDS.

100. Second, ADF instruments and windows, such as the intersection between DRF+ and DRR-CCA, can be further improved, which presents an opportunity to improve the conceptual links between the two windows and to think holistically of the allocations to both. If their convergence continues to increase, the DRF+ and the DRR-CCA could be merged in the next ADF replenishment. One option is to transfer part of the balance remaining in the DRF+ to the DRR-CCA during the final year of ADF 13. The allocation can be directed to preventive activities or contingent financing instruments. Conceptual integration and flexibility in allocations could be improved by linking the DRF+ and the DRR-CCA.

101. Third, the performance of ADF-supported projects has not changed overall. However, project performance in SIDS declined notably from 2017 to 2022. Symptoms of fragility continue to hamper SIDS operations. Gaps in M&E systems continue to limit measurement of ADF results.

102. Lastly, crisis support for conflict-affected emergencies through the ADF is well regarded, but the approach is ad hoc and not guided by policy. ADB demonstrated decisiveness and adaptability in its emergency interventions in Afghanistan and Cox's Bazar in Bangladesh, now protracted emergencies, and ADB may need to extend assistance to other DMCs experiencing conflict-driven emergencies. ADF crisis support is constrained by the lack of institutional guidance, which would clarify the eligibility and sustainability of support.

B. Recommendations

103. The evaluation concludes that, amid the polycrisis, the ADF played a vital role in providing lifesaving assistance and supporting the economic resilience of vulnerable countries, particularly FCAS and SIDS. The following are the evaluation's key recommendations:

104. **Recommendation 1: Revisit the country allocation framework to strengthen performance incentives while recognizing the importance of stability and predictability of allocations.** Within the country allocation framework, performance incentives can be enhanced by adjusting the PBA formula or the EVP. Options may include revisiting the variables in the PBA formula for Group A SIDS or incorporating a performance-based element into the calculation of the economic vulnerability premium for SIDS. These adjustments can help ensure that in ADF 14 and beyond, country performance incentives will be clearer. Any adjustments to the country allocation framework should recognize the importance of stability and predictability of allocations.

105. **Recommendation 2: Increase the allocation of thematic resources toward key ADF priorities.** The priorities are RCI (including RPGs), DRR-CCA, and the SDG 5 transformative gender agenda. Expand access to the thematic pool by countries with more limited capacity, such as Group A and B FCAS and SIDS. As development contexts can shift, it is important to provide management with greater flexibility to reallocate resources across themes, while again considering the stability and predictability of allocations. Consider greater use of the TASF for SIDS and FCAS project design to facilitate thematic pool funding and to support effective implementation of thematic pool funds.

106. **Recommendation 3: Review the PBL ceiling for concessional finance in the context of the 2024 PBL review.** Given the ADF's unique nature (among concessional finance windows) as a grants-only facility, it would be useful to discuss what specific policy objectives are served by including policy-based grants within the ceiling and to consider redefining the ceiling to focus on COL only. Use PBLs in concessional assistance countries to promote policy and institutional reforms for climate action and engage climate change affected countries. Harmonize approaches to policy reforms and the use of contingent disaster financing in Group A countries between IDA and the ADF to improve leverage by granting PBLs and budget support. Continue to emphasize strengthening the design of PBLs and enhance joint policy reform matrixes.

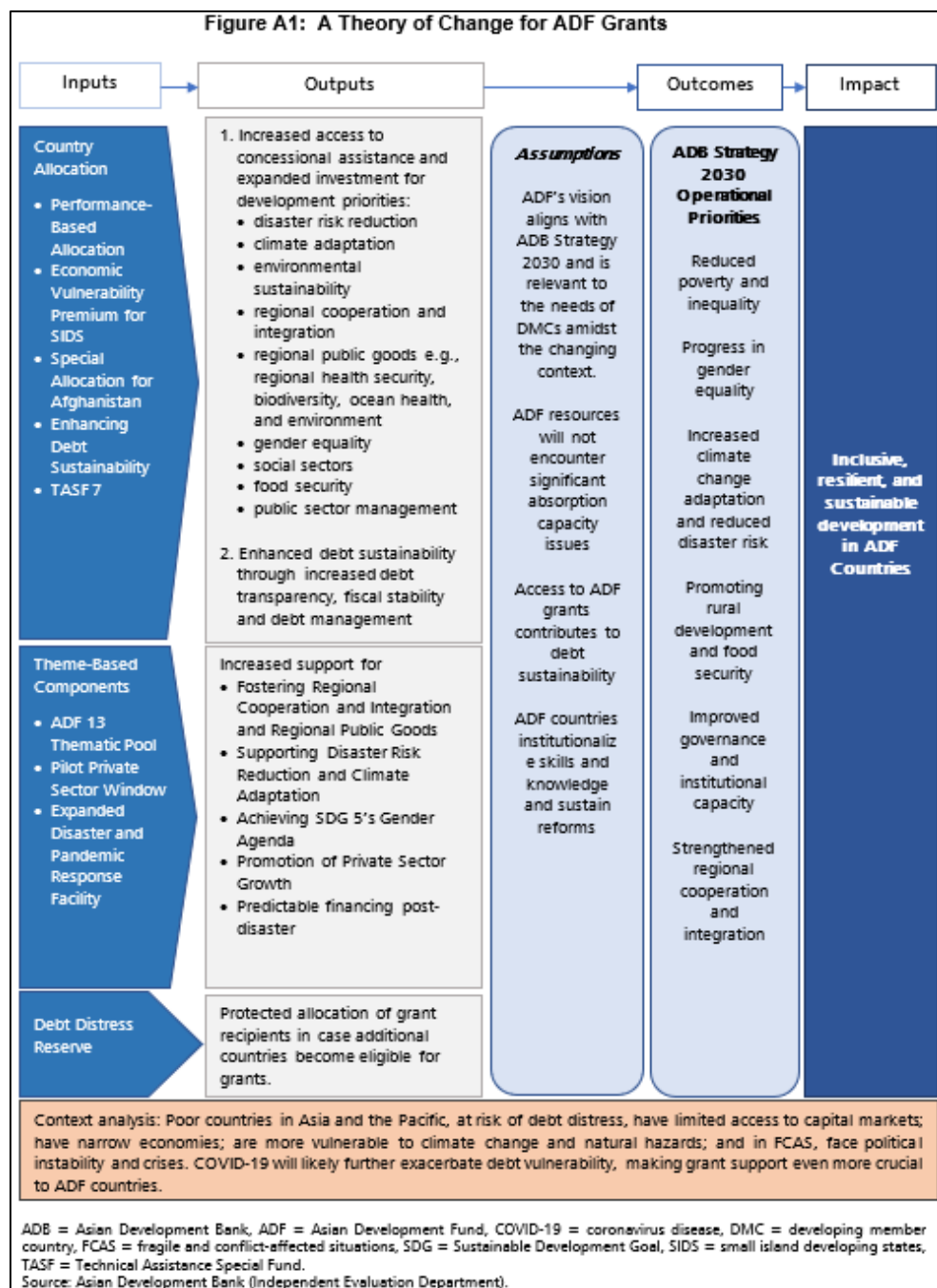
107. **Recommendation 4: Establish an ADF performance assessment framework to improve monitoring of results and capture the impacts of ADF operations.** A performance assessment framework would provide a differentiated approach to measure the overarching success of the ADF. Utilize M&E for adaptive learning in order to improve the likelihood of project success in critical sectors and themes. Expand post-program monitoring activities for PBLs, utilizing appropriate TA modalities, if necessary, to assess whether development outcomes are achieved as intended. Integrate ex-ante and ex-post surveys into project design to determine impacts and to facilitate adaptive learning to improve future project design.

108. **Recommendation 5: Develop institutional guidance on ADB's crisis support for conflict-related emergencies.** This will clarify ADF support to address the challenges presented by conflict-related emergencies and the roles established by the Bangladesh EAP and the Afghanistan NFA. Institutional guidance may encompass crisis support eligibility and sustainability, which management can further develop following consultations with ADB units. Ensure alignment with and address any gaps in the principles and operational objectives of the Disaster and Emergency Assistance Policy and the FSA. Continue to provide ADF support for responding strategically with a broad package of interventions seeking to protect human capital and prior development gains while taking the opportunity to build economic resilience, the ultimate purpose of which is development. By adopting a more comprehensive and long-term approach and ensuring appropriate institutional guidance, ADB can strengthen its overall impact in alleviating crises and promoting sustainable development.

Appendixes

APPENDIX 1: EVALUATION SCOPE AND METHODOLOGY

1. The Asian Development Bank (ADB) does not articulate a theory of change for Asian Development Fund (ADF) grants and concessional ordinary capital resources (OCR) lending (COL) in its policy documents and ADF donor reports. Hence, the theory of change (Figure A1) used in the evaluation drew from the strategic directions and allocation frameworks outlined in the Concessional Assistance Policy for the ADF 13 period.¹



¹ ADB. 2020. *Concessional Assistance Policy for the ADF 13 Period*. Manila.

2. The evaluation examined the performance of ADF 12 (2017–2020) and the first 2 years of implementation of ADF 13 (2021–2024) to inform negotiations for the next ADF replenishment (ADF 14). It focuses on the allocation, use, and performance of ADF support for Group A countries, particularly the 10 grants-only and 3 ADF blend countries. The overarching evaluation question is, “How well are grant resources used by ADB to achieve Strategy 2030 and what results are emerging?” Subsidiary questions focus on (i) the relevance of ADF grant financing in Asia and the Pacific, particularly in fragile and conflict-affected situations (FCAS) and small island developing states (SIDS); (ii) how well ADF grant resources are responding to the region’s development needs; (iii) the extent to which ADF grant-funded operations are delivering results as intended; and (iv) to what extent humanitarian and emergency grants are delivering results.

3. The evaluation used qualitative and quantitative approaches to answer the evaluation questions. It drew on Independent Evaluation Department (IED) evaluations; ADB corporate documents, particularly the ADF 13 midterm review (self-evaluation) conducted in March 2023; portfolio analysis; interviews with ADB staff at headquarters and resident missions; consultation meetings with government counterparts and development partners during evaluation missions to the Kyrgyz Republic, the Marshall Islands, Solomon Islands, Tajikistan, and Tonga; and virtual interviews with staff of United Nations agencies and representatives of other development partners involved in ADB humanitarian support. Data sources included ADB corporate documents on the ADF; ADB annual corporate reports (e.g., the annual portfolio performance report, the development effectiveness review, FCAS and SIDS Approach [FSA] annual report); project documents; ADB databases and country and regional reviews on specific issues; official development assistance (ODA) data from the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC) Credit Reporting System;² and development literature on concessional financing. The evaluation methods used are elaborated below.

4. **Review of literature and ADB documents.** The current literature on concessional finance and the use of grants for development by multilateral development banks (MDBs) was reviewed to consider emerging issues and trends. The evaluation team reviewed ADF 13 midterm review reports and validated findings on the resource allocation framework, thematic pool, the Expanded Disaster and Pandemic Response Facility (DRF+), and the pilot private sector window; ADB corporate documents, including policies (e.g., concessional assistance, disaster and emergency assistance, among others); and annual corporate reports covering ADF and COL portfolio and performance.

5. **Review of portfolio data.** The portfolio review and data analysis covered ADF 12 and 13 grant and COL operations to determine trends in grants-only and ADF blend use (approvals and commitments), as well as technical assistance (TA) operations funded from Technical Assistance Special Fund 6 and 7. The review covered allocation and utilization of the ADF 13 thematic pool, ADF 12 set-asides, the DRF+, and the pilot private sector window. As most ADF 12 and 13 operations are still ongoing, historical project success rates based on IED’s validation of project completion reports and/or project or program performance evaluation reports issued during 2011–2022 were reviewed to determine trends in ADF performance across country groups and sectors. Portfolio data were supplemented with information presented in annual corporate reports covering ADF operations.

6. **Review of Independent Evaluation Department evaluation reports.** The team considered IED corporate, thematic, and sector-wide evaluations that covered ADF operations and thematic priorities to identify findings and recommendations pertinent to the ADF, FCAS, and SIDS. The evaluation reviewed validations of country partnership strategy final reviews covering concessional assistance countries and summarized recurring themes (Appendix 6).

7. **Country consultations.** Country missions were undertaken in three Pacific developing member countries (DMCs): Solomon Islands and Tonga (in-country, 27 February–3 March 2023) and the Marshall

² Data available until 2021. As of August 2023, only preliminary 2022 ODA data are available.

Islands (virtual, May 2023); and in two Central and West Asia DMCs: Kyrgyz Republic (in-country, 27–31 March 2023) and Tajikistan (in-country, 3–7 April 2023). The objective was to gather feedback and insights from government officials, development partners, and other stakeholders (e.g., humanitarian agencies involved in disaster and climate change–related operations) on ADF support.³ Consultation meetings were guided by interview questions structured around the four subsidiary evaluation questions. To inform consultation meetings, structured desk reviews of country and/or project documents and portfolio analysis were undertaken before the evaluation missions, to determine the extent to which ADF priorities are being pursued and what results are emerging.

8. **ADB stakeholder interviews.** Interviews to gather views on ADF priorities, use, and performance were held during March–13 April 2023 with (i) heads of the Central and West Asia Department and the Pacific Department; (ii) sector and thematic groups (such as climate change and disaster risk management, governance, and gender); and (iii) staff of the Strategy, Policy, and Partnerships Department; the Private Sector Operations Department; the Procurement, Portfolio, and Financial Management Department; and the FCAS unit in ADB’s Climate Change and Sustainable Development Department.

9. **Structured and semi-structured interviews with ADB staff, country officials, development partners, and other stakeholders involved in humanitarian and emergency operations.** Interviewees were asked about ADB’s response to the influx of displaced persons from Myanmar to Cox’s Bazar (Emergency Assistance Project, approved in July 2018); and the complex political, social, and economic crisis that followed the takeover of Afghanistan by the Taliban in August 2021 (Sustaining Essential Services Delivery Project [Support for Afghan People]). External stakeholders included staff of four United Nations (UN) agencies working with ADB to deliver crucial crisis support (the World Food Programme, the Food and Agriculture Organization of the UN, the UN Children’s Fund, the UN Development Programme); civil society organizations; and other development partners.

³ To ensure good representation and in consultation with regional departments, countries were selected considering (i) ADB regional distribution, (ii) country classification, (iii) eligibility for grants, and (iv) the ADF portfolio (sector and modalities).

APPENDIX 2: RELEVANCE OF ASIAN DEVELOPMENT FUND OPERATIONS

A. ADF Grant Financing Is Relevant to Concessional Assistance Countries

1. Concessional assistance countries are a diverse group, showing vulnerability and/or fragility on different fronts. Salient features of Asian Development Fund (ADF)–eligible countries are in Table A2.1.

Table A2.1: Salient Characteristics of ADF–Eligible Countries

Country	Population (million) 2022	Per capita GNI, Atlas Method (\$) 2021	Human Development Index (HDI) ^a 2021	Income Group ^b 2022	Proportion of Population below \$2.15 PPP a Day (%) 2019	Population Living below the National Poverty Line (%) 2021	CPA Rating ^c 2022	Fragility Status ^d	Small State Status ^e	Debt Sustainability Risk Category ^f	Latest DSA Date ^g
Group A											
ADF Only											
Afghanistan ^h	31.40	611	0.478	LIC	...	49.4	...	...	...	High	Jun 2021
Federated States of Micronesia	0.11	3,980	0.628	LMIC	...	...	2.92	Fragile	Small State	High	Nov 2021
Kiribati	0.12	2,750	0.624	LMIC	1.7	21.9	3.01	Fragile	Small State	High	Apr 2023
Maldives	0.58	9,600	0.747	UMIC	...	5.4	3.99	...	Small State	High	Nov 2022
Marshall Islands	0.05	6,780	0.639	UMIC	0.9	7.2	2.74	Fragile	Small State	High	May 2021
Nauru	0.01	16,920	...	HIC	...	...	2.76	Fragile	Small State	na	na
Samoa ⁱ	0.20	3,810	0.707	LMIC	...	21.9	3.85	...	Small State	High	Mar 2023
Tajikistan	9.80	1,150	0.685	LMIC	6.1	26.3	3.79	...	...	High	Mar 2023
Tonga	0.10	4,930	0.745	UMIC	18.1	27.0	3.68	...	Small State	High	Aug 2022
Tuvalu	0.01	7,200	0.641	UMIC	...	...	...	Fragile	Small State	High	Aug 2021
ADF Blend											
Kyrgyz Republic	6.75	1,180	0.692	LMIC	1.3	33.3	4.00	...	...	Moderate	Feb 2023
Solomon Islands	0.74	2,320	0.564	LMIC	...	...	3.18	Fragile	Small State	Moderate	Apr 2023
Vanuatu	0.31	3,240	0.607	LMIC	0.7	4.4	3.28	...	Small State	Moderate	Mar 2023
COL Only											
Nepal	29.48	1,220	0.602	LMIC	...	...	4.09	...	...	Low	May 2023
IDA Gap											
Bhutan	0.76	3,040	0.666	LMIC	0.9	12.4	4.74	...	...	Moderate	May 2022
Cambodia	16.64	1,580	0.593	LMIC	...	17.8	4.36	...	...	Low	Dec 2022
...	...	...	...	...	...	...	...	...	...	In debt distress	May 2023
...	...	...	...	...	...	...	...	...	...	Low	Jan 2021
Group B											
Bangladesh	174.24	2,570	0.661	LMIC	13.5	20.5	4.35	...	...	Low	Feb 2023
Cook Islands	0.02	...	...	...	...	...	3.50	...	Small State	...	...
Fiji	0.90	4,500	0.730	UMIC	1.3	24.1	3.62	...	Small State	...	...
Mongolia	3.45	3,730	0.739	LMIC	0.7	27.8	3.99	...	...	...	...
Niue	0.00	...	...	...	...	...	2.68	...	Small State	...	...
Pakistan	227.00	1,470	0.544	LMIC	4.9	21.9	3.79	...	...	na	na
Palau	0.20	12,790	0.767	UMIC	...	...	3.18	Fragile	Small State	na	na
Papua New Guinea	9.31	2,460	0.558	LMIC	...	37.5	2.80	Fragile	Small State	High	Mar 2023
Timor-Leste	1.34	1,140	0.607	LMIC	...	...	3.24	Fragile	Small State	Moderate	Sep 2022
Uzbekistan	35.27	1,960	0.727	LMIC	...	17.0	4.12	...	...	Low	Jun 2022

... = data not available, ADF = Asian Development Fund, CPA = country performance assessment, COL = concessional ordinary capital resources lending, DSA = debt sustainability assessment, GNI = gross national income, HIC = high income country, IDA = International Development Association, Lao PDR = Lao People's Democratic Republic, LIC = low-income country, LMIC = lower middle-income country, na=not applicable, PPP = purchasing power parity, UMIC = upper middle-income country.

Notes: 1. Country Classification as of January 2023. COO and NIU are not classified by World Bank but are likely upper middle- to high-income countries.

2. Sri Lanka became a Group B country effective 5 June 2023 hence excluded in the Table.

3. Maldives became an ADF blend country as of 6 June 2023. The financing terms for Maldives have been hardened to 50% grant and 50% COL in 2023, due to repeated breaches of the non-concessional borrowing ceiling (ADB. 2023. Overview. Paper prepared for the ADF 13 (2021–2024) Midterm Review. Manila. Unpublished).

^a The cutoff points are HDI of less than 0.550 for low human development, 0.550–0.699 for medium human development, 0.700–0.799 for high human development, and 0.800 or greater for very high human development.

^b Country income grouping is based on the World Bank classification of economies using GNI per capita data (World Bank Atlas method).

^c The policy performance score is the unweighted average of the four performance indicator clusters: economic management, structural policies, policies for social inclusion/equity, and governance.

^d Fragility and small states classification as of January 2023.

^e Debt sustainability risk category is based on the International Monetary Fund List of Low-Income Country Debt Sustainability Assessments for Poverty Reduction and Growth Trust-eligible countries as of 31 May 2023. The "in debt distress risk" category is when a distress event, like arrears or a restructuring, has occurred or is considered imminent.

^f Latest debt sustainability assessment discussed by the Executive Board but not yet published for Kiribati, Maldives, and Solomon Islands.

^g ADB placed its regular assistance to Afghanistan in hold effective 15 August 2021. Data on population, per capita GNI, proportion of population living below the national poverty line are for 2020.

^h For Samoa, data on proportion of population living below the national poverty line is for 2018 while CPA is for 2020.

ⁱ ADB placed its regular assistance to Myanmar in hold effective February 2021. Data on proportion of population below \$2.15 PPP a day and proportion of population living below the national poverty line are for 2017.

^j India was excluded from Group B countries since it has no access to concessional assistance.

Sources: Asian Development Bank statistics, United Nations Development Programme Human Development Report 2021 and 2022, World Bank and International Monetary Fund online published data.

2. The ADF was the third-largest provider of concessional finance (making 13% of all donor commitments) and the seventh-largest provider of grants in concessional assistance countries (making 6% of all donor commitments) during 2017–2021 (Table A2.2).¹

¹ Organisation for Economic Co-operation and Development (OECD) countries, non-OECD countries, and multilateral institutions report to the Development Assistance Committee (DAC). For a complete list of reporting donors, see [OECD.Stat](#). Some countries (notably the People's Republic of China) do not report to the DAC.

Table A2.2: Commitments by the 10 Largest Donors in ADB Concessional Assistance Countries, 2017–2021
(\$ billion, current prices)

Official Development Assistance Provider	Concessional Finance			Grants		
	Rank	\$ billion	Share	Rank	\$ billion	Share
IDA	1	33.0	23%	5	5.4	8%
Japan	2	26.3	18%	4	5.5	8%
ADF	3	18.2	13%	7	3.8	6%
United States	4	16.9	12%	1	16.9	25%
Germany	5	6.2	4%	3	5.6	8%
Australia	6	6.0	4%	2	6.0	9%
European Union Institutions	7	5.7	4%	6	4.8	7%
Republic of Korea	8	4.7	3%	10	1.6	2%
France	9	3.5	2%			
United Nations	10	2.7	2%	9	1.7	3%
United Kingdom	10	2.7	2%	8	2.7	4%

ADF = Asian Development Fund, IDA = International Development Association.

Source: ADF commitments from the Asian Development Bank (ADB) commitment database and other donor commitments from the Organisation for Economic Co-operation and Development's Development Assistance Committee Commitment Reporting System (CRS) as of June 2023. The CRS recorded ADB grant commitments of \$0.285 billion from the Technical Assistance Special Fund and trust funds.

1. ADF 12 and 13 are modest in scale but highly relevant to ADB's country strategies and concessional assistance countries.

3. The ADF remains relevant in a changing landscape affected by the coronavirus disease (COVID-19) pandemic, increased fragility in Afghanistan, the influx of displaced persons from Myanmar into Bangladesh, the Russian invasion of Ukraine, and impacts of climate change. ADB has made choices relevant to the selection of operations for concessional assistance countries and has operationalized ADF 12 and 13 priorities over 2017–2022.

4. Group A countries have received funding for 237 operations through ADF 12 and for 91 operations up to 31 December 2022 through ADF 13, which had a value of \$9,817 million in ADF and concessional ordinary capital resources lending (COL) in ADF 12, and \$2,786 million of ADF and COL so far in ADF 13. Grant commitments by country are shown in Table A2.3. Most of the funds went to operations, which were much appreciated by governments, in transport (23%); agriculture, natural resources, and rural development (18%); energy (16%); water and other urban infrastructure and services (12%); and public sector management (11%).

5. In ADF 12, at least 10% of ADF and/or COL was to be allocated to regional cooperation and integration (RCI) including regional public goods (RPGs), which was achieved (as in ADF XI). Some \$484 million was committed to operations classified as regional, including \$100 million for the Emergency Assistance Project in Bangladesh, a Group B country.

Table A2.3: Grant Commitments during ADF 12 and 13 by Country, 2017–2022

Country	ADF 12		ADF 13		Total	
	Number	Volume (\$ million)	Number	Volume (\$ million)	Number	Volume (\$ million)
Afghanistan	12	1,288.64	5	455.00	17	1,743.64
Bangladesh	1	100.00	3	50.40	4	150.40
Bhutan	5	69.26	3	22.00	8	91.26
Cambodia	6	15.10	4	44.80	10	59.90
Federated States of Micronesia	7	65.26	3	14.00	10	79.26
Fiji	0	-	0	-	0	-
Kyrgyz Republic	13	235.84	10	163.20	23	399.04
Kiribati	8	72.10	1	20.00	9	92.10
Lao People's Democratic Republic	9	254.60	1	10.00	10	264.60
Maldives	5	100.98	2	17.51	7	118.49
Myanmar	2	15.80			2	15.80
Nauru	4	63.30	2	20.00	6	83.30
Nepal	2	20.00	2	22.00	4	42.00

Country	ADF 12		ADF 13		Total	
	Number	Volume (\$ million)	Number	Volume (\$ million)	Number	Volume (\$ million)
Pakistan	0	-	2	8.00	2	8.00
Palau	0	-	1	0.77	1	0.77
Papua New Guinea	0	-	0	-	0	-
Republic of the Marshall Islands	11	66.20	2	9.00	13	75.20
Samoa	8	150.66	3	20.50	11	171.16
Solomon Islands	9	55.24	4	32.96	13	88.20
Sri Lanka	1	12.50			1	12.50
Tajikistan	16	671.41	7	266.20	23	937.61
Timor-Leste	0	-	0	-	0	-
Tonga	14	99.98	4	62.70	18	162.68
Tuvalu	9	50.22	3	51.50	12	101.72
Uzbekistan	0	-	1	3.00	1	3.00
Vanuatu	7	50.17	4	18.38	11	68.55
Viet Nam	1	12.00	0	-	1	12.00
Total	150	3,469.25	67	1,311.92	217	4,781.16

ADF = Asian Development Fund.

Note: Figures for ADF 13 cover only commitments during 2021–2022.

Source: Asian Development Bank database.

2. ADF operations are well aligned with ADB Strategy 2030 operational priorities.

6. ADF 12 and 13 operations align with Strategy 2030 operational priorities,² and ADF 13 is the first replenishment to implement Strategy 2030 during its full cycle. A higher proportion of operations are tagged in Group A countries as supporting RCI, including RPGs (operational priority 7), the environment (operational priority 3), and gender equality (operational priority 2) than operations tagged in OCR blend (Group B) countries for RCI, and the environment (Tables A2.4a and A2.4b).

Table A2.4a: Commitments to Concessional Assistance Countries by Sector and Strategy 2030 Operational Priority, 2017–2022

(share of total commitment amount [%])

Sector	OP1		OP2		OP3		OP4		OP5		OP6		OP7	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
ANR	100	100	100	99	83	100	4	2	100	100	57	97	19	16
Education	100	100	100	100	64	65	0	4	20	0	98	100	2	0
Energy	85	54	81	89	100	100	37	19	23	28	74	100	44	5
Finance	78	70	100	97	29	60	0	0	10	38	100	86	18	0
Health	100	100	100	100	18	20	0	6	6	13	55	70	90	46
IND	65	12	76	100	54	16	0	0	0	0	100	100	100	91
PSM	98	82	99	95	23	32	3	7	35	17	82	99	82	43
TRA and ICT	69	66	97	84	96	90	6	11	18	13	79	87	93	62
WUS	99	100	86	98	100	100	100	100	4	5	95	97	36	0
Total	89	75	94	93	76	65	21	16	33	21	77	93	55	32

OP = operational priority; A = concessional assistance-only countries (Group A); B = OCR blend countries (Group B); ANR = agriculture, natural resources, and rural development; IND = industry and trade; PSM = public sector management; TRA and ICT = transport and information and communication technology; WUS = water and other urban infrastructure and services.

Notes: 1. OP1: addressing remaining poverty and reducing inequalities; OP2: accelerating progress in gender equality; OP3: tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4: making cities more livable; OP5: promoting rural development and food security; OP6: strengthening governance and institutional capacity; OP7: Fostering regional cooperation and integration.

2. Percentages are based on commitment amounts. In most cases, operations contributed to more than one OP. Although operations approved before 2017 would not need to align with Strategy 2030 OPs, Strategy 2030 prioritization has helped. Operations before 2017, when the Strategy, Policy, and Partnerships Department retrofitted them with OPs, were less frequently tagged for OP1, OP2, and OP3; other categories were usually tagged as frequently as operations approved later, including regional cooperation and integration, encompassing regional public goods.

Source: Asian Development Bank (Independent Evaluation Department) estimates.

² Strategy 2030's seven operational priorities are (i) addressing remaining poverty and reducing inequalities; (ii) accelerating progress in gender equality; (iii) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; (iv) making cities more livable; (v) promoting rural development and food security; (vi) strengthening governance and institutional capacity; and (vii) fostering RCI.

Table A2.4b: ADB Commitments by Sector and Strategy 2030 Operational Priority, 2017–2022
(share of total commitment amount [%])

Sector	OP1		OP2		OP3		OP4		OP5		OP6		OP7	
	CA	NCA	CA	NCA	CA	NCA	CA	NCA	CA	NCA	CA	NCA	CA	NCA
ANR	100	96	100	97	89	100	3	30	100	100	72	91	18	12
Education	100	100	100	100	64	37	2	6	7	6	99	87	1	11
Energy	63	54	87	60	100	99	24	28	26	39	93	87	16	11
Finance	71	75	97	72	57	61	0		35	3	87	86	2	44
Health	100	100	100	100	20	68	5	16	11	9	66	54	57	61
IND	16	72	98	72	19	64	0	40	0	8	100	82	92	72
PSM	84	90	96	95	30	24	7	7	20	3	97	100	48	46
TRA	67	84	88	90	92	98	10	38	15	38	84	82	71	37
WUS	100	97	94	99	100	98	100	100	5	18	97	92	13	18
Total	79	84	94	87	68	72	17	27	24	28	88	87	38	33

OP = operational priority; CA = concessional assistance-only countries; NCA = non-concessional assistance countries; ANR = agriculture, natural resources, and rural development; ICT = information and communication technology; IND = industry and trade; PSM = public sector management; TRA = transport; WUS = water and other urban infrastructure and services.

Notes: 1. OP1: addressing remaining poverty and reducing inequalities; OP2: accelerating progress in gender equality; OP3: tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4: making cities more livable; OP6: strengthening governance and institutional capacity; OP7: fostering regional cooperation and integration.

2. Percentages are based on commitment amounts. In most cases, operations contributed to more than one operational priority. Although operations approved before 2017 would not need to align with Strategy 2030 OPs, Strategy 2030 prioritization has helped. Operations before 2017, when the Strategy, Policy, and Partnerships Department retrofitted them with OPs, were less frequently tagged for OP1, OP2, and OP3; other categories were usually tagged as frequently as the operations approved later, including regional cooperation and integration, encompassing regional public goods.

Source: Asian Development Bank (Independent Evaluation Department) estimates.

3. The thematic pool is diffused but relevant.

7. The ADF 13 thematic pool was viewed by government counterparts as a well-designed arrangement that incentivized special attention to projects focusing on gender, RCI, and disaster risk reduction and climate change adaptation. ADF 13 thematic funds are allocated according to Table A2.5, with 29% for Group A and B fragile and conflict-affected situations, and 36% for Group A and B small island developing states. About 38% of the thematic pool is allocated to Group A countries that do not receive a country allocation (COL-only gap and COL only).

Table A2.5: Allocations of ADF 13 Thematic Pool, 2021–2022
(\$ million)

Country Grouping	DRR-CCA	RCI	RHS	Environment	B+C+D	Gender	Total (A+E+F)	Share of Total
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	Allocation
Group A	230.4	142	54.9	70.5	267.4	79.2	577.0	90%
ADF Only	94.1	23		15	38	38.4	170.4	27%
ADF Blend	53.5	67	20	10.5	97.5	8.5	159.5	25%
IDA Gap	41.8	12	34.9	15	61.9	20.3	124	19%
COL Only	41	40		30	70	12	123	19%
Group B (OCR Blend)	22		12		12	27.3	61.3	10%
Total	252.4	142	66.9	70.5	279.4	106.4	638.2	100%
Share of Total								
Allocation	40%	22%	10%	11%	44%	17%	100%	
FCAS	83	28	31.7	15.5	75.2	28.0	186.2	29%
SIDS	114.2	42	7	25.6	74.5	40.8	229.5	36%

ADF = Asian Development Fund, CCA = climate change adaptation, COL = concessional ordinary capital resources lending, DRR = disaster risk reduction, FCAS = fragile and conflict-affected situations, IDA = International Development Association, RCI = regional cooperation and integration, RHS = regional health security, SIDS = small island developing states.

Source: ADB. Thematic Pool. Paper prepared for the Asian Development Fund 13 (2021–2022) Midterm Review. Unpublished.

4. Governance and institutional capacities were tackled less in Group A than in other groups.

8. Improving governance and institutional capacities was one of the seven priorities highlighted in the ADF 12 donor paper. Investments in public sector management operations in Group A remained flat at 11% in 2011–2016 and 2017–2022. The investments were significantly smaller than those in Groups B and C countries although the number of operations is higher relative to Groups B and C (Table A2.6).

Table A2.6: Public Sector Management Commitments by Country Grouping
(number and volume of operations)

Developing Member Country Group	2011–2016				2017–2022			
	Number	% ^a	Amount (\$ million)	%	Number	%	Amount (\$ million)	%
Group A	48	13	1,075	11	74	18	1,456	11
Group B	16	5	1,619	6	53	14	8,371	20
Group C	33	12	6,373	17	54	19	15,294	25
ADB	97	10	9,067	12	181	17	25,481	22

ADB = Asian Development Bank, DMC = developing member country, OCR = ordinary capital resources.

Note: Public sector management operations are based on primary sector classification

^a Share of public sector management operations (number and/or volume) to total committed operations (number and/or volume) within the country group.

Source: Asian Development Bank.

5. Cofinancing of ADF operations is decreasing in Group A countries.

9. Since ADF X, the ADF's leveraging role—linking grants with concessional loans from ADB and other development partners—has been significant (15%–30% of ADB's own financing for Groups A and B over 2009–2022). However, cofinancing declined across country groups after ADF XI (Table A2.7).

Table A2.7: Cofinancing Ratio Relative to ADB-Approved Financing in Different ADF Periods
(%)

Country Grouping	ADF IX (2005–2008)	ADF X (2009–2012)	ADF XI (2013–2016)	ADF 12 (2017–2020)	ADF 13 (2021–2022)
Group A	14	23	59	28	20
Group B	4	37	43	38	26
Group C	4	15	32	35	28
FCAS Group A	16	20	76	31	15
SIDS Group A	72	90	76	64	52

ADB = Asian Development Bank, ADF = Asian Development Fund, FCAS = fragile and conflict-affected situations, OCR = ordinary capital resources, SIDS = small island developing states.

Notes: 1. Country groupings as per their status in 2022. 2. Cofinancing includes collaborative and administered (full and partial) cofinancing. 3. Cofinancing ratio = total sovereign cofinancing as a share of total ADB commitments during the period.

Sources: Asian Development Bank cofinancing database (accessed 6 June 2023), and Asian Development Bank (Independent Evaluation Department) estimates.

APPENDIX 3: PERFORMANCE-BASED ALLOCATION

1. The performance-based allocation (PBA) formula links allocations of ADF resources to country needs and country performance. It is a weighted geometric function of the composite country performance rating (CCPR), per capita income (PCI),¹ and population (POP). The allocation share for each country is determined by the following formula:

$$S_i = CCPR_i^{2.00} \times PCI_i^{-0.25} \times POP_i^{0.60} \times C$$

2. The scaling factor, C , is a constant term where

$$C = 1 \div \sum_i (CCPR_i^{2.00} \times PCI_i^{-0.25} \times POP_i^{0.60})$$

3. The effect of squaring the CCPR on its component parts highlights the importance of the governance rating in the overall country allocation:

$$CCPR_i^{2.00} = (\text{policy and institutional rating})_i^{1.40} \times (\text{governance rating})_i^{2.00} \times (\text{portfolio performance rating})_i^{0.60}$$

4. The policy and institutional ratings and governance ratings are assessed as part of the country performance assessment (CPA) exercise, which is undertaken every 2 years. The policy and institutional rating is derived from an equal weighting of 11 elements in three clusters: economic management (monetary and exchange rate policies, fiscal policies, and debt policies and management); structural policies (trade, financial sector, and business environment); and social inclusion and equity (gender equality, equity in the use of public resources, building human resources, social protection and labor, and policies and institutions for environmental management). The governance rating is derived from an equal weighting of five elements in the public sector management and institutions cluster (property rights and rules-based governance, quality of budgetary and financial management, efficiency of revenue mobilization, quality of public administration and transparency, and accountability and corruption in the public sector).

5. While the principles underpinning the formula are robust, translating these principles into the operational dialogue on country performance with government counterparts is a challenge because of three main factors. First, the PBA formula is complex and challenging to explain, particularly the extent to which allocations will increase or decrease based on changes in the CPA's individual elements. The challenge is not unique to the Asian Development Fund (ADF) as similar formulae are used by the International Development Association and the African Development Fund. Second, since CPA ratings change only when results of actions can be assessed, the lead periods are long. Given the large number of CPA elements, overall CPA scores move slowly over time as different elements may move in opposite directions. For example, analysis conducted for the evaluation indicates that the CPA of Group A non-Pacific countries increased from 3.60 in 2008 to 3.94 in 2012 before declining over time to 3.78 by 2018 and thereafter increasing modestly to 3.83 in 2020. Finally, even where a country improves its overall CPA scores, the upturn may not necessarily translate into a higher allocation for factors outside of the control of country authorities.² Given the fixed pool of resources, improvements in a country have to occur at a pace faster than progress made by other countries in the PBA pool. Conversely, graduation of countries from the ADF may impact PBA.

¹ Gross national income per capita is measured based on the World Bank's Atlas method, which smoothens exchange rate fluctuations by using a 3-year moving average, price-adjusted conversion factor.

² The formula is calibrated to ensure that total allocations equal total available resources. Each country's indicative allocation is derived by applying its PBA share to the total resources available for PBAs.

APPENDIX 4: DISASTER RESPONSE FACILITY AND EXPANDED DISASTER AND PANDEMIC RESPONSE FACILITY

1. The appendix examines the relevance, efficiency, and effectiveness of the use of the Disaster Response Facility (DRF) and the Expanded Disaster and Pandemic Response Facility (DRF+).
2. The DRF was piloted under Asian Development Fund (ADF) XI and regularized under ADF 12. Under ADF 13, it became the Expanded Disaster and Pandemic Response Facility (DRF+) to provide ADF grants to Group A countries in case of disasters triggered by natural hazards; large cross-border movements of displaced people; and public health emergencies, including epidemics and pandemics. The DRF+ supports emergency assistance, early recovery, rehabilitation, and reconstruction following disasters and emergencies. The criterion for accessing the DRF+ is the severity of a disaster or emergency. The ADF 13 midterm review paper on the DRF+ proposes that the DRF+ be further expanded to cover severe economic crises caused by exogenous shocks and potentially affecting multiple developing member countries (DMCs).¹
3. The following summarizes the evolution of the DRF, disaggregates the use of the DRF and the DRF+ by type of disaster causing debt distress, and examines the suitability of the DRF+ in each case before discussing further expansion.

A. Responding to Natural Disasters

4. Seven operations or projects were funded under ADF XI, all for the rehabilitation and/or reconstruction of infrastructure following sudden-onset disasters (five tropical cyclones in the Pacific, a flood in Cambodia, and an earthquake in Nepal). Under ADF 12, the DRF funded the reconstruction and upgrade of Tonga's electricity infrastructure damaged by Tropical Cyclone Gita in 2018.²
5. In all seven cases, the DRF funded the rehabilitation and/or reconstruction of infrastructure and did not strictly provide emergency assistance or early recovery, reflecting ADB's comparative advantage in the sudden-onset disaster risk management space. However, descriptions of the possible uses of the DRF+ continue to refer to emergency response (footnote 1), reflecting the objectives of Strategy 2030 and the Disaster and Emergency Assistance Policy 2021. Both leave the door open for ADB to support the earliest phase of disaster response, although the references made to "relief" and "response" are ambiguous.
6. The evaluation's view is that ADB should recognize that rapid response is not its comparative advantage or its core mandate. Operational flexibilities allowed processing of emergency assistance loans in 12 weeks, but it was not achieved in some cases.³ Even if it could be achieved, it would not be timely for emergency needs in a sudden-onset disaster. Asia Pacific Disaster Response Fund grants were introduced to speed up response; some ADB documents state that the grants can be processed in a week. It has happened rarely, however, and data for the Independent Evaluation Department's ongoing evaluation of the fund indicates that 54% of grants until the end of 2021 took more than 12 weeks to process. After approval, utilization was much delayed, mainly because of procurement.
7. The ADF 13 replenishment meeting discussion paper on the DRF+ states that under the existing DRF, "ADB support would focus on its areas of comparative advantage—especially in infrastructure—for recovery and reconstruction, complementing the expertise of the [United Nations] and other agencies specializing in humanitarian relief" (footnote 2). The midterm review retains the reference to the DRF+

¹ ADB. Expanded Disaster and Pandemic Response Facility. Paper prepared for the Asian Development Fund 13 Midterm Review (2021–2024). Unpublished.

² ADB. 2019. [Expanded Disaster and Pandemic Response Facility under ADF 12](#). Paper prepared for the ADF 13 Replenishment Meeting. Manila. 5–7 November.

³ ADB. 2021. [Revised Disaster and Emergency Assistance Policy](#). Manila.

being available for emergency response but without indicating what type of emergency response project or operation the DRF+ might fund.

8. Under ADF 13, the DRF+ has been allocated to the Nuku'alofa Network Upgrade Project, under the Pacific Renewable Energy Facility. The project will restore reliable access to electricity by upgrading the network to a higher standard of resilience after the January 2022 volcanic eruption and tsunami.

1. Slow-Onset and Protracted Disasters

9. Timeliness was less of an issue in slow-onset and protracted disasters until the coronavirus disease (COVID-19) pandemic. The DRF had never been used for slow-onset or protracted disasters; in the Pacific, COVID-19 could possibly be considered slow-onset although the macroeconomic effects of precautionary measures were rapid. The use of the DRF+ to support the COVID-19 Pandemic Response Option (CPRO) is discussed in the next section. Applying the DRF+ to slow-onset natural hazards such as drought may be difficult if the debt distress principle remains and debt distress has not yet manifested, which raises the question whether it should be possible to apply the DRF+ to mitigate an unfolding disaster. Protracted disasters and crises are likely to be more straightforward in manifest debt distress.

10. The DRF+ has been allocated to Bangladesh for the Emergency Assistance Project, but on the basis of the large cross-border influx, with no reference to it being a protracted or chronic crisis. The DRF+ has not been allocated on the basis of debt distress either. The conclusion is that protracted or chronic crises can be “severe” and cause “debt distress.” Slow-onset disasters can become “severe” if not resolved and lead to debt distress. The lack of provision in the DRF+ for protracted and slow-onset disasters and crises can be seen as a gap and some provision should be made for such circumstances.

2. Public Health Emergencies

11. The expansion of the DRF to include public health emergencies was under discussion in late 2019. COVID-19 emerged when the ADF 13 replenishment was being finalized. Policy changes made by ADB in April 2020 enabled the DRF (ADF 12) to be used. It was used extensively, contributing to CPRO COVID-19 Active Response and Expenditure Support (CARES) programs for Cambodia, the Kyrgyz Republic, Maldives, the Marshall Islands, Myanmar, Nepal, Samoa, Solomon Islands, Tajikistan, and Vanuatu.

12. The CPRO programs to which the DRF contributed were relevant and often efficient; in 2020, they took an average of 70 days from the end of fact finding to disbursement. They primarily dealt with the fiscal crisis, and budget support was generally provided within a reasonable time to help DMCs mount their countercyclical pandemic responses. In 2021, the DRF+ (ADF 13) was earmarked for the Asia Pacific Vaccine Access Facility (APVAX) but was not used much.

13. The conclusion is that the DRF effectively responded to the COVID-19 crisis and its consequences. The DRF+ has been less effective given the mixed uptake of APVAX.

3. Contingent Disaster Financing

14. Under ADF 12, a DRF grant was provided to Tonga for the Pacific Disaster Resilience Program (PDRP) Phase 2. DRF grants were provided to Tonga and Tuvalu for PDRP Phase 3. Under ADF 13, the DRF+ has been allocated for PDRP Phase 4 (Kiribati, Samoa, Solomon Islands, and Tonga).

15. Contingent disaster financing (CDF) is popular with Pacific DMCs. Past Independent Evaluation Department (IED) evaluations found that it is an effective alternative for ADB and a DMC in responding rapidly to a disaster and strengthening resilience under the financing terms.⁴ CDF was disbursed within 48 hours following the Tonga-Hunga Ha’apai undersea volcanic eruption in 2022, considerably faster

⁴ The evaluations include: IED. 2021. *ADB Support for Action on Climate Change, 2011–2020*. Manila: ADB; ADB. Real-Time Evaluation on ADB’s COVID-19 Response. Unpublished; and IED. 2020. *Validation of the Pacific Approach Country Partnership Strategy Final Review, 2016–2020*. Manila: ADB.

than the Asia Pacific Disaster Response Fund grant that followed. CDF is not the sole solution for disasters, and Pacific DMCs do not see it that way. CDF plays to ADB's comparative advantage, and continuing to make the DRF+ available for CDF appears appropriate.

4. Conflict-Driven Disasters

16. A paper for the ADF 13 replenishment meeting in November 2019 proposed expanding DRF coverage for grant-eligible Group A countries to include not only severe disasters triggered by natural hazards but also those caused by conflict and related humanitarian emergencies, as well as public health emergencies, especially epidemics and pandemics (footnote 2). The paper had internal and external impacts of conflict in mind, referring to internal DMC impacts such as destroyed homes, infrastructure, and livelihoods; breakdowns in service delivery; and long periods without public investment in affected areas. But the DRF+ covers only external impacts, with the provision to help Group A and B countries deal with large cross-border inflows. The expansion supported the provision of a DRF+ grant for the Bangladesh Emergency Assistance Project for Cox's Bazar and seems to have been tailor-made for that purpose. The rationale for including Group B countries was that they may otherwise be reluctant to fully finance related investment needs, bypassing the debt distress test. In conclusion, consideration should be given to again seek ADF donors' approval to allow the DRF+ to be used for Group A DMCs dealing with conflict-related emergencies as proposed in the ADF 13 replenishment paper.

5. Economic Crises

17. ADB's 2023 midterm review DRF+ paper seeks donors' guidance to expand the scope of the DRF+ under ADF 14, covering severe economic crises caused by exogenous shocks that potentially affect multiple DMCs. By contributing to CPRO programs, the DRF+ has arguably already been used for that purpose, the exogenous shock being the macroeconomic impact of COVID-19 on DMCs. The CARES programs could be regarded as public health responses but, more fundamentally, they were mostly responses to fiscal issues. The types of exogenous shocks that could cause an economic crisis eligible for financing by the DRF+ must be well defined. Access criteria may need to be examined. The conclusion is that considering reframing the DRF+'s purpose and eligibility from first principles may be wise, considering the current context and policy, with less reliance on a list of eligible types of disasters.

APPENDIX 5: PERFORMANCE OF ASIAN DEVELOPMENT FUND OPERATIONS

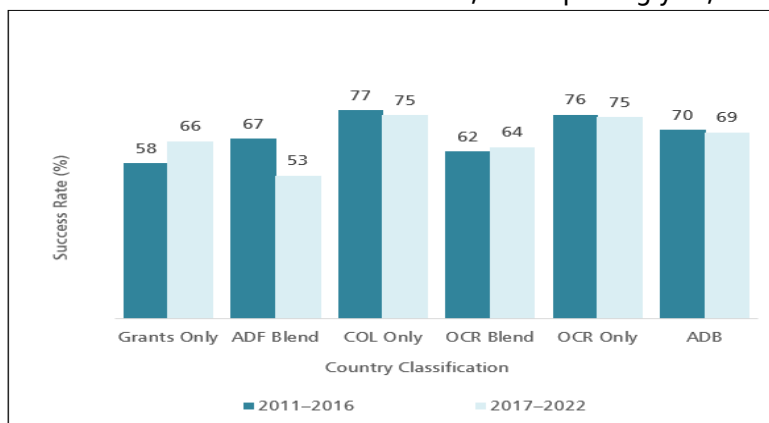
A. Portfolio Performance of ADF 12 and 13 Operations

1. The appendix elaborates on the analysis undertaken to assess the performance of Asian Development Fund (ADF) operations in chapter 2. It examines the performance of ADF operations by looking at (i) the success of completed operations as rated in Independent Evaluation Department (IED) project or program completion report (PCR) validation reports (PVRs), and (ii) emerging findings on operations approved under ADF 12 and 13. As ADF 12 started only in 2017, many of the approved grant operations are still ongoing or, if they have been completed, lack either a PCR or a PVR. Only 10 operations approved under ADF 12 have a PVR; none under ADF 13 have one. An analysis following a longer period is provided to assess the performance of completed ADF operations. The operations were approved before 2017, when the ADF had a different structure and funded concessional loan and grant operations. Two 6-year periods are distinguished, 2011–2016 and 2017–2022 (the period of ADF 12 to date), to look at trends in the performance of ADF operations. The analysis focuses on Group A countries, which have received most of the ADF grant allocations since 2017.¹ The performance of other developing member country (DMC) groups such as fragile and conflict-affected situations (FCAS) and small island developing states (SIDS) is shown in tables or charts for comparison. Although they are mostly in Group A, a few FCAS and SIDS are in other country groups. The section also includes an assessment of the performance of Technical Assistance Special Fund 6.

1. Performance of Completed Operations by Country Classification

2. The success rates of Asian Development Bank (ADB) concessional assistance operations since 2011 have varied. Success rates represent the overall percentage of either *highly successful* or *successful* project ratings based on IED PVRs and project or program performance evaluation reports (PPERs) for projects with PCRs circulated during the 2011–2002 reporting period.² Across country groups, grants-only countries showed significant improvement over the evaluation period, from 58% (2011–2016) to 66% (2017–2022). Figure A5.1 shows the trends in success rates of completed operations with PVRs or PPERs for (i) Group A (subcategories ADF grant only, ADF blend, and International Development Association [IDA] gap); and (ii) Groups B and C (ordinary capital resources only) over PCR reporting years 2011–2016 and 2017–2022.

Figure A5.1: Performance of Sovereign Operations by Country Grouping
(success rates and number of PPERs and PVRs, PCR reporting year, 2011–2022)



ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, OCR = ordinary capital resources, PCR = project or program completion report, PPER = project or program performance evaluation report, PVR = project or program completion report validation report.

Notes: The country classification is based on the 2022 classification as reported in the 2023 Annual Evaluation Review.

Source: Asian Development Bank.

¹ Operations can be investment projects and policy or budget support operations or other modalities. Many technical assistance operations are funded by ADF (Chapter 2).

² PCR Reporting year for success ratings is based on the date that the project or program completion report was circulated. For a given year, reporting year covers completion reports circulated from 1 July to December 31 of the previous year and from 1 January to 30 June of the following year.

3. Operations in Group A countries exhibit higher success rates than operations in Group B. The trend shows that, despite differences in gross domestic product (GDP) per capita and debt distress situation, Group A and B countries may not differ significantly in their capacity to bring ADB-supported projects to a successful end; such capacity improves only in Group C countries. However, the number of Group A country PVRs and/or PPERs in 2017–2022 is slightly less than in 2011–2016. The decline is more pronounced for FCAS and SIDS, which are distributed across the three country groups. Table A5.1 shows success rates in Group A FCAS and SIDS. Differences in success rates between country programs exist in Group A but may be influenced by the limited size of portfolios and the number of rated and validated operations.

Table A5.1: Performance of ADF Operations in Fragile and Conflict-Affected Situations and Small Island Developing States

(success rates and number of PPERs and PVRs, by PCR reporting year, 2011–2022)

Country Grouping	2011–2016			2017–2022		
	No.	No. HS/S	HS/S %	No.	No. HS/S	HS/S %
FCAS (All)	39	24	62	41	22	54
FCAS (Group A)	33	22	67	30	21	70
Non-FCAS	292	208	71	394	280	71
SIDS (All)	31	19	61	48	22	46
SIDS (Group A)	19	12	63	32	19	59
Non-SIDS	300	213	71	387	280	72
ADB	331	232	70	435	302	69

ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, HS/S = highly successful or successful, OCR = ordinary capital resources, PCR = project or program completion report, PPER = project or program performance evaluation report, PVR = project or program completion report validation report.

Note: The country classification is based on the 2022 classification as reported in the 2023 Annual Evaluation Review. Concessional assistance-only countries can have a few operations that are OCR or grants from sources other than the ADF.

Source: Asian Development Bank (Independent Evaluation Department).

2. Performance of ADF Operations by Evaluation Criterion

4. The performance of sovereign operations and programs is evaluated for relevance, efficiency, effectiveness, and sustainability. Relevance ratings of completed operations in Group A countries have historically been better than ratings of the other evaluation criteria (Table A5.2). The high relevance ratings suggest that sector and project selection and identification are generally done well by ADB, with relevance to ADB strategies, country strategies designed to achieve project objectives, and broadly appropriate results frameworks.

5. Based on PVRs, efficiency rates for completed operations in ADF grant countries marginally improved from 69% in 2011–2016 to 71% in 2017–2022.

6. Effectiveness rates for completed concessional assistance operations improved from 68% in 2011–2016 to 73% in 2017–2022. The effectiveness of ADF grant operations improved from 69% in 2011–2016 to 76% in 2017–2022.

Table A5.2: Performance of ADF Operations by Evaluation Criterion, 2011–2022
(success rates and number of PPERs and PVRs, by PCR reporting year, 2011–2022)

Evaluation Criteria	2011–2016			2017–2022		
	No.	No. HS/S	HS/S %	No.	No. HS/S	HS/S %
All Concessional Operations:						
Relevance	91	82	90	98	86	88
Efficiency	91	62	68	98	66	67
Effectiveness	91	62	68	98	72	73
Sustainability	91	49	54	96	63	66
Overall Assessment	91	63	69	98	65	66
ADF Grant Operations:						
Relevance	39	32	82	79	69	87
Efficiency	39	27	69	79	56	71
Effectiveness	39	27	69	79	60	76
Sustainability	39	21	54	77	50	65
Overall Assessment	39	27	69	79	54	68

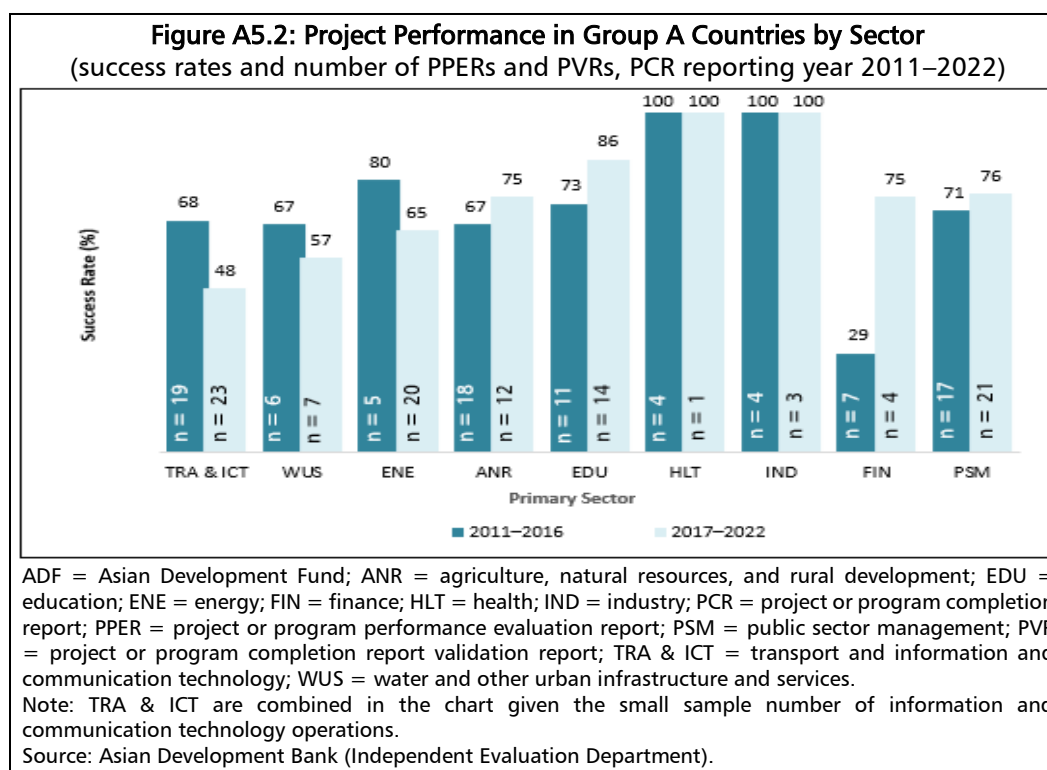
ADF = Asian Development Fund, HS/S = highly successful or successful, PCR = project or program completion report, PPER = project or program performance evaluation report, PVR = project or program completion report validation report. Note: Two projects in all concessional operations (PCR circulated in 2017–2022) were not rated for sustainability.

Source: Asian Development Bank (Independent Evaluation Department).

7. Sustainability has improved over the two 6-year periods for concessional assistance operations and ADF grant operations but remains lowest among the four core evaluation criteria. As noted in past IED evaluations, project sustainability suffers when the policy environment is inadequate, tariffs or maintenance funding are insufficient, government capacity is weak and staff turnover high, and exit strategies are weak for project implementation units dissolved after projects' end.³

3. Performance of ADF Operations by Sector and Thematic Area

8. Project performance by sector has exhibited a wide range of results, with some sectors performing well while others lag.



³ IED. 2016. *Asian Development Fund X and XI Operations: Opportunity Amid Growing Challenges*. Manila: ADB.

9. Variations in project performance in Group A countries were observed across sectors (Figure A5.2).

10. A number of major infrastructure projects funded through Group A countries' performance-based allocation (PBA), such as transport and energy, had lower success rates than average (Figure A5.2). The trend is not unique to Group A countries but is ADB-wide. Infrastructure projects' performance decreased by 3.9% annually during 2016–2022 according to IED's 2023 annual evaluation review. Performance in non-infrastructure sectors (education, public sector management, and finance) improved in the two 6-year periods.

11. By thematic area, success rates of operations tagged for gender and environmental operations have consistently been 65%–75% for ADF grants to Group A countries.⁴ Operations tagged for regional cooperation and integration had lower success rates in ADF grants-only and ADF blend countries (64%) in 2011–2022 than in Group B countries (83%) and ADB overall (74%),. However, a limited number of completed ADF 12 and 13 operations with validated ratings were available, as most approved operations are still ongoing.

Table A5.3: Performance of ADF Operations by Thematic Area
(success rates and number of PPERs and PVRs, by PCR reporting year, 2011–2022)

Thematic Area	Group A (Grants-only and ADF Blend)			Group A (COL-only)			Group B			ADB		
	No.	No. HS/S	HS/S%	No.	No. HS/S	HS/S%	No.	No. HS/S	HS/S%	No.	No. HS/S	HS/S%
Environment/ Climate Operations	16	11	69	9	9	100	29	19	66	102	79	77
RCI Operations	14	9	64	1	1	100	6	5	83	42	31	74
Gender-Maintstreamed Operations	22	16	73	12	11	92	23	17	74	98	77	79

ADF = Asian Development Fund, HS/S = highly successful or successful, PCR = project or program completion report, PPER = project or program performance evaluation report, PVR = project or program completion report validation report.

Only for projects approved during 2011–2020 that identified thematic priorities. A project may have more than one thematic priority.

Source: Asian Development Bank (Independent Evaluation Department).

4. Performance of ADF Operations by Modality

12. For all ADF grant and concessional assistance operations, 63% of PVRs and PPERs for investment projects were rated successful during 2017–2022, compared with 76% for policy-based lending (PBL) operations (Table A5.4). Grant-financed investment projects, however, recorded better performance than PBLs in 2017–2022, which may be linked to the use of modalities such as project-readiness financing for investment projects and other innovative approaches.⁵

13. While grant financed PBLs have been relatively successful, feedback during country evaluation missions identified some shortcomings. In Solomon Islands and Tonga, PBL operations were acknowledged as relevant and valuable for engaging with the government. However, concerns existed that more substantive policy actions, particularly for public financial management, were necessary. More systematic capacity development needed to be promoted by PBL in areas such as asset management and core government functions.

Table A5.4: Performance of ADF Operations by Modality
(success rates and number of PPERs and PVRs, PCR reporting year)

Item	2011–2016		2017–2022		Total	
	No.	HS/S %	No.	HS/S %	No.	HS/S %
All concessional assistance						
Investment Projects	73	68	75	63	148	66
Policy-Based Operations	26	73	29	76	55	75
ADF grant-financed operations						
Investment Projects	27	67	57	65	84	66
Policy-Based Operations	18	78	27	74	45	76

ADF = Asian Development Fund, HS/S = highly successful or successful, PCR = project or program completion report, PPER = project or program performance evaluation report, PVR = project or program completion report validation report.

Note: The total number of operations in this table differ from Table A5.2 as ratings for each sector development program component are presented separately.

Source: Asian Development Bank (Independent Evaluation Department).

⁴ Independent Evaluation Department, 2022 Annual Evaluation Review database.

⁵ IED. 2020. *Validation of the Pacific Approach Country Partnership Strategy Final Review, 2016–2020*. Manila: ADB.

5. Country Program Performance

14. Table A5.5 presents country program performance and country performance assessment ratings for concessional assistance Group A and Group B countries, indicating that FCAS had country programs that were *less than successful*. The Pacific program covering 11 small Pacific island countries (PIC-11) up to 2020 was rated *less than successful*, which can be attributed to various factors contributing to the low performance of operations in the region. First, the economic crisis resulting from the coronavirus disease (COVID-19) pandemic has severely affected the PIC-11. Second, the strategies and approaches implemented in the Pacific have demonstrated limited progress, underscoring the difficulties in fostering growth in such challenging contexts. Third, inadequate evidence-based monitoring and reporting against strategic priorities have adversely influenced perceptions of ADB's performance in the Pacific. Pacific countries, like other fragile states, continue to grapple with capacity challenges, which hinder their ability to efficiently use investments and achieve favorable outcomes.

Table A5.5: Country Program Performance and Country Performance Assessment Ratings for ADF–Eligible Group A and Group B Countries

Countries	CPA Ratings ^a	Country Classification ADF 2022	Evaluation Publication Year	Success Rating	Relevance Rating	Effectiveness Rating	Efficiency Rating	Sustainability Rating	Development Impact Rating
Pacific island countries: ^b			2020	LS	R	LE	Efc	LLS	Lts
Samoa σ	3.85	Grants only							
Tonga σ	3.68	Grants only							
Vanuatu σ	3.28	ADF blend							
Solomon Islands <i>fa</i>	3.18	ADF blend							
Kiribati <i>fa</i>	3.01	Grants only							
Tuvalu <i>fa</i>	2.98	Grants only							
Micronesia, Federated States of <i>fa</i>	2.92	Grants only							
Nauru <i>fa</i>	2.76	Grants only							
Marshall Islands <i>fa</i>	2.74	Grants only							
Group A									
Kyrgyz Republic	4.00	ADF blend	2022	S	R	E	LEfc	LLS	Satisfactory
Tajikistan	3.79	Grants only	2021	S ^c	R	E	Efc	LLS	Satisfactory
Maldives σ	3.99	Grants only	2020	S	R	E	Efc	LLS	Satisfactory
Bhutan	4.74	ADF blend	2019	S ^c	R	E	LEfc	LLS	Satisfactory
Nepal	4.09	COL only	2019	S ^c	R	E	LEfc	LLS	Satisfactory
Cambodia	4.36	COL only	2019	LS ^c	R	LE	Efc	LLS	Lts
Group B									
Timor-Leste <i>fa</i>	3.24	OCR blend	2022	LS	R	LE	LEfc	LLS	Lts
Mongolia	3.99	OCR blend	2021	S ^c	R	E	LEfc	LSust ^c	Satisfactory ^c
Bangladesh	4.35	OCR blend	2021	S	R	LE	Efc	LLS	Satisfactory
Pakistan	3.79	OCR blend	2020	LS ^c	R	LE	Efc	LLS	Lts
Papua New Guinea <i>fa</i>	2.80	OCR blend	2020	LS ^c	R	LE	LEfc	LLS	Satisfactory
Fiji σ	3.62	OCR blend	2019	S	R	E ^c	LEfc	LSust	Satisfactory

f = fragile and conflict-affected situations, σ = small island developing states, E = effective, Efc = efficient, LE = less than effective, LEfc = less than efficient, LR = less than relevant, LS = less than successful, LLS = less than likely sustainable, Lts = less than satisfactory, LSust = likely sustainable, MLS = most likely sustainable, OCR = Ordinary Capital Resources, R = relevant, S = successful.

Notes:

^a Policy performance score is the unweighted average of the four performance indicator clusters: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions.

^b Refers to small Pacific Island Countries (PIC).

^c On the borderline rating.

^d Country program performance rating based on Country Partnership Strategy Final Review Validation except Bangladesh, which is based on country assistance program evaluation ratings. Sources: ADB. 2023. *Development Effectiveness Review 2022, Appendix 1 Country Classification*. Manila; ADB. 2023. *Report on the 2022 Country Performance Assessment Exercise*. Manila; and IED database on country program performance ratings.

15. From ADF XI to ADF 12, infrastructure projects' design readiness in Group A countries improved by 21 percentage points and in Group A grants-only countries by 33, remaining at par with the ADB average during first half of ADF 13 (Table A5.6). Infrastructure projects are increasingly becoming design ready, possibly because of use of project-readiness financing to finance consulting services such as detailed engineering design, limited project start-up support, and project design pilot testing.⁶

⁶ IED. 2022. *2022 Annual Evaluation Review: Fragile and Conflict-Affected Situations and Small Island Developing States*. Manila: ADB.

Table A5.6: Design Readiness of Sovereign Infrastructure Projects by ADF Period, 2013–2022

Country Classification	ADF XI (2013–2016)			ADF 12 (2017–2020)			ADF 13 (2021–2022)		
	No.	No. of DR	% ^a	No.	No. of DR	% ^a	No.	No. of DR	% ^a
Group A	71	46	65	86	74	86	22	16	73
Grants Only	27	16	59	38	35	92	8	6	75
ADF Blend	10	6	60	7	5	71	6	4	67
COL Only	34	24	71	41	34	83	8	6	75
Group B	63	49	78	51	43	84	28	22	79
Group C	111	82	74	92	75	82	32	23	72
FCAS (All)	34	21	62	41	34	83	11	8	73
FCAS (Group A)	24	12	50	38	31	82	3	3	100
Non-FCAS	222	163	73	188	158	84	71	53	75
SIDS (All)	30	15	50	31	27	87	14	11	79
SIDS (Group A)	16	6	38	27	24	89	6	6	100
Non-SIDS	226	169	75	198	165	83	68	50	74
ADB	256	184	72	229	192	84	82	61	74

ADB = Asian Development Bank, ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, No. = number of projects, DR = design ready, FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

Note: Policy- and results-based loans, transaction and knowledge and support technical assistance, and loans and grants supporting project preparation and design activities are excluded.

^a Number of infrastructure projects approved in the last calendar year that were design ready before project approval as a percentage of total infrastructure projects approved in the same year.

Source: Independent Evaluation Department estimates using Asian Development Bank (Strategy, Policy, and Partnerships Department) data.

16. Design readiness of infrastructure projects in Group A countries improved from 80% in 2018 to 85% by 2022. Infrastructure projects were also becoming procurement- ready, from 32% in 2018 to 69% in 2022. Design -readiness and procurement- readiness are instrumental in preventing start-up delays during project implementation.

17. Infrastructure projects' procurement readiness in Group A countries, including grants-only countries, was well below the ADB average during ADF XI (Table A5.7). Procurement readiness improved during ADF 12 by 20 percentage points for grants-only countries but remained below the ADB average. Procurement readiness continued to improve during the first half of ADF 13, with grants-only countries outpacing the ADB average by 18 percentage points and the ADF-blend countries' average by 10 percentage points. However, ADF 13 numbers may need to be viewed with caution given the small number of projects to date. Procurement readiness has increased in FCAS and SIDS, which may be linked to the procurement approach introduced in the country categories, but remains below the ADB average, suggesting scope for continuous implementation support.

Table A5.7: Procurement Readiness of Sovereign Infrastructure Projects by ADF Period, 2013–2022

Country Classification	ADF XI (2013–2016)			ADF 12 (2017–2020)			ADF 13 (2021–2022)		
	No.	No. of PR	% ^a	No.	No. of PR	% ^a	No.	No. of PR	% ^a
Group A	71	20	28	87	32	37	22	13	59
Grants Only	28	5	18	39	15	38	8	6	75
ADF Blend	10	4	40	7	3	43	6	4	67
COL Only	33	11	33	41	14	34	8	3	38
Group B	63	20	32	51	23	45	28	17	61
Group C	112	48	43	93	56	60	32	17	53
FCAS (All)	34	7	21	42	9	21	11	5	45
FCAS (Group A)	24	3	13	39	7	18	3	3	100
Non-FCAS	222	83	37	189	102	54	71	42	59
SIDS (All)	31	6	19	32	11	34	14	8	57
SIDS (Group A)	17	2	12	28	8	29	6	6	100
Non-SIDS	225	84	37	199	100	50	68	39	57
ADB	256	90	35	231	111	48	82	47	57

ADB = Asian Development Bank, ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, no. = total number of projects, FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

- Notes: 1. The project performance-rating methodology was revised in 2020 to strengthen safeguards and financial management and capture projects' progress. Before August 2018, performance was assessed using the following indicators: (i) technical, (ii) procurement, (iii) disbursement, (iv) financial management, and (v) safeguards. From August 2018 to May 2020, the procurement indicator was replaced by contract awards. In June 2020, the technical indicator was replaced by output.
2. The following are excluded from the project performance rating system: (i) Asia Pacific Disaster Response Fund projects; (ii) guarantees; and (iii) policy-based loans, including contingent disaster financing, and countercyclical support facility (COVID-19 Pandemic Response Option).
3. Projects in Afghanistan and Myanmar were excluded in 2021 and 2022. ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021, but in 2022 supported the economic and social development of the Afghan people through a special arrangement with the United Nations to meet basic needs. Effective 1 February 2021, ADB placed a temporary hold on sovereign project disbursements and new contracts in Myanmar. ADB continues to closely monitor the situation in the countries and remains committed to supporting their people.
4. Data for 2020–2022 exclude projects not categorized and/or rated for a specific project performance-rating indicator.
5. % = percentage of ongoing projects rated satisfactory (on track).

Source: Asian Development Bank (Procurement, Portfolio, and Financial Management Department).

6. Portfolio Performance in Group A

18. Project portfolio performance (percentage on track) of grants-only countries had been significantly below the ADB average until 2021 and 2022, when performance exceeded the ADB average (Table A5.8). Non-FCAS' portfolio performance outpaced FCAS' (Group A) until 2020. In 2021 and 2022, the trend was reversed: FCAS' performance exceeded non-FCAS. SIDS' (Group A) project performance has improved significantly since 2018, exceeding non-SIDS' and the ADB average.

Table A5.8: Performance of Operations at Implementation Rated Satisfactory: Overall Project

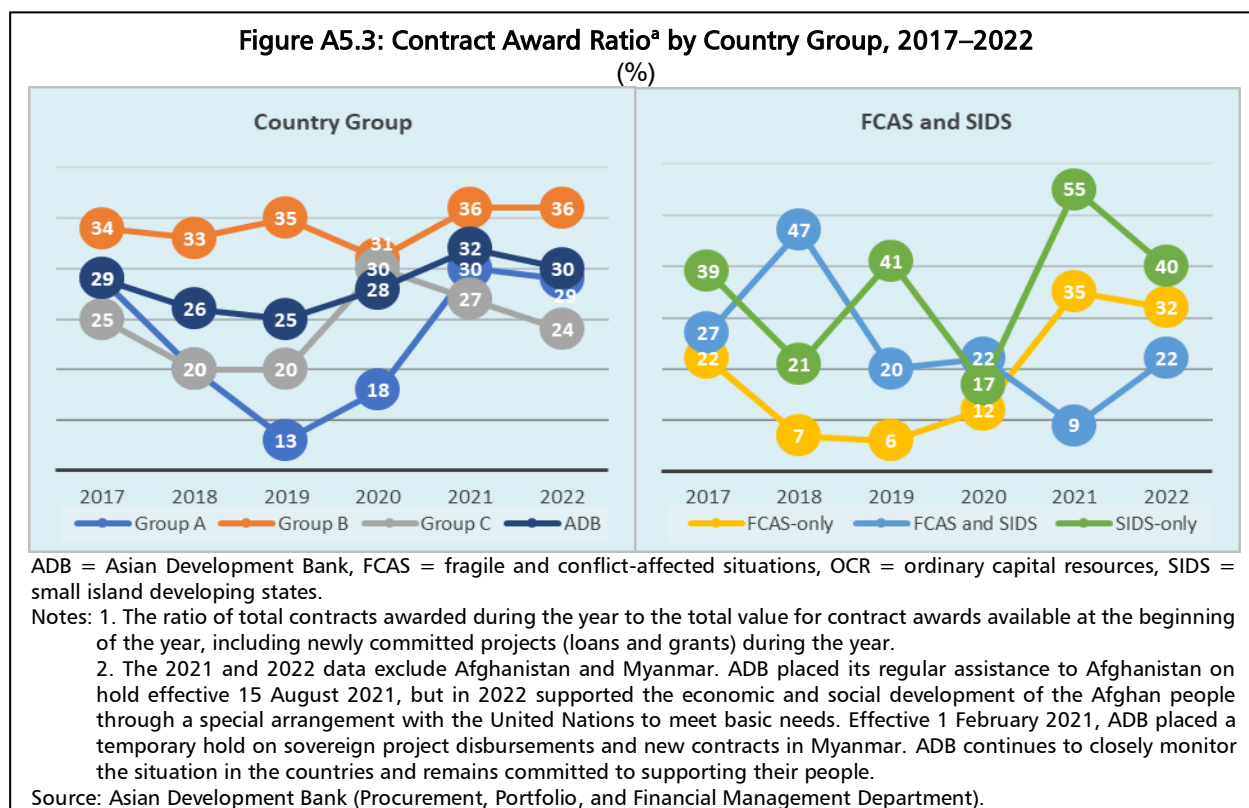
Country Classification	2017		2018		2019		2020		2021		2022	
	No.	S%	No.	S%	No.	S%	No.	S%	No.	S%	No.	S%
Group A	176	72	191	72	190	76	184	61	160	78	167	71
Grants Only	55	67	64	66	64	70	69	65	53	81	55	75
ADF Blend	23	74	18	72	21	81	22	55	25	76	31	65
COL Only	98	74	109	76	105	78	93	59	82	76	81	72
Group B	152	70	161	77	162	72	169	66	161	62	161	70
Group C	272	76	292	77	277	76	268	66	246	64	240	62
Regional	17	47	15	53	12	58	13	46	12	58	9	89
FCAS (All)	91	67	101	65	99	69	99	54	65	60	64	63
FCAS (Group A)	71	69	79	59	76	66	76	55	46	74	47	72
Non-FCAS	526	74	558	77	542	75	535	66	514	68	513	68
SIDS (All)	59	58	63	75	64	81	72	64	78	67	83	59
SIDS (Group A)	33	58	35	74	35	86	42	71	50	80	56	68
Non-SIDS	558	74	596	75	577	74	562	64	501	67	494	69
ADB	617	73	659	75	641	74	634	64	579	67	577	67

ADB = Asian Development Bank, ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, No. = total number of projects, S% = percentage of ongoing projects rated satisfactory (on track), FCAS = fragile and conflict-affected situations, SIDS = small island developing states.

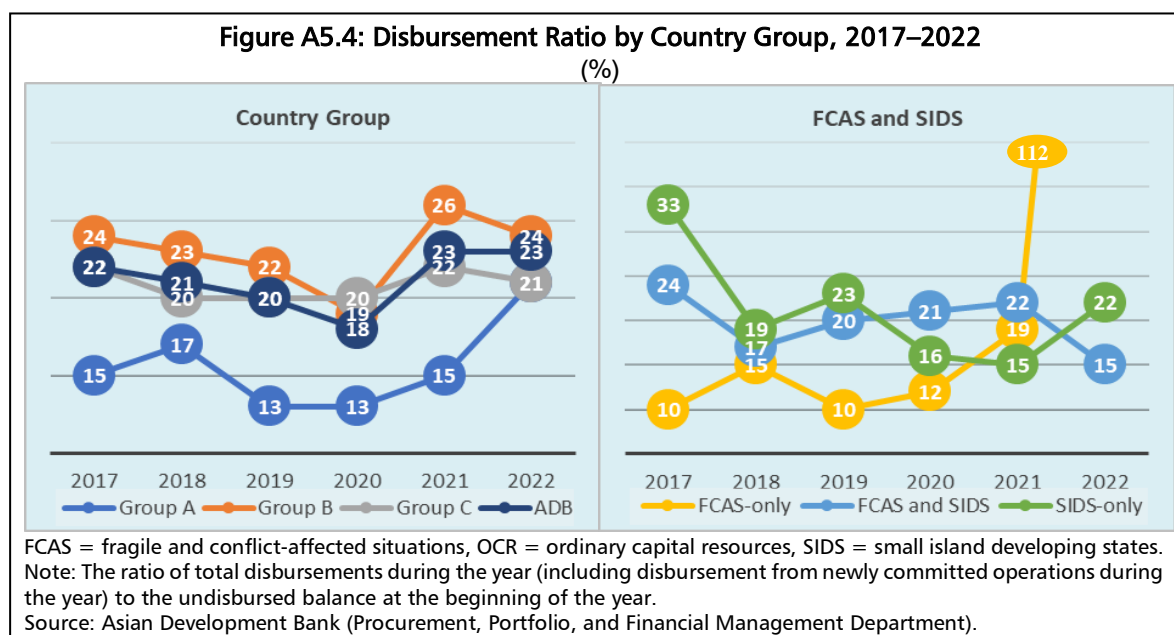
- Notes: 1. The project performance-rating methodology was revised in 2020 to strengthen safeguards and financial management and capture projects' progress. Before August 2018, performance was assessed using the following indicators: (i) technical, (ii) procurement, (iii) disbursement, (iv) financial management, and (v) safeguards. From August 2018 to May 2020, the procurement indicator was replaced by contract awards. In June 2020, the technical indicator was replaced by output.
2. The following are excluded from the project performance-rating system: (i) Asia Pacific Disaster Response Fund projects; (ii) guarantees; and (iii) PBLs, including contingent disaster financing and countercyclical support facility (COVID-19 Pandemic Response Option).
3. Projects in Afghanistan and Myanmar were excluded in 2021 and 2022. ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021, but in 2022 supported the economic and social development of the Afghan people through a special arrangement with the United Nations to meet basic needs. Effective 1 February 2021, ADB placed a temporary hold on sovereign project disbursements and new contracts in Myanmar. ADB continues to closely monitor the situation in the countries and remains committed to supporting their people.
4. Data for 2020–2022 exclude projects not categorized and/or rated for a specific project performance-rating indicator.

Source: Asian Development Bank (Procurement, Portfolio, and Financial Management Department).

19. The annual contract award ratio for Group A countries remained below the ADB average during 2017–2022. (Figure A5.3). The FCAS contract award ratio was significantly below the ADB average during 2017–2020 but recovered in 2021 and 2022. The SIDS-only contract award ratio fluctuated during 2017–2020 but exceeded the ADB average in 2021 and 2022. The trend coincided with the expansion of the FCAS and SIDS portfolio since 2020 to \$10 billion from below \$8 billion before the pandemic (2019).⁷



20. The annual disbursement ratio for Group A DMCs remained below the ADB average during 2017–2022. SIDS DMCs' annual disbursement ratios have fluctuated, exceeding the ADB average in 2017 and 2020, which may be linked to the lumpiness of disbursements. FCAS disbursement ratios remained below the ADB average except in 2022 (Figure A5.4)



⁷ ADB. 2023. *2022 Annual Portfolio Performance Report*. Manila.

21. PVRs and PPERs indicate that increased staffing in-country is one of the most effective methods to improve portfolio efficiency. Establishment of country offices in smaller Pacific island countries, creation of an FCAS unit in the Climate Change and Sustainable Development Department (then called the Sustainable Development and Climate Change Department), and adoption and implementation of the FCAS and SIDS Approach (FSA) are among the measures taken by ADB to support government implementation of projects. With the execution of the new operating model, decentralization will accelerate and FCAS and SIDS operations are expected to become more efficient.⁸

22. Outposting of procurement and safeguard staff is ongoing, but they serve the larger resident missions, which are few in Group A countries. ADB's further deconcentration and delegation of tasks to resident missions and countries is slower than the World Bank's. The World Bank is strengthening its country offices and creating permanent central support units for procurement, financial management, and safeguards in many SIDS.

23. ADB's FCAS unit has been working on a variety of fronts:⁹ reviewing project documentation for FCAS and SIDS; assessing business processes and procedures, revising Operations Manual sections, and producing guidance notes; formulating an evidence-based classification system for FCAS; creating an interdepartmental working group; building a long-term database on progress factors; providing training; and calling for sufficient staffing for the FSA in ADB and the FCAS unit. The FCAS unit has created several tools, such as the fragility and resilience assessment and the capacity assessment and support template and is tailoring terms of reference and recruitment strategies for FCAS and/or SIDS staff and consultants. The fragility and resilience assessment guides country partnership strategies and project preparation, and the template helps ADB assess agencies' capacity so it can provide capacity development, support, and/or supplementation plans. The FCAS unit produces a comprehensive annual report, the second of which came out in July 2023.

7. Critical Role of Monitoring and Evaluation in Learning and Measuring Impact

24. While important corporate monitoring and evaluation (M&E) improvements have taken place, project M&E could be improved. The use of differentiated approaches to M&E for concessional assistance countries and of baseline and endline surveys has been limited, exacerbating challenges in obtaining evidence to compare the performance of ADF grants with that of other funding sources.¹⁰

25. At the corporate level, since the FSA was approved in April 2021, ADB has produced an FSA annual report to monitor key aspects of issues in FCAS and SIDS. Eighteen FSA results framework indicators were introduced as were the FSA Action Plan targets.¹¹ However, the report examines FCAS and SIDS in general and not Group A FCAS and SIDS specifically.

26. New initiatives promote greater project management by ADB project officers. ADB is working on a new management information system for ongoing operations – sovereign operations system (SovOps) although it is still some years from deployment.¹²

⁸ "ADB augmenting its in-country presence. The share of international and national staff positions in ADB operations departments assigned to field offices increased from 45% in 2021 to 46% in 2022, or from 554 to 596 positions. Narrowing the focus on fragile and conflict-affected situations and small island developing states, there was a temporary drop by one position as outposted staff returned to ADB headquarters before replacement in 2023. Decentralization under the new operating model is expected to accelerate, further enhancing ADB's field presence from 2023." ADB. 2023. [2022 Development Effectiveness Review](#). Manila.

⁹ Five ADB staff, five staff consultants, and four or five TA consultants, not counting short-term assignments.

¹⁰ The annual development effectiveness review (DEFR) remains an instrument to monitor progress not only at the level of ADB and its operations but also at the level of concessional assistance. The DEFR was originally the main instrument for reporting progress on the ADF as the main provider of concessional assistance. Since 2017, the DEFR's reporting has been broader and no dedicated instrument focuses on ADF grant operations or even Group A countries and their operations.

¹¹ ADB. 2023. [Cultivating a Differentiated Approach in Fragile Contexts: FCAS and SIDS Approach 2022 Annual Report](#). Manila.

¹² ADB has recalibrated and improved its project performance reporting (PPR) in eOperations. Recently, the technical indicator in the five-indicator reporting system was replaced by an output indicator, which reduces subjectivity. Changes were made to the safeguards and the financial management indicators. The changes allow more realistic red flags to be raised for projects, and the project must be restructured after a red flag is raised for more than a year. However, some subjectivity remains in the system, depending on the nature of the project outputs. FCAS and SIDS have no differentiated PPR, which could allow for more flexibility in flagging risks and problems. Generally, the PPR is not suitable for and is not used as a system that facilitates anticipation of

27. Project progress is measured and reported in several ways. A design and monitoring framework and additional targets with indicators are included in the project document. Using back-to-office reports as well as the progress reports of executing agencies and consultants, ADB updates its project performance reports each quarter in its e-Operations system. Project administration manuals specify M&E arrangements for each operation and are implemented primarily by staff of the executing and implementing agencies, in some cases assisted by consultants. Electronic project monitoring systems for different types of projects are lacking. Executing and implementing agencies, consultants, nongovernment organizations, and independent stakeholders are unable to enter their progress and issues independently into an online management information system with project modules. Allowing them to do so would ease triangulation of findings and workflow-based reporting.

28. While project design and monitoring frameworks increasingly include baselines and targets, targets are not revised during implementation to fit changing needs. Many projects do not include baseline and ex-post surveys in their work plans and budgets, with opportunities for learning often lost.

29. Despite the challenges, there are some positive developments. ADB is gradually embracing innovative monitoring approaches, such as geospatial surveying and mapping, and night light mapping. New methods are being piloted, such as digital twinning and the use of digital technology and social media data mining in the case of COVID-19 budget support programs. ADB has piloted the use of earth observation and big data technology in contexts of forced displacement to (i) track movements of people from Afghanistan to Tajikistan and inform government contingency plans; and (ii) assess water salinization risks affecting essential service delivery in Cox's Bazar, Bangladesh. In Afghanistan, enumerators checked on the delivery of basic needs assistance. In Solomon Islands, M&E systems are being assessed. For countercyclical support facility programs, the country missions witnessed the good work of TA-funded monitoring teams involved in post-program partnership frameworks, helping governments reach special categories of beneficiaries of budget support, such as women; vulnerable groups, including people with disabilities; and farmers needing agricultural inputs, to give them access to cash, food, or agricultural credits.

8. Achievement of Results of ADF 12 and 13 Operations

30. The changing context in Asia and the Pacific will affect outcomes of ADF 12 and 13 operations. Given the development context in the past 3 years, expectations regarding overall ADF results may need to be tempered. Understanding whether ADF grants have achieved development outcomes is particularly challenging given weak M&E systems.

31. Most ADF 12 and 13 operations are still ongoing. As of early 2023, only 10 PVRs were available for ADF 12 and 13 operations. Of the 10 ADF 12 projects with PVRs and/or PPERs, 9 were PBLs or countercyclical support facilities, and 1 was an investment project.

32. Despite low success rates of ADF operations over the past decade, ADB staff and government officials considered most ongoing projects to be making good progress. During the evaluation mission, stakeholders cited project examples that show high development potential. An example of innovation promoted through ADF financing was the Tonga Renewable Energy Project, through which the largest battery energy storage system in the Pacific has been installed, which can be considered a key investment in Tonga's energy security and resilience.

33. In the Marshall Islands, the Pacific Disaster Resilience Program contingent disaster financing was viewed as appropriate and useful (the first PBL in many years for the Marshall Islands; public sector management issues were usually handled through either investment projects or TA projects). The program provided a basis for policy dialogue with the government on disaster risk management policy actions. The TA attached to the Program had done good work, providing complementary support to some of the policy action areas, e.g., strategy development.

problems, e.g., the likely nonachievement of the outcome. The back-to-office report remains the main instrument for such reporting to higher levels, although tactical behavior in stressing or downplaying some issues remains a factor.

34. In Solomon Islands, PBLs were seen as useful for engaging with the government, but more robust policy actions are needed. PBL operations were guided by a joint policy reform matrix, as is the case in other Pacific countries like Tonga. The joint policy reform group of donors is involved in budget support, and a committee within it tracks progress on policy actions. A medium-term joint policy reform matrix was being designed, and debt sustainability and related decisions about taking on more debt for infrastructure projects that will generate revenues for the government were viewed as a key area in the next matrix.

35. Because of vulnerability to debt distress, all five mission countries were subject to the new Sustainable Development Finance Policy under ADF 13. The program has been implemented for 2 years and 80 policy actions were identified across 18 countries to enhance debt transparency, strengthen fiscal sustainability, and improve debt management.¹³ Experiences in the five countries were modestly positive, and, as with the PBLs implemented, some stakeholders were dissatisfied with the low ambition of many policy actions.

B. Technical Assistance Special Fund Operations

36. At the start of COVID-19 in early 2020, ADB reallocated a large portion of Technical Assistance Special Fund (TASF) resources to prevent, detect, and respond to the pandemic. The reallocation helped with procuring virus detection equipment, medicines, and personal protective equipment for health-care personnel.¹⁴ In 2022, the TA portfolio increased in amount and number, and the breakdown by region shows that the share of TA resources to Group A countries was greater in 2022 (19.7%) than in 2021 (17.3%).¹⁵

37. Recent progress in TASF 7 indicates that the anticipated 50% increase in allocation for FCAS during ADF 12 (baseline: \$41 million) is unlikely to be achieved. Whether ADB will reach the targeted 40% increase in allocation from the ADF 12 against the baseline of \$83 million is uncertain (footnote 16).

38. Eighty percent or more of TA and TASF 6 operations have been rated *relevant* or *highly relevant* (Table A5.9).¹⁶ Since IED started to validate TA completion reports (TCRs), about 81 TCRs for TA projects approved during 2017–2020 were validated. Of the 81 TA completion validation reports, 9 TA operations were for Group A countries, of which only 8 were financed by TASF 6, while no TCRs have been validated as yet for TA operations under TASF 7.

Table A5.9: Performance of Technical Assistance Operations
(success rates and number of technical assistance completion report validations, 2020–2022)

Item	TASF 6 (Group A)				All TASF 6			All TASF Operations				All TA Operations		
	No.	No. HS/S	HS/S %	No.	No.	No. HS/S	HS/S	No.	No.	No. HS/S	HS/S %	No.	No.	HS/S %
DMC Group														
A	–	–	–	8	6	75	8	6	75	9	6	67		
B	–	–	–	15	12	80	15	12	80	19	16	84		
C	–	–	–	1	1	100	29	24	83	35	27	77		
Regional	–	–	–	5	5	100	8	7	88	18	16	89		
FCAS	4	2	50	6	3	50	6	3	50	6	3	50		
SIDS	1	0	0	3	1	33	3	1	33	3	1	33		
TA Type														
KSTA	7	5	71	28	23	82	56	47	84	75	62	83		
TRTA	1	1	100	1	1	100	4	2	50	6	3	50		
Evaluation Criterion														

¹³ ADB. Sustainable Development Finance Policy. Paper prepared for the Asian Development Fund 13 (2021–2024) Midterm Review. Unpublished.

¹⁴ The ADF 13 midterm review paper on TASF 7 stated that during 2020–2022, the TASF provided about \$177 million (including \$91 million in the TASF [donor contribution]) for COVID-19–related purchases, project preparation and implementation services, and other services and studies. The paper's appendix 2 detailed the TA achievements to support the COVID-19 response in 2020–2022, with examples from the Kyrgyz Republic and the Pacific, among others.

¹⁵ ADB. Technical Assistance Special Fund 7. Paper prepared for the Asian Development Fund 13, Midterm Review. Unpublished.

¹⁶ Refers to the TASF started in 2017 or later, at the time of ADF 12 and ADF 13, which had been completed at the time of the evaluation.

Item	TASF 6 (Group A)			All TASF 6			All TASF Operations				All TA Operations		
	No.	No.	HS/S %	No.	No.	HS/S	HS/S	No.	No.	HS/S	HS/S %	No.	No.	HS/S %
Relevance	8	7	88	29	26	90	60	49	82	81	65	80	
Effectiveness	8	4	50	29	21	72	60	44	73	81	54	67	
Efficiency	8	7	88	29	23	79	60	47	78	81	63	78	
Sustainability	8	4	50	29	23	79	60	46	77	81	61	75	
ADB	8	6	75	29	24	83	60	49	82	81	65	80	

– = none, ADB = Asian Development Bank, DMC = developing member country, TA= technical assistance, TASF = Technical Assistance Special Fund, no. = number, HS/S = highly successful/successful, FCAS = fragile and conflict-affected situations, KSTA = knowledge and support technical assistance, TRTA = transaction technical assistance, SIDS = small island developing states.

Notes: 1. Under the TA completion report (TCR) validation guidelines, the following are excluded from TCR validation: (i) transaction TA that resulted in a loan, including transaction TA projects for implementation purposes (e.g., TA attached to a loan); (ii) all TA operations mainly used by ADB departments to engage TA consultants every year or used mainly for ADB staff expenditure in support of ADB publications, along with development purposes for DMCs; (iii) TA operations that support logistics and travel expenditures to conduct conferences and workshops, aimed at awareness raising, consultation, or dissemination; (iv) TA operations to fulfill ADB's legal or membership (including subscription, software license) obligations; and (v) TA operations amounting to less than \$225,000.

2. The Independent Evaluation Department (IED) validates TCRs using the three core criteria of relevance, effectiveness, and efficiency. Relevance and effectiveness are given a weight of 35% each in the overall TA performance rating and efficiency 30%. Sustainability is assessed qualitatively but not included in the overall rating as some TA projects do not have sustainability objectives.

3. The table includes the TCR for [Myanmar: Improving Road Network Management and Safety](#), funded by the Japan Fund for Poverty Reduction with TASF 6 supplementary funding

Source: Compiled by Asian Development Bank (Independent Evaluation Department).

39. IED's 2023 Annual Evaluation Review noted that TA performance was lowest in FCAS and SIDS, while their need for TA remains urgent given severe capacity gaps and vulnerability to shocks and conflicts.¹⁷ To improve TA performance and narrow capacity gaps in FCAS and SIDS, ADB and other development partners have been (i) providing long-term and continuous rather than short-term one-off TA, (ii) strengthening the ability of country or field offices to provide intensive supervision during implementation or using capacity supplementation, and (iii) engaging civil society organizations as implementing entities.

40. Of completed TASF operations with validated TCRs over TCR reporting year 2020-2022, 78% have been assessed *efficient* or *highly efficient*. For TASF 6, the figures are slightly higher (79%) and for Group A even higher (86%). Even for FCAS and SIDS the percentage has been good, although the number of observations is small (Table A5.9).¹⁸

41. TA management has been improved to respond to clients' needs and to reinforce the One ADB approach in TA programming and preparation (footnote 16). Improvements include introducing flexibility to activities that can be supported by TA, streamlining the approval process for knowledge and support TA, increasing the approving authority thresholds, and clarifying the use of the pilot-testing approach under TA.

42. The effectiveness of TASF operations based on TA completion validation reports is generally lower in Group A and B countries, with 72% of 29 operations rated *effective* or *highly effective* over TCR reporting year 2020-2022 (Table A5.9). The effectiveness of TASF 6 operations in Group A countries, in particular, is low, with 50% rated *effective* or *highly effective* (four out of eight rated TA operations). Completed TASF 6 operations in Group B countries (which significantly outnumber Group A countries) have rated better. Regional TA has performed well and seen fewer validation downgrades, with a third of TA projects financed by the TASF. Since regional TA is managed by ADB and entails government involvement lower than for country TA, regional TA could be an indicator that challenges encountered in TA initiatives are often caused by the counterpart's limited capacity for project implementation and uptake, rather than ADB's implementation capacity.

¹⁷ Of the 92 TA projects with TCR validation reports, 20 were implemented in SIDS. Most (16 out of the 20) were implemented in one or more DMCs, of which at least one was a SIDS. While not all the TA projects are TASF funded, TA funding is not expected to affect TA performance. IED. 2023. [2023 Annual Evaluation Review: What Explains ADB's Operational Performance?](#) Manila: ADB.

¹⁸ Most TA operations funded by TASF 6 and 7 are still ongoing.

APPENDIX 6: SYNTHESIS OF FINDINGS FROM THE REVIEW OF COUNTRY PARTNERSHIP STRATEGY FINAL REVIEW VALIDATIONS

1. The evaluation reviewed Independent Evaluation Department (IED) country partnership strategy (CPS) final review validations (CPSFRVs) of 22 Asian Development Fund (ADF)-eligible countries (Group A and B countries) covering country programs over the ADF 12 and 13 period (2017 onward).¹ The review identified evaluation findings relevant to ADF operations. Table A6 summarizes recurring themes of lessons and findings from CPSFRVs.

Table A6: Lessons and Findings from Independent Evaluation Department Country Partnership Strategy Final Review Validations

Country		Monitoring and Evaluation	Capacity Challenges	Resident Mission	Donor Coordination	Differentiated Approach
Pacific island countries^a		✓	✓	✓	✓	✓
Federated States of Micronesia, Kiribati, Nauru, Republic of the Marshall Islands, Samoa, Tonga, Tuvalu	Grants only					
Solomon Islands, Vanuatu	Grants only					
Palau	Grants only					
	ADF blend					
	OCR blend					
Group A					✓	
Kyrgyz Republic	ADF blend		✓	✓		
Tajikistan	Grants only			✓		
Maldives σ	Grants only	✓	✓	✓		
Bhutan	ADF blend			✓		
Nepal	COL only		✓	✓		
Cambodia	COL only		✓		✓	
OCR Blend						
Timor-Leste $f\sigma$	OCR blend	✓	✓			✓
Mongolia	OCR blend	✓		✓	✓	
Bangladesh ^b	OCR blend			✓	✓	
Pakistan	OCR blend	✓	✓		✓	
Papua New Guinea $f\sigma$	OCR blend	✓	✓		✓	
Fiji σ	OCR blend		✓		✓	

f = fragile and conflict-affected situations, σ = small island developing states, ADF = Asian Development Fund, COL = concessional ordinary capital resources lending, OCR = ordinary capital resources.

^a Small Pacific island countries covered in Independent Evaluation Department (IED). 2020. [Pacific Approach: Validation of the Country Partnership Strategy Final Review, 2016–2020](#). Manila: Asian Development Bank (ADB).

^b Findings drawn from IED. 2021. [Country Assistance Program Evaluation: Bangladesh, 2011–2020](#). Manila: ADB. Source: Asian Development Bank (Independent Evaluation Department).

2. Weaknesses in results monitoring persist at country program and project levels.² The CPS results framework was only partly useful to measure the achievements of ADB's portfolio because of weaknesses in (or lack of) outcome indicators and targets.³ Inadequate evidence-based results monitoring and reporting against CPS strategic priorities impede the ability to learn from experience, course correct, and demonstrate success and ADB's value addition.⁴ Project design and monitoring frameworks need good

¹ For Bangladesh, the team reviewed IED. 2021. [Country Assistance Program Evaluation: Bangladesh, 2011–2020](#). Manila: ADB. In the Pacific region, the 11 small Pacific island countries (PIC-11) do not have individual country performance ratings or strategies. Instead, the evaluation relied on the CPSFRV of the Pacific Approach 2016–2020, which serves as ADB's operational framework for the Pacific region and represents the collective country strategy for the PIC-11. IED. 2020. [Validation of the Pacific Approach Country Partnership Strategy Final Review, 2016–2020](#). Manila: ADB.

² The finding was drawn from CPSFRVs of the Pacific Approach, Papua New Guinea, Maldives, Mongolia, Pakistan, and Timor-Leste.

³ IED. 2020. [Validation Report: Country Partnership Strategy Final Review, 2016–2020 of Papua New Guinea](#). Manila: ADB; IED. 2020. [Validation of the Pacific Approach Country Partnership Strategy Final Review, 2016–2020](#); ADB; IED. 2021. [Country Assistance Program Evaluation: Bangladesh, 2011–2020](#). Manila: ADB.

⁴ IED. 2020. [Validation of the Pacific Approach Country Partnership Strategy Final Review, 2016–2020](#). Manila: ADB.

outcome indicators for collection of information during project implementation and subsequent assessment of achievement of project outcomes.⁵

3. Limited data remain a challenge in fragile and conflict-affected situations (FCAS) and small island developing states (SIDS). Lack of evidence is particularly serious in the Pacific, given its history of weak performance based on the success rates of completed operations (footnote 4). To resolve the lack of data, ADB could consider using digital technology applications for project design and monitoring using big data (information gathered from the use of mobile phones, social media, satellite imagery, and other geospatial data sources) to support real-time feedback on project implementation and monitoring.⁶

4. Concessional assistance countries, particularly FCAS and SIDS, continue to grapple with capacity challenges, impacting absorptive capacity and the successful delivery of projects.⁷ Weak capacity is the most frequently cited cause for less-than-successful projects, especially in the Pacific, despite ADB and development partners providing continuous capacity-building support (footnote 4). The sustainability of capacity development is further challenged by staff turnover. Capacity is limited not just in the government but also among local contractors and consultants (footnotes 4 and 6). While ADB has supported capacity development, the approach must be reviewed. At times, ADB's support to institutional strengthening was disjointed and project specific,⁸ or capacity development was not tailored to the institutional context of implementing partners.⁹ ADB needs to increasingly emphasize capacity building and the development of a long-term and transformative approach to it, including through strategic use of technical assistance.¹⁰

5. Building the capacity of field offices is crucial to ensure that they play a meaningful role in project processing, implementation, and policy dialogue (footnote 8). The presence of a resident mission can help improve monitoring of operations and resolve potential issues more swiftly.¹¹ However, the effectiveness of field offices is hampered by insufficient staff resources,¹² and expansion into new areas is constrained by lack of staff with relevant skills, e.g., private sector specialists.¹³

6. The growing scale, scope, sources, and nature of development assistance in the Pacific demand better coordination among development partners, including emerging bilateral development partners and lenders not belonging to the Organisation for Economic Co-operation and Development's Development Assistance Committee¹⁴ (footnotes 3 and 4). Absorptive capacity increases when ADB collaborates with other development partners to provide coordinated support, such as through a joint policy reform matrix for policy-based loans and grants. The approach helps ensure consistency of policy advice and strategy, promote government ownership and commitment, and reduce the burden on small governments of having to engage separately with multiple development partners. ADB could make better use of its convening power or its technical and policy development capacities through strategic participation in development partner coordination processes.¹⁵

7. In a CPSFRV, the importance of providing support using a differentiated approach in the Pacific was underscored. Given countries' unique country contexts and risks (footnote 4), a tailored approach to specific circumstances must be adopted when working in complex and fragile contexts (footnote 10).

⁵ IED. 2020. [Validation Report: Country Partnership Strategy Final Review, 2014–2019 of Maldives](#). Manila: ADB.

⁶ IED. Validation Report: Country Partnership Strategy Final Review, 2016–2020 of Afghanistan. Unpublished.

⁷ The finding applies to CPSFRVs of the Pacific Approach, Afghanistan, Fiji, Maldives, Nepal, Papua New Guinea, and Timor-Leste.

⁸ IED. 2019. [Validation Report: Country Partnership Strategy, 2013–2018 of Nepal](#). Manila: ADB.

⁹ IED. 2019. [Validation Report: Country Partnership Strategy Final Review, 2014–2018 of Fiji](#). Manila: ADB.

¹⁰ IED. 2022. [Validation Report: Country Partnership Strategy Final Review, 2016–2020 of Timor-Leste](#). Manila: ADB; IED. 2020. [Validation of the Pacific Approach Country Partnership Strategy Final Review, 2016–2020](#). Manila: ADB.

¹¹ IED. 2019. [Validation Report: Country Partnership Strategy Final Review, 2014–2018 of Bhutan](#). Manila: ADB.

¹² IED. 2021. [Validation Report: Country Partnership Strategy Final Review, 2017–2020 of Mongolia](#). Manila: ADB.

¹³ IED. 2022. [Validation Report: Country Partnership Strategy Final Review, 2018–2022 of the Kyrgyz Republic](#). Manila: ADB.

¹⁴ Footnote 4 and IED. 2020. [Validation Report: Country Partnership Strategy Final Review, 2016–2020 of Papua New Guinea](#). Manila: ADB.

¹⁵ IED. 2019. [Validation Report: of Country Partnership Strategy Final Review, 2014–2018 of Cambodia](#). Manila: ADB.