Independent Development Evaluation
African Development Bank

Evaluation of the AfDB Implementation of its Non-Sovereign Operations (2014-2020) Technical Annexes

December 2022

AFRICAN DEVELOPMENT BANK GROUP

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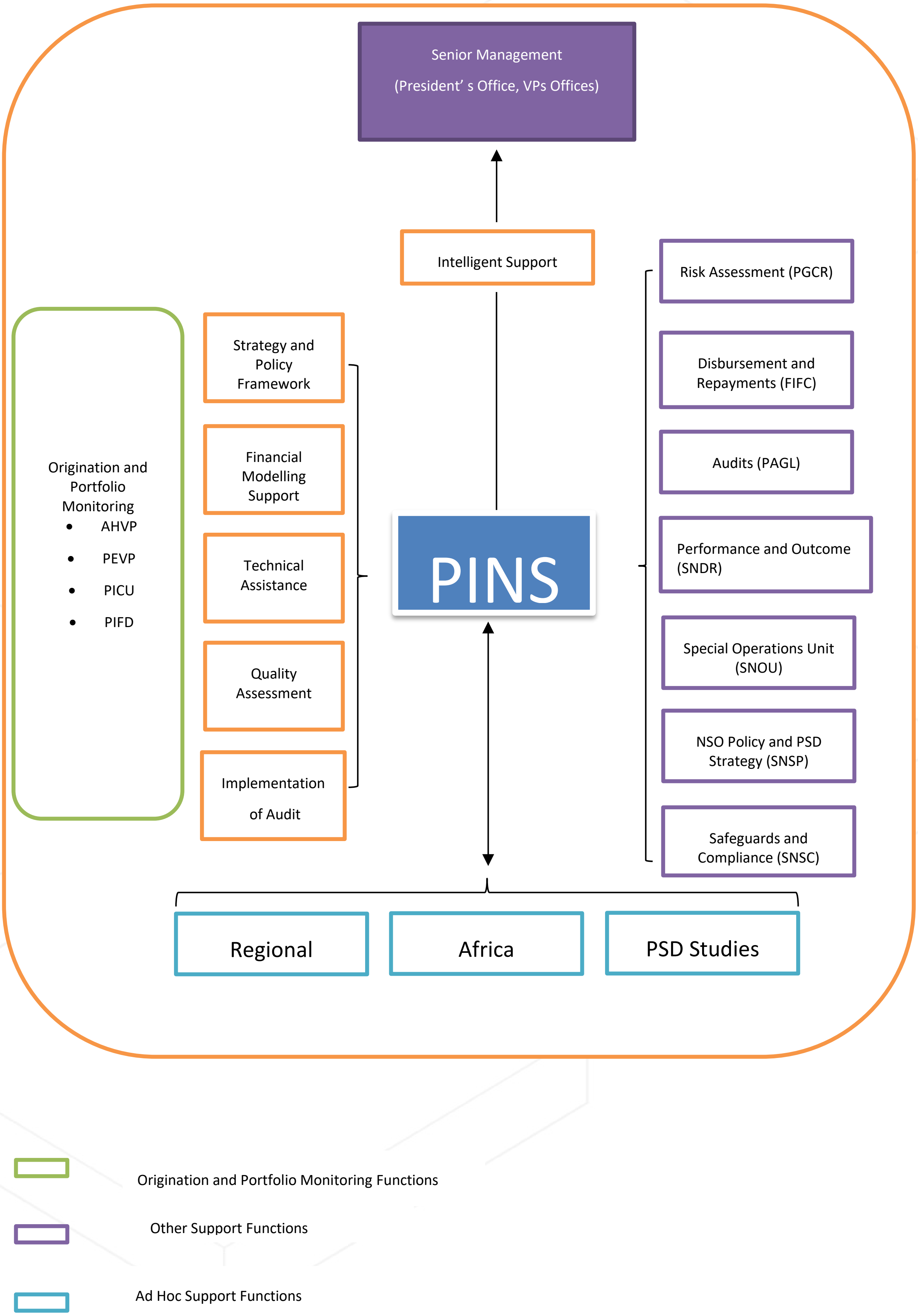
ANNEX 1: Non-Sovereign Ecosystem (NSEC)



ANNEX 2: Methodology

Table A2.1: Evaluation Matrix

Criteria	Key Evaluation Questions	Data Collection Method and Sources
A- Relevance of the Organizational Set-Up	Evaluation Key Question 1 (EQ1): To what extent is the Bank's organizational setup for private sector development relevant for supporting the delivery of the institution's NSO agenda? Sub-questions: ▪ To what extent was the Bank able to manage its NSO portfolio: resources, risks, supervision, monitoring, and evaluation systems? ▪ To what extent has the organizational setup for the private sector operations, with respect to public-private coordination, hindered or enabled successful implementation of Bank NSOs? ▪ How does the Bank's current setup for the private sector operations, with respect to public-private coordination, compare to that of other MDBs? ▪ To what extent has the current staffing/expertise of the NSO ecosystem been effective in supporting the Bank's ambitions in the NSO space?	▪ Documentation and Literature Review ▪ Key Informant Interviews and Administration of Questionnaires ▪ Portfolio Performance Review ▪ Synthesis of 2014-19 IDEV Evaluations ▪ Organizational Assessment of NSO ecosystem
B- Effectiveness of NSOs in Achieving Development Outcomes	Evaluation Question 2 (EQ2): To what extent were the Bank's NSOs effective in achieving the expected Development Outcomes? Sub-questions: ▪ What have been the catalytic and demonstration effects of the Bank NSOs in RMCs? ▪ How successful was the Bank in managing the performance of its NSO portfolio and achieving expected results[1] in RMCs?	▪ Documentation and Literature Review ▪ Portfolio Performance Review ▪ Synthesis of 2014-19 IDEV Evaluations ▪ Project Performance Assessments

1 IDEV has carried out the evaluation of the Bank's Additionality and Development Outcome Assessment framework. Evidence collected from the Evaluation of the Bank's Ex-Ante Additionality and Development Outcome Assessment 2.0 framework will be provided and used in this Evaluation.

C-	**Efficiency of NSOs processes and Coordination Mechanisms**	Evaluation Question 3 (EQ3): To what extent are the Bank's operational processes with respect to NSOs and mechanisms for coordinating SOs and NSOs efficient for supporting the rapidly evolving needs of the AfDB's NSO ecosystem? Sub-questions: ▪ To what extent were the operational processes with respect to private sector operations, from inception to closure (incl. handling of NPLs and write-offs), efficient for supporting the rapidly evolving needs of the AfDB's NSO ecosystem? ▪ To what extent have the Bank's Sovereign and Non-sovereign ecosystems worked together to find synergies, complementarity, and appropriate sequencing to efficiently deliver on the Bank's NSO agenda? ▪ What have been the responsibilities and relationships of/between the various internal stakeholders involved in the delivery of Bank NSOs? To what extent were the opportunities for more coordinated activities leveraged to create/ generate knowledge at Bank, country, and continental level?	▪ Documentation and Literature Review ▪ Key Informant Interviews and Administration of Questionnaires ▪ Synthesis of 2014-19 IDEV Evaluations ▪ Project Performance Assessments ▪ Organizational Assessment of NSO ecosystem
D-	**Lessons**	Evaluation Question 4 (EQ4): What are the key lessons to draw from the implementation of the Bank's NSOs? Sub-Questions: ▪ What factors have enabled and/or hindered the successful implementation and the achievement of development outcomes of Bank's NSOs support in RMCs? ▪ What are the lessons and potential improvements that can inform the implementation of the Bank's new PSD Strategy with respect to NSOs? ▪ What are the pre-requisites or necessary conditions for the Bank to enhance and reinvigorate its Development Effectiveness regarding NSOs? ▪ What are the pre-requisites and necessary conditions for the Bank to be considered as the Partner of Choice in support of PSD in Africa?	▪ Evidence collected

Figure A2.1: Evaluation Framework/ Theory of Change (ToC)

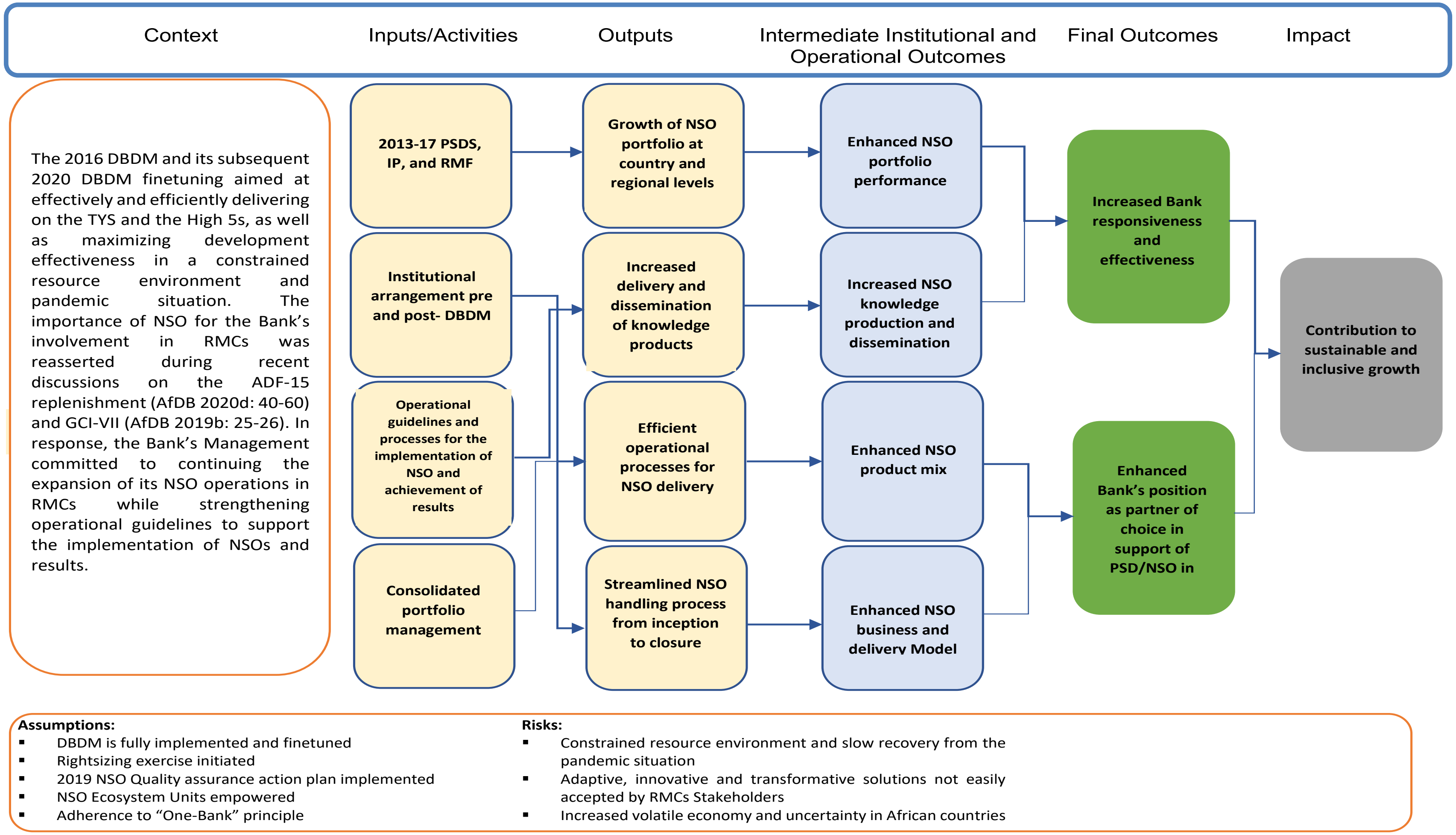


Table A2.2: Description of Evaluation Activities

Components	Description of Activities
Documentation and Literature Review	A systematic review of all relevant Bank policy and strategy documents, relevant IDEV evaluations, as well as NSO guidelines and processes was undertaken. The objective of this exercise was to contextualize the current evaluation and complement the "Knowledge Gap Assessment" conducted prior and during the inception phase of the evaluation. This activity included a review of the performance of the Bank's NSO portfolio over the 2014-2021 period with emphasis on the quality at entry, supervision and administration of operations including the quality of Management's monitoring of NSO operations and the basis for the annual performance reviews.
Key Informant Interviews and Administration of Questionnaires	Consultations with Bank's internal stakeholders not limited to the NSO Ecosystem. The interviewees include: (i) Board members (CODE and non-CODE members); (ii) Senior Management (VPs and Directors), sector and country staffs (Managers and Experts) at HQ and in regions. Project staffs, including Investments Officers (origination) and Portfolio Officers (portfolio management) were also consulted. 70 relevant staff (at both PL and EL levels) directly or indirectly involved in NSOs at HQ, in the Regions, and Country Offices were interviewed. This involved eight (8) relevant sector departments (AHWS, PICU, PINS, SNOU, PESR, PIFD, PESD,SNDR, SNOQ, PIVP and PERN); Eight (8) Country/Regional Offices (South Africa/RDGS, Uganda /COUG, Tanzania/COTZ, Zimbabwe/COZW, Senegal/COSN, Egypt/COEG, Nigeria/RDGN, and Regional Office East/RDGE).
Synthesis of 2014-2019 IDEV Evaluations (or the evaluation synthesis)	The Evaluation Synthesis brings important evaluations findings and lessons, and highlights areas insufficiently covered. This Evaluation Synthesis helps crystallize existing IDEV evaluative findings and conclusions on the Bank's NSOs portfolio management and operational processes. This accumulation of knowledge is intended to further assist the Bank's Management in engaging remedial and enhancement actions that can be undertaken to reinforce the "One Bank" Approach and increase its development effectiveness. It also consolidates the Bank's position as a preferred partner or a partner of choice to its clients in the Continent.
Project Performance Assessment (PPA) (of a sample of 10 NSOs)	A sample of ten (10) NSOs approved during the review period (2014-2019) focused on identifying the changes in the way the Bank has originated, processed, and coordinated transactions and whether the DBDM and related institutional changes have affected or not the NSO operational efficiency (pre- and post-DBDM i.e., 2014-2015 and 2016-2019). The Revised Guidelines for the Preparation of Expanded Supervision Report and Expanded Supervision Report Review Notes served as a guidance framework. Due to the difficult pandemic situation and travel restrictions, field visits to collect data for the preparation of PPAs were not undertaken. Alternative ways of collecting data included interviews and questionnaires and communication with Investment, Portfolio, and Country officers.
A Portfolio Performance Review	Review and analysis of the portfolio performance based on PINS portfolio management APR reports, the IDEV 2014-2019 XSREN Synthesis Report. The Portfolio Performance Review uses secondary data collected from Bank project documents and information management systems as main source of evidence. These include Project Appraisal Reports (PAR), Extended Supervision Reports (XSRs) and their respective validation notes (when available), as well as other project-specific preparation and supervision documents. Bank statistical publications and project System of Applications and Products (SAP), as well as the Evaluation Results Database (EVRD) are also used. Data collected from documentary sources and various information management systems were stored in databases purposely designed for the study. Descriptive statistics were then applied to illustrate trends and compositions of the Bank's portfolio in transition countries.

Organizational Assessment of the NSO Ecosystem[2]	Functional responsibilities and relationships of/between the various internal stakeholders involved in the delivery of Bank's NSOs were reviewed. The assessment of actual and new risk guidelines, portfolio management, supervision and M&E, operational coordination processes, actual synergies, complementarity, and sequencing in NSO processing from origination to closure were also reviewed. Staff expertise/resources & budget were reviewed based on the previous IDEV assessment including the functional responsibilities and relationships of/between the various internal stakeholders involved in the delivery of general knowledge at the Bank[3]. The review of actual NSO operational processes and the public-private coordination mechanisms (incl. special handling of NPLs and write-offs) were conducted based on actual documentation that highlight strengths and weaknesses including quality assurance and results reporting. A review of previous benchmarking exercises conducted with selected MDBs operating in Africa or working in similar markets in Latin America and Asia (IFC, EBRD, AsDB, EIB, IADB, AIIC) complement the organizational assessment of the institutional arrangements. However, only two (2) institutions were reviewed under the category of MDBs having private and public sector transactions within the same institution i.e., the Asian Development Bank (AsDB); the European Bank for Reconstruction and Development (EBRD). IFC was included among comparators as lead actor in NSO on the continent;

Table A2.3: List of IDEV Evaluations Retained for the Synthesis

IDEV Evaluations	Year	Status	Type of evaluations
Evaluation of the Ex-Ante Additionality and Development Outcome Assessment Framework	2015	Completed	Corporate
SME: Evaluation of Bank Assistance 2006-2013	2015	Completed	Thematic
Independent Evaluation of Bank Group Equity Investments	2015	Completed	Thematic
Towards Private Sector Led Growth: Lessons and Experience	2016	Completed	Synthesis
Comprehensive Evaluation of the Development Results of the African Development Bank Group 2004-2013	2016	Completed	Corporate
Independent Evaluation of the Quality at Entry of African Development Bank Group Operations (2013-2017)	2018	Completed	Corporate
Do Lines of Credit attain their Development Objectives? An Evaluation Synthesis 2010-2017	2018	Completed	Synthesis
Independent Evaluation of Quality Assurance across the Project Cycle of the African Development Bank Group (2012-2017)	2018	Completed	Corporate
Evaluation of the Bank's utilization of the Public Private Partnership Mechanism, 2006 - 2017	2019	Completed	Thematic

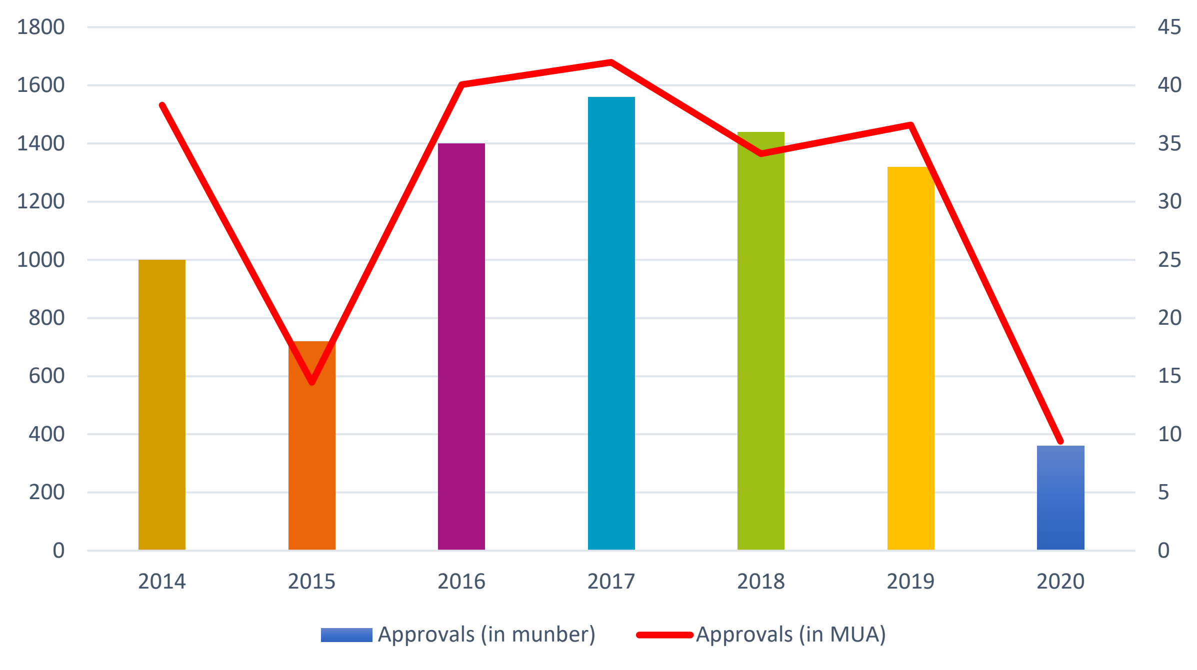
[2] The findings and conclusions in the Project and institutional assessment sections are mainly drawn from the in-depth analysis of ten (10) Non-Sovereign Operations approved between 2014 and 2019. The purpose of the exercise is to assess any changes in the way the Bank is making and processing its NSO transactions and whether DBDM (and related institutional arrangements) has affected the operational processes (from origination to maturation and production of XSR) between the two approval periods (pre- and post-DBDM i.e. 2014-2015 and 2016-2017).

[3] It was not possible to review the allocation of NSO related staff positions at HQ, country and regional hubs due to the lack of available information.

Evaluation Of The African Development Bank Group's Program Based Operations: Private Sector Enabling Environment Cluster	2019	Completed	Cluster
Independent Evaluation of the Implementation of the Development and Business Delivery Model of the AfDB	2019	Completed	Corporate
Evaluation of the Bank's Integrated Safeguards System	2019	Completed	Corporate
Evaluation of the Bank's Role in Increasing Access to Finance in Africa - Thematic Evaluation	2020	Completed	Thematic
Evaluation of the Bank's Self-Evaluation Systems and Processes	2020	Completed	Process
Evaluation of the African Development Bank Group's strategy for addressing fragility and building resilience in Africa (2014–2019)	2020	Completed	Corporate
Evaluation of the AfDB's Private Sector Development Strategy (2013-2019)	2020	Completed	Thematic
Synthesis Report on the Validation of 2014-2019 Expanded Supervision Reports	2020	Completed	XSR validation synthesis
Evaluation of the AfDB's Country Portfolio Review and Restructuring Policy	2019	Completed	Corporate
Evaluation of the AfDB's Support to the Energy Sector in Africa	2019	Completed	Sector/Thematic
Evaluation of Mainstreaming Green Growth and Climate Change into the AfDB's Interventions	2019	Completed	Corporate
IDEV Yearly Report on the Management Action Record System for 2019: Status of Adoption	2020	Completed	Corporate
Evaluation of the Ex-Ante Additionality and Development Outcome Assessment Framework 2.0	2020	Completed	Sector/Thematic

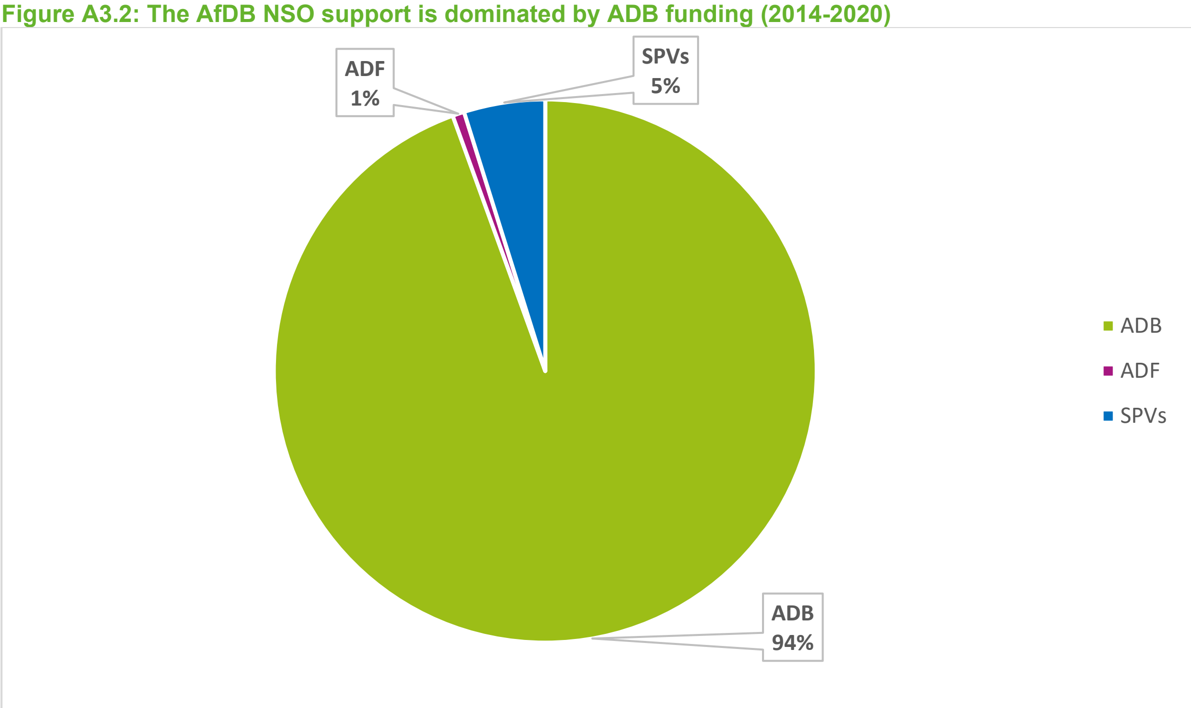
ANNEX 3: The AfDB Non-Sovereign Portfolio (2014-2020)

Figure A3.1: post-DBDM intensification of Bank's NSO support (in MUA – 2014-2019)



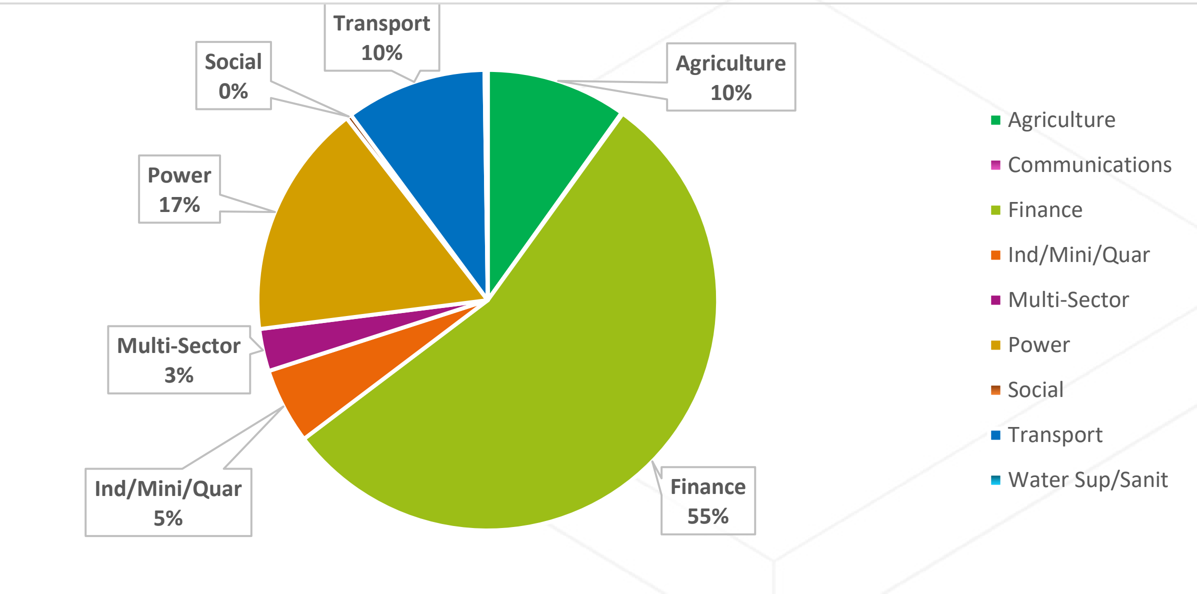
Source: AfDB- SAP Data

Figure A3.2: The AfDB NSO support is dominated by ADB funding (2014-2020)



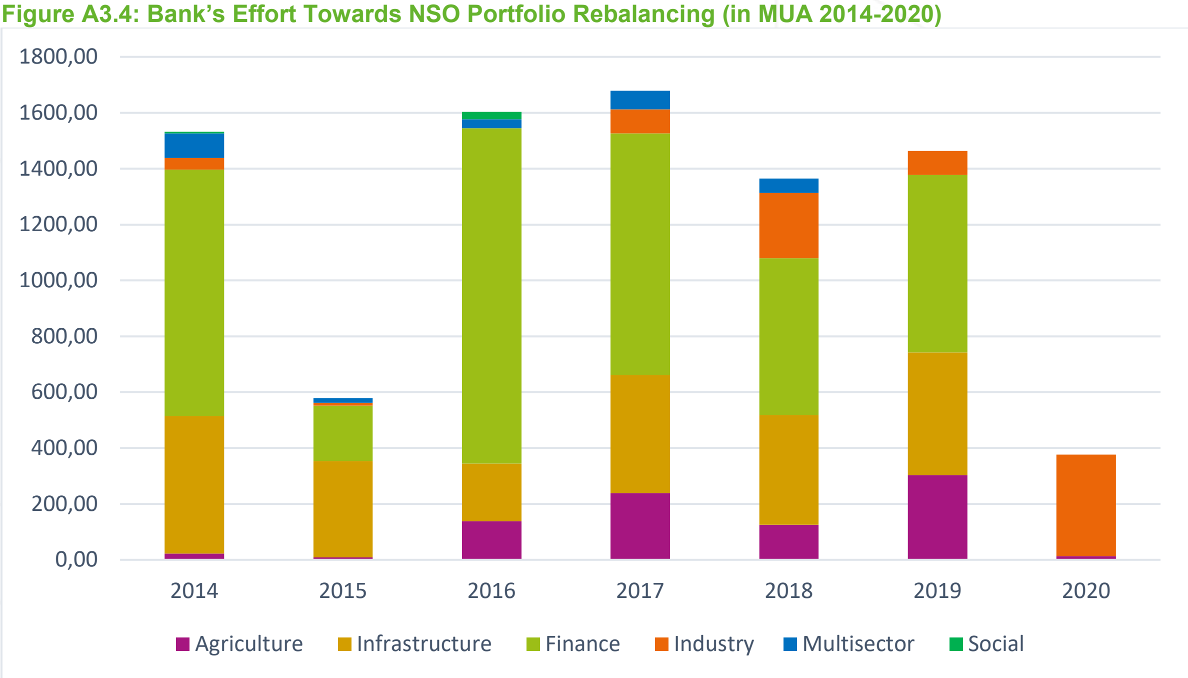
Source: AfDB- SAP Data

Figure A3.3: Sectoral Distribution of the Bank's NSO Portfolio (in MUA 2014-2020)



Source: AfDB- SAP Data

Figure A3.4: Bank's Effort Towards NSO Portfolio Rebalancing (in MUA 2014-2020)



Source: AfDB- SAP Data

ANNEX 4: Development Outcomes Results

Table A4.1: Results of Project Performance Assessments (PPAs)

PROJECT RESULTS ASSESSMENT – SUMMARY TABLE										
PROJECT PERFORMANCE RATINGS	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Business Success	S	S	S	S	HU	N/A	UN	S	S	S
Economic Sustainability	N/A	UN	UN	S	UN	N/A	S	S	HS	UN
Environmental and Social effects	N/A	S	S	S	UN	N/A	S	S	S	S
Other Cross-cutting issues	N/A	N/A	S	S	UN	N/A	S	S	S	S
Contribution to Private Sector Development	N/A	S	UN	UN	UN	N/A	UN	S	S	UN
Overall Project Performance	N/A	MSU	MSU	SU	US	N/A	MSU	SU	SU	MSU
Screening, Appraisal, and Structuring	S	UN	HS	S	HU	S	HS	S	S	S
Monitoring and Supervision	N/A	UN	UN	S	UN	S	S	UN	UN	S
Overall Work Quality	N/A	UN	S	S	UN	S	S	S	UN	S
Financial Additionality	S	S	S	S	S	S	HS	S	S	S
Non-Financial Additionality	UN	N/A	UN	UN	HU	UN	UN	S	S	S
Overall Additionality	S	S	S	UN	UN	S	S	S	S	S
Investment Profitability	N/A	S	N/A	N/A	HU	N/A	N/A	S	HS	S
Overall AfDB's Institutional Performance	S	UN	S	S	UN	S	S	S	S	S

N/A: Not Available

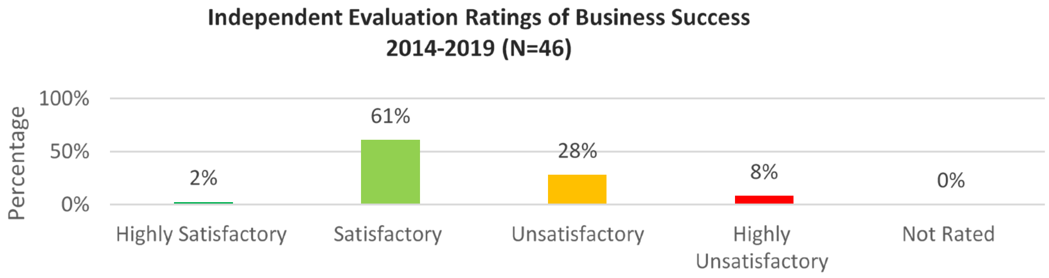
Other Ratings (1 to 4): 4=Highly Satisfactory (HS); 3=Satisfactory (S); 2=Unsatisfactory (UN); 1=Highly Unsatisfactory (HU)

Rating Overall Project Performance (1 to 6): 6= Highly Successful (HSU); 5= Successful (SU); 4=Mostly Successful (MSU); 3= Mostly Unsuccessful (MUS); 2=Unsuccessful (US); 1=Highly Unsuccessful (HUS).

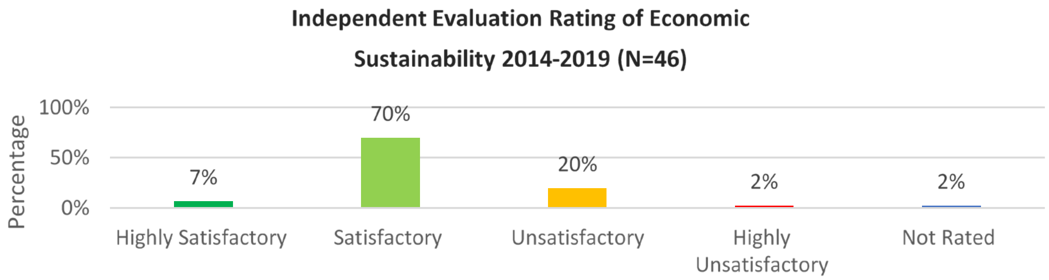
No	Project Title
1	AFRICAN INFRASTRUCTURE INVESTMENT FUND- III (AIIF-III)
2	CENTRAL AFRICA BUILDING SOCIETY (CABS)
3	EASTERN AFRICAN DEVELOPMENT BANK LOC VIII (EADB-VIII)
4	BUJAGALI ENERGY LIMITED-II
5	PROJET RIZICOLE DE LA COMPAGNIE AGRICOLE DE SAINT-LOUIS
6	INDORAMA ELEME FERTILIZER-II (IEFL-II)
7	ALCAZAR SOLAR PHOTVOLTAIC PROJECT
8	EXPORT TRADING COMPANY GROUP - ETG
9	TRANSNET EXPANSION CORPORATE LOAN II
10	CRDB BANK LIMITED

Table A4.2: Results of IDEV XSR Validation Synthesis (2014-2019)

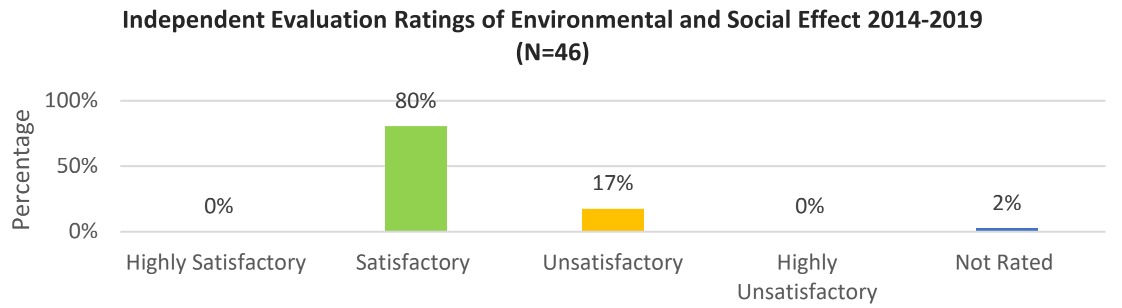
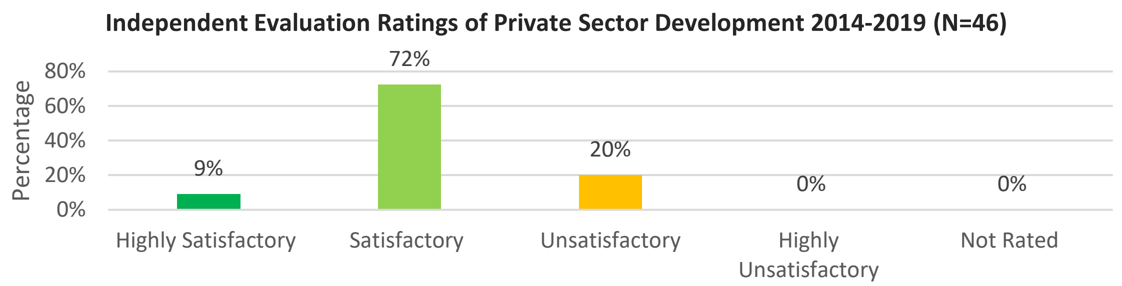
Criteria	Description
Business Success	Project/company Business Success measures the project's actual and projected financial impact on the company's overall financial performance. Project Business Success is thus concerned with the commercial performance of the project, as measured by the financial returns accrued to the shareholders and credit holders of the project company. Business Success is usually measured using the Financial Internal Rate of Return (FIRR) as a metric for profitability of the venture. It is also worth noting here that the criteria for rating the Business Success dimension awards a positive rating when the project repays its debt and yields an acceptable return for shareholders. However, below the abovementioned benchmark, there could be spectrum of performance levels that would be rated less than satisfactory before the project reaches the point of "distress". Therefore, projects awarded a 'negative' Business Success rating are not necessarily projects in distress.



Criteria	Description
Economic Sustainability	This performance dimension measures the wider economic benefits accruing to the economy/society by virtue of the project's existence and its operations. Such benefits accrue to the wider stakeholders of the project in the country of concern, and include economic growth, improved people's living standards, and poverty reduction. The Economic Internal Rate of Return (EIRR) is a metric used in measuring the project's economic sustainability. However, if the calculation of the EIRR is not possible, other proxies could also be used. Positive performance on this dimension is correlated with Business Success. Typically, only successful/profitable companies would create jobs, pay taxes to Government, and provide a positive demonstration effect. On the other hand, loss-making companies are likely to shed staff, carry tax credits into the future, and mostly set a negative demonstration effect on Private Sector Development in their respective sectors.



Criteria	Description
Environmental and Social effect	Environmental and social sustainability include the project's impacts on the physical environment and social issues, which also include occupational health and safety. Environmental and social performance should be evaluated against compliance with the Bank-specified environmental and social safeguard standards and requirements at the approval stage of the project and at the time of self-evaluation against the effects of the project itself on its surrounding environment.

Criteria	Description
	
Contribution to Private Sector Development	This performance dimension is concerned with the effects of the Bank's interventions on strengthening the performance of financial intermediaries such as commercial banks and stock exchanges and the general creation of conditions conducive to the flow of private capital into productive investment promoted by private enterprises. Moreover, this dimension is also concerned with impacts such as increased competition, improved regulation governance and transparency, privatization, technological advancements, and general infrastructure improvements.
	

ANNEX 5: Key Initiatives for enhanced Portfolio Performance

Table A5.1: Key Initiatives for Enhanced NSO Portfolio Performance

Indicator	Risk	Initiatives/ Actions
➢ Non-Performing Loans (NPLs)		(i) Intense field supervisions in the regions; (ii) Adoption of a holistic portfolio management through tactical management of NPLs adapted to categories of projects with specific monitoring, restructuring and workout actions; (iii) Arrears monitoring through risk-based supervisions and covenant management systems; (iv) Monthly Watchlist Working Group; (v) Collateral coverage and valuation; and (vi) Active management of Covid-related migrations.
➢ Weighed Average Risk Rating (WARR)	• Eroding the institution's internal resource generation through increased impairment.	(i) Improved monitoring of WARR with the adoption of a differentiated approach to WARR by sector; (ii) The setting of WARR trigger limits expected to act as an early warning signal to take swift remedial actions to avoid breach of WARR target; (iii) Balance Sheet Optimization (BSO) involving portfolio insurance and securitization.
➢ Watchlist	• Delinquencies of watchlist obligators could occasion loss to the Bank. • Credit deterioration.	(i) Establishment of a Watch list Working Group tasked with monitoring movements and dynamics within the watch listing portfolio and propose appropriate actions; (ii) Use of financial spreading; (iii) Use of early warning flagging; (iv) More effective management of obligators classified as watch list are applied.
➢ Arrears	Growth of arrears represents a risk for: • Impairment; • Profitability; • Provisioning; and • Risk capital.	Adoption of a proactive approach to: (i) Identifying factors driving arrears; (ii) Evaluating in tandem with clients measures to secure arrears; and (iii) Providing appropriate solutions including the internal processing of bills.
➢ Write-Offs	Loss occasioned through: • forgone interest and principal payments; and • reduction of the Bank's portfolio asset base	(i) Maintaining a well-diversified portfolio; (ii) Enhanced management of covenants and conditions precedent to disbursement; (iii) Enhancing project supervision through continuous monitoring of internal and external factors affecting project fundamentals; (iv) Reassessing and revalidating commercial viability in instances where there are large time gaps between approval and disbursement. (v) Efforts to recover amounts owed to the Bank for all written off projects.

Figure A5.1: Evolution of Bank's NSO Non-Performing Loans (NPLs) in Percentage - 2008-2020

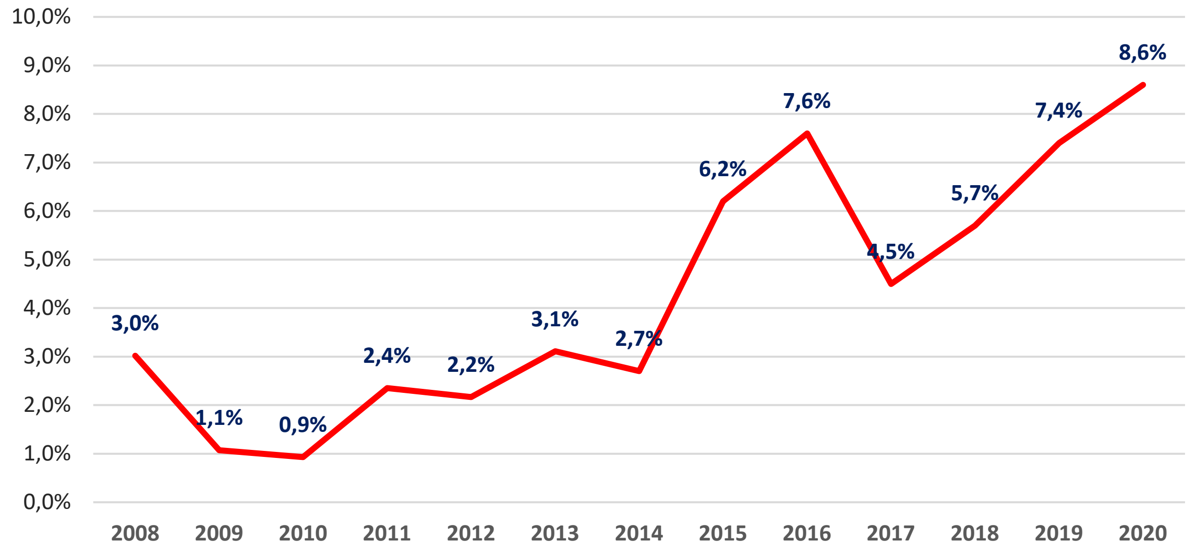
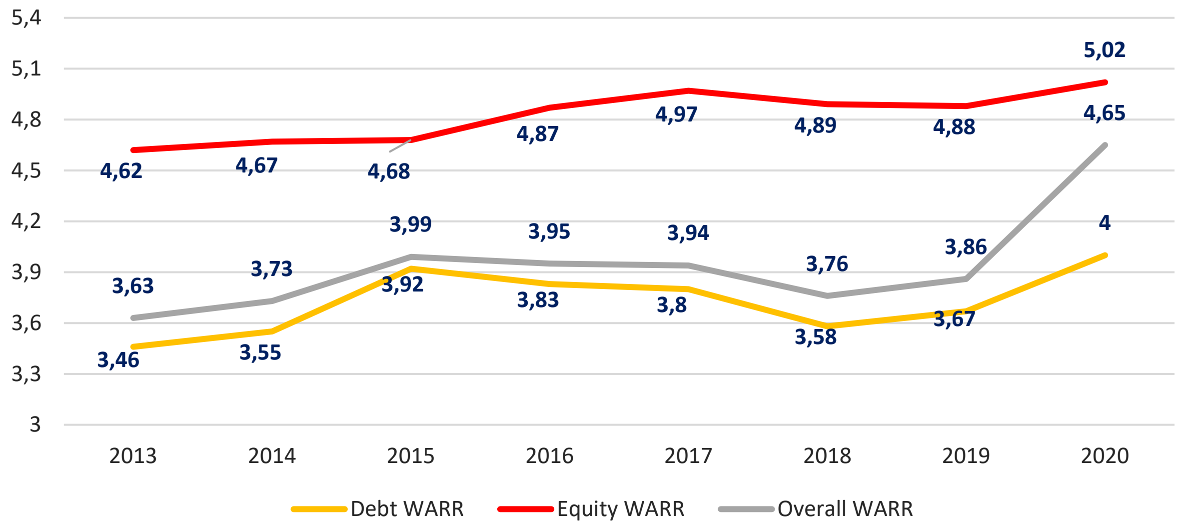


Figure A5.2: Evolution of Bank's NSO Portfolio Risk Ratings 2913-2020



ANNEX 6: Project Performance Assessment – Rating Guidance

OVERALL PROJECT PERFORMANCE (DEVELOPMENT OBJECTIVE)

The development objective (DO) rating summarizes the impact of the NSO project on the development of the host country or region, and implicitly the extent to which the project has contributed to fulfilling the Bank's mandate of economic development and contribution to inclusive and sustainable economic growth and poverty alleviation in regional member countries. The rating is a synthesis of the ratings of four sub-dimensions namely: Business Success; Economic Sustainability; Environmental and Social Performance; Contribution to Private Sector Development; and other cross-cutting issues. The rating is on a six-point scale. For positive rating of the development outcome, the NSO should exceed at least 3 highly satisfactory or satisfactory sub- criteria.

Rating Scale:
6– Highly Successful: The intervention achieved or surpassed all main targets, objectives and expectations, and had no, or immaterial shortcomings in terms of Business Success; Economic Sustainability; Environmental and Social Performance; Contribution to Private Sector Development; and other cross-cutting issues. Business Success; Economic Sustainability and at least one other are rated as Highly Satisfactory. The other criterion is rated at least Satisfactory.
5 – Successful: The intervention achieved almost all of the main targets, objectives and expectations, and had at most minor shortcomings in terms of Business Success; Economic Sustainability; Environmental and Social Performance; Contribution to Private Sector Development; and other cross-cutting issues. All dimensions must be rated at least Satisfactory.
4 – Mostly Successful*:* The intervention achieved the majority of the main targets, objectives and expectations, and had moderate shortcomings in terms of Business Success; Economic Sustainability; Environmental and Social Performance; Contribution to Private Sector Development; and other cross-cutting issues. At least three criteria, including Business Success, Economic Sustainability, are Satisfactory. No criterion is rated Unsatisfactory.
3– Mostly Unsuccessful: The intervention achieved only some of its main targets, objectives and expectations, and had significant shortcomings in terms of Business Success; Economic Sustainability; Environmental and Social Performance; Contribution to Private Sector Development; and other cross-cutting issues. Business Success is Satisfactory, and the rest of the criteria (Economic Sustainability; Environmental and Social Performance; Contribution to Private Sector Development; and other cross-cutting issues) are less than Satisfactory. No more than one is Unsatisfactory which should not include effectiveness.
2- Unsuccessful: The intervention achieved very few of its main targets, objectives and expectations, and had major shortcomings in terms of Business Success; Economic Sustainability; Environmental and Social Performance; Contribution to Private Sector Development; and other cross-cutting issues. All four criteria are less than satisfactory, no more than one is Unsatisfactory which should not include Business Success.
1-Highly Unsuccessful: The intervention achieved none of its main targets, objectives and expectations, and had severe shortcomings in terms of Business Success; Economic Sustainability; Environmental and Social Performance; Contribution to Private Sector Development; and other cross-cutting issues. All the four criteria are Unsatisfactory.

1.1 BUSINESS SUCCESS

Business Success examines the project's financial and economic efficiency based on a comparison with appraisal projections and other performance indicators. Changes in performances should also be analyzed to show the incremental impact of the project, i.e., the costs and benefits compared to a without-project counterfactual or alternatives. The implementation efficiency will also be factored in.

Rating Scale:
4 - Highly Satisfactory: The project was implemented as least cost compared to alternatives and had substantially exceeded the financial projections and/or financial indicators as set at appraisal as well as the cost unit rate norms (highly cost-effective) as compared to alternatives or without-project counterfactual.
3- Satisfactory: The project was implemented as least cost compared to alternatives and had exceeded the financial projections and/or financial indicators as set at appraisal, as well as the cost unit rate norms (cost-effectiveness) as compared to alternatives or the without-project counterfactual.
2- Unsatisfactory: The project was relatively costly compared to alternatives and well below the financial projections and/or financial indicators as set at appraisal, or the cost unit rate norms (cost-effectiveness) as compared to alternatives or the without-project counterfactual.
1 – Highly Unsatisfactory: The project was highly costly compared to alternatives and the actual financial projections or indicators may affect the sustainability or the continuity of the company.

1.2 ECONOMIC SUSTAINABILITY

An expectation of continued commercial viability in projected market, and fiscal and financial conditions are required for a positive rating.

Rating Scale:

4 – Highly Satisfactory: 1. Client company's adaptability and prospects for sustainability and growth including financial and economic or social returns are high- 2. Actual performance exceeds appraisal projections such that the project has demonstrably met its obligations to lenders and creditors and has yielded a premium return to its shareholders well in excess of that commensurate with the project risk- 3. The project's process and business goals articulated at approval are surpassed- 4. Performance indicators demonstrate clear outperformance against appraisal estimates- 5. Client PPP company's overall profitability and prospects for sustainability and growth are strong, such that it is expected to retain or achieve market-leading status.

3 – Satisfactory: 1. PPP company's adaptability and prospects for sustainability and growth including fiscal and financial returns are adequate. 2. Actual performance slightly exceeds or close to appraisal projections such that the project has met its obligations to lenders and creditors and has yielded a premium return to its shareholders in excess of that commensurate with the project risk. 3. The project's process and business goals articulated at approval are adequate or slightly surpassed.4. Performance indicators demonstrate clear outperformance against appraisal estimates. 5. The Client company's overall profitability and prospects for sustainability and growth are adequate, such that it is expected to compare with market-leading status.

2 – Unsatisfactory: 1. Client company's adaptability and prospects for sustainability and growth including fiscal and financial returns are relatively inadequate. 2. Actual performance has lagged appraisal projections such that the project has hardly met its obligations to lenders and creditors, and the return to shareholders is less than that deemed minimally acceptable albeit at least equal to the cost of debt. 3. At least one of the project's process and business goals articulated at approval is not met. 4. Performance indicators have largely fallen short of appraisal estimates in one or more key areas. 5. The project company's prospects for sustainability and growth are relatively weak, such that it is struggling to remain competitive in relation to the market and sector peers.

1 – Highly Unsatisfactory: 1. Client company's adaptability and prospects for sustainability and growth including financial, economic or social returns are completely inadequate and reliance on external support is the option. 2. Actual performance has lagged appraisal projections such that the project has failed to meet its obligations to lenders and creditors and/or has yielded a return to shareholders that is less than the cost of debt. 3. Most of the project's process and business goals articulated at approval are not met. 4. Performance indicators have fallen short of appraisal estimates in most of key areas. 5. The project company's prospects for sustainability and growth are weak or negative, such that it is clearly underperforming in relation to the market and sector peers.

1.3 ENVIRONMENTAL AND SOCIAL EFFECT

Rating Scale:

4 – Highly Satisfactory: The Client company meets both the Bank's at-approval requirements (including implementation of an ESAP, depending on the environmental categorization of the project) and the Bank's at-evaluation requirements, and the extent of environmental and social change/impacts: (i) goes beyond the expectations of the ESAP and key environmental and social requirements, or (ii) have materially improved overall environmental and social performance, or (iii) have contributed to a significant improvement in the environmental and social performance of local (suppliers or competitors) companies e.g., by raising industry standards, acting as a good practice example, etc..

3 – Satisfactory: The Client Company is in material compliance with the Bank's at-approval requirements (including implementation of an ESAP, depending on the environmental categorization of the project. Environmental and social change/impacts: (i) meet the expectations of the ESAP and key environmental and social requirements, or (ii) have improved the overall environmental and social performance, or (iii) have contributed to a material improvement in the environmental and social performance of local (suppliers or competitors) companies e.g., by raising industry standards, acting as a good practice example, etc.

2 – Unsatisfactory: Both: (a) the company is not in material compliance with the Bank's at-approval requirements, and the ESAP is only partially implemented. Environmental and social change/impacts: (i) do not meet the expectations of the ESAP and key environmental and social requirements, and (ii) have not improved the overall environmental and social performance, and (iii) have not contributed to an improvement in the environmental and social performance of local (suppliers or competitors) companies e.g., by raising industry standards, acting as a good practice example, etc. However, the company is addressing deficiencies through ongoing or planned actions; and (b) such non-compliance has not resulted in environmental damage.

1 – Highly Unsatisfactory: Both: (a) the company is not in material compliance with the Bank's at approval requirements (including implementation of an ESAP, if any). Environmental and social change/impacts: (i) don' totally meet the expectations of the ESAP and key environmental and social requirements, and (ii) have not contributed to an improvement or harmed the environmental and social performance of local (suppliers or competitors) companies e.g., by raising industry standards, acting as a good practice example, etc; and (b) mitigation prospects are uncertain or unlikely, or non-compliance resulted in substantial and permanent environmental damage.

1.4 OTHER CROSS-CUTTING ISSUES

A positive rating must be allocated in the case of substantial and plausible evidenced contribution of the project to inclusive growth with increased accessibility of the poor and disadvantaged population to social and economic goods and services or infrastructure including equality for gender and youth employment, transition to green economy, if not already taken into consideration in assessing projects contribution to intended or corporate goals. “Not Rated” is a possible rating when the project did not contribute to these cross-cutting issues beyond its intended outcomes, or evidence is missing.

Rating Scale:
4 – Highly Satisfactory: The project had significantly contributed to inclusive growth with increased accessibility of the poor and disadvantaged population to social and economic services or infrastructure including equality for gender and youth employment, and transition to green economy.
3 – Satisfactory: The project had determinately contributed to inclusive growth with increased accessibility of the poor and disadvantaged population to social and economic services or infrastructure including equality for gender and youth employment, and transition to green economy which positively affected its effectiveness.
2 – Unsatisfactory: The project had no discernable contribution to inclusive growth with increased access of the poor and disadvantaged population to social and economic services or infrastructure including equality for gender and youth employment, and transition to green economy, which had relatively affected its effectiveness.
1 – Highly Unsatisfactory: The project had no discernable contribution to inclusive growth with very limited access of the poor and disadvantaged population to social and economic services or infrastructure including equality for gender and youth employment, and transition to green economy, which had highly affected its effectiveness.

1.5 CONTRIBUTION TO PRIVATE SECTOR DEVELOPMENT

A substantial and plausible contribution of the project to private sector development must be shown to merit a positive rating. As with the Contribution to Intended Outcomes, the rating reflects the project’s incremental contribution to observed outcomes, regardless of whether the observed outcomes moved in the “right” or “wrong” direction. “Not Rated” is a possible rating when the project did not contribute to PSD goals beyond its intended outcomes, or evidence is missing or weak.

Rating Scale:
4 – Highly Satisfactory: Considering its size, the project had: i) substantial positive effects on growth of productive private enterprises, market expansion and demonstration effect; ii) improved laws and regulations, regulatory frameworks for procurement and contract management; and iii) improved standards for corporate governance and business conduct.
3 – Satisfactory: the project had: i) good positive effects on growth of productive private enterprises, market expansion and demonstration effect; ii) improved laws and regulations, regulatory frameworks for procurement and contract management; and iii) improved standards for corporate governance and business conduct.
2 – Unsatisfactory: The project had mixed effects in respect of the Bank’s private sector development, with a lack of laws and regulations, or regulatory frameworks for procurement and contract management; and with no standards for corporate governance and business conduct.
1 – Highly Unsatisfactory: The project had substantial negative effects in respect of the Bank’s mandate objectives of promoting private sector development in the absence of laws and regulations, or regulatory frameworks for procurement and contract management; or standards for corporate governance and business.

OVERALL INSTITUTIONAL PERFORMANCE

2.1 OVERALL WORK QUALITY

2.1.1 Quality at entry and Additionality

For a positive rating, there must be evidence that the project has an outstanding/excellent or good logical and results framework based on clear articulation of results, a high-quality additionality assessment (ADOA Note) based on a counterfactual assessment of how the project would have proceeded using other alternative sources of financing, and an elaborated beneficiary needs assessment?

Rating Scale:

4 – Highly Satisfactory: The project document presents: i) an outstanding/excellent logical and results framework based on clear articulation of inputs/activities to outputs, intended outcomes and impact; ii) a high-quality additionality assessment (ADOA Note) based on a counterfactual assessment; and iii) an elaborated beneficiary needs assessment. Superior project design quality can be directly and unambiguously attributed to the Bank's front-end work.

3 – Satisfactory: The project document presents: i) a good logical and results framework based on clear articulation of inputs/activities to outputs, intended outcomes and impact; ii) a good quality additionality assessment (ADOA Note) based on a counterfactual assessment and an elaborated beneficiary needs assessment.

2 – Unsatisfactory. The project document presents: i) a low quality logical and results framework based on unclear articulation of inputs/activities to outputs, intended outcomes and impact; ii) a low quality additionality assessment (ADOA Note) and not based on a counterfactual assessment; and iii) a low quality beneficiary needs assessment. Such shortfall(s) have not had a material effect on the project's development quality

1 – Highly Unsatisfactory. The project document presents: i) a low quality or non-existent logical and results framework with no elaborated results chain; ii) a low quality additionality assessment (ADOA Note) or not based on a counterfactual assessment; and iii) a non-existent beneficiary needs assessment. As a direct consequence of such shortfall(s), there has been a material, detrimental effect on the project's development quality.

direct consequence of such shortfall(s), there has been a material, detrimental effect on the project's development quality.

2.1.2 Quality of Administration, Supervision, and M&E

For a positive rating, the Bank should have materially met its operational standards in these areas, and there were no significant shortcomings in project development results due to the Bank's supervision performance.

Rating Scale:

4 – Highly Satisfactory: The Bank should have exceeded its prescribed operational procedures such that it has established an outstanding quality monitoring and supervision of the project and associated investments. Alternatively, project development outcome and/or Bank investment profitability can be directly and unambiguously attributed to the Bank's execution of its monitoring and supervision responsibilities.

3 – Satisfactory: The Bank should have materially met its prescribed operational procedures and quality standards in its monitoring and supervision of the project and associated investment, following its commitment. The Bank should have kept itself sufficiently informed to react in a timely manner to any material change in the project and/or company's performance (or any event or circumstance that could be the basis for a claim under a Bank's guarantee) and have taken timely action where needed.

2 – Unsatisfactory*:* The Bank fell short of its prescribed operational procedures and quality standards in more than one aspect of its monitoring and supervision of the project and associated investment. However, such shortfall(s) have not had a detrimental effect on the project's development quality and/or Bank investment profitability.

1 – Highly Unsatisfactory: The Bank fell short of its prescribed operational procedures and quality standards in one or more aspects of its monitoring and supervision of the project and associated investment. As a direct consequence of such shortfall(s), there has been a significant, detrimental effect on the project's development quality and/or Bank investment profitability.

2.1.3 Implementation efficiency

The timeliness of project implementation is based on a comparison between the planned and the actual period of implementation from the dates of effectiveness and disbursement. Significant delays or other implementation inefficiencies, including transaction costs would suggest a negative rating for Implementation Efficiency.

Rating Scale:

4 – Highly Satisfactory: The ratio of planned preparation timeline, implementation time (as per PAR) and actual preparation timeline and implementation time from the date of effectiveness is expected to be >1, and the transaction cost (staff level of efforts-LOE) is judged adequate.

3 – Satisfactory: The ratio of planned preparation timeline, implementation time (as per PAR) and actual preparation timeline and implementation time from the date of effectiveness is expected to be 0.8 to 1, and the transaction cost (staff level of efforts-LOE) is judged mostly adequate.

2 – Unsatisfactory: The ratio of planned preparation timeline, implementation time (as per PAR) and actual preparation timeline and implementation time from the date of effectiveness is expected to be 0.5=>0.8, and the transaction cost (staff level of efforts-LOE) is judged inadequate.

1 – Highly Unsatisfactory: The ratio of planned preparation timeline, implementation time (as per PAR) and actual preparation timeline and implementation time from the date of effectiveness is expected to be <0.5, and the transaction cost (staff level of efforts-LOE) is judged highly inadequate.

2.1.4 Institutional sustainability and strengthening of capacities

For a positive rating, material effects must be demonstrated for institutional capacities strengthening- including for example through the use of procurement and contract management best practices, improved governance or skills, procedures, incentives, structures, or institutional mechanisms.

Rating Scale:
4 – Highly Satisfactory: Considering its size, the Bank capacity strengthening had: i) substantial positive effects on procurement and contract management procedures, governance and skills improvements, structures, or institutional mechanisms; and/or ii) highly improved the Client's capacity to conduct procurement, contract management and NSO transaction implementation.
3 – Satisfactory: The Bank capacity strengthening had: i) good positive effects on procurement and contract management procedures, governance and skills improvements, structures, or institutional mechanisms; and/or ii) improved the Client's capacity to conduct procurement, contract management and NSO transaction implementation.
2 – Unsatisfactory: The Bank capacity strengthening had no effects on procurement and contract management procedures, governance and skills improvements, structures, or institutional mechanisms; nor improved the Client capacity to improve procurement, contract management and NSO transaction implementation, which have extensively jeopardized the effectiveness and sustainability of the project.
1 – Highly Unsatisfactory: The Bank capacity strengthening had no effects on procurement and contract management procedures, governance and skills improvements, structures, or institutional mechanisms; nor improved the Client's capacity, which have extensively jeopardized the sustainability of the project.

2.2 OVERALL CLIENT PERFORMANCE

2.2.1 Company's Performance

For a positive rating, there were at most moderate shortcomings in the performance of the Client or its implementing agency.

Rating Scale:
4 – Highly Satisfactory: The Client and its implementing agencies should have exceeded the quality of preparation and implementation of the transaction while extensively complying with covenants and agreements; and ensured ownership and commitment towards the achievement of intended outcomes in full compliance with Bank's environmental and social safeguards. Alternatively, project development quality can be directly and unambiguously attributed to the Client company.
3 – Satisfactory: The Client and its implementing agencies should have materially met the quality standards for the preparation and implementation of the transaction while complying with covenants and agreements; and ensuring ownership and commitment towards the achievement of the intended outcomes in full compliance with Bank's environmental and social safeguards. The Client and its implementing agencies should have reacted in a timely manner to any material change in the project and/or company's performance and have taken timely action where needed.
2 – Unsatisfactory*:* The Client and its implementing agencies fell short of meeting the quality standards for the preparation and implementation of the transaction while not fully complying with covenants and agreements including the compliance with the Bank's environmental and social safeguards. The Client and its implementing agencies have not reacted in a timely manner to any material change in the project and/or company's performance. As a direct consequence, such shortfall(s) have had a material effect on the project's development quality.
1 – Highly Unsatisfactory: The Client and its implementing agencies fell short of meeting the quality standards for the preparation and implementation of the transaction while not complying with covenants and agreements including the compliance to the Bank's environmental and social safeguards. The Client and its implementing agencies have not reacted to any material change in the project and/or company's performance. As a direct consequence, such shortfall(s) have had a detrimental effect on the project's development quality.

2.2.2 Client Non-Financial Performance

For a positive rating, the Client company is in material compliance with relevant country regulations and Bank's requirements with outstanding corporate social responsibilities.

Rating Scale:
4 – Highly Satisfactory: The Company met extensively relevant country regulations and Bank's requirement/conditions including its corporate social responsibilities. Alternatively, project development quality can be directly attributed to the client's non-financial performance.

3 – Satisfactory: The Company met relevant country regulations and Bank's requirement/conditions including its corporate social responsibility. Alternatively, project development quality can be directly attributed to the company which has taken timely action where needed.
2 – Unsatisfactory*:* The company fell short of all country regulations and/or requirements/conditions including its corporate social responsibilities. However, such shortfall(s) have not had a detrimental effect on the project's development quality and/or Bank investment profitability.
1 – Highly Unsatisfactory: The company fell short of all country regulations and Bank requirements/conditions including its corporate social responsibilities. As a direct consequence of such shortfall(s), there has been a material, detrimental effect on the project's development quality and/or Bank investment profitability.

2.3 INVESTMENT PROFITABILITY

For a positive rating, the net profit contribution is sufficient relative to the Bank's target return on capital or overall profitability objectives. Detail by type of operation is contained in Private GPS OPs 20.2 – 20.5.

Rating Scale:
4 - Highly Satisfactory: By virtue of the size of investment/loan, its performance or the presence of income-enhancement features, either: (a) the investment/loan net profit contribution exceeds the Bank's target return on capital employed or overall profitability objectives by a factor of 1.25x; or (b) the loan is expected to be paid, or has been paid, as scheduled, and will yield a premium return in comparison to other Bank loans of a similar credit risk.
3- Satisfactory*:* Either: (a) the loan's net profit contribution is superior in relation to the Bank's target return on capital employed or overall profitability objectives; or (b) the loan is expected to be paid, or has been paid, as scheduled and has yielded the full margin return originally expected during appraisal.
2– Unsatisfactory: Either: (a) the loan's net profit contribution falls short of the Bank's target return on capital employed or overall profitability objectives, but there is no expected loss of principal; or (b) the Bank carries modest, non-specific loss reserves (for example due to country conditions) that are not directly related to the loan.
1-Highly Unsatisfactory: Either: (a) the Bank has incurred loss of loan principal or carries specific loss reserves against the loan; or (b) the loan is in non-accrual status or has been rescheduled such that the Bank does not expect to recover its full funding cost, or the Bank has established specific loss reserves, or the loan has been or is expected to be wholly or partially converted to equity as a consequence of its non-performing status.