

## **Project Completion Report Validation by the Independent Evaluation Office: Methodology and Process**

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## Change Log

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## Abbreviations

|      |   |
|------|---|
| BoD  | Board of Directors                                    |
| DG   | Director General                                      |
| IEO  | Independent Evaluation Office                         |
| MDB  | Multilateral Development Bank                         |
| NDB  | New Development Bank                                  |
| OECD | Organisation for Economic Development and Cooperation |
| PCR  | Project Completion Report                             |
| PCRv | Project Completion Report Validation                  |

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## Project Completion Report Validation by the Independent Evaluation Office Methodology and Process

### I Background

1. The New Development Bank (NDB) prepares a project completion report (PCR) for each completed operation. PCRs are prepared by NDB project teams upon project completion. Broadly speaking, PCRs provide an overarching account of project achievements and lessons learned. As per the NDB Project Implementation Guidelines<sup>1</sup>, the Credit Investment Committee approves the PCR and clears it for further distribution to the Borrower<sup>2</sup>.
2. The NDB Evaluation Policy<sup>3</sup> notes that “IEO independently validates selected self-evaluation products prepared by Management such as project level self-evaluations, with the aim of contributing to strengthening the quality and credibility of the self-evaluation system”. In this regard, the 2023 work programme and budget of IEO, as approved by the BoD on 13 December 2022, notes that “IEO will validate all Project Completion Reports prepared by end-September 2023”. This is in line with the practice in other multilateral development banks (MDBs).

### II Objectives of Project Completion Report Validations

3. The following are the main objectives for IEO to conduct PCR validations (PCRVs):
  - a. Promote accountability and learning;
  - b. Contribute to strengthening the quality and credibility of PCRs (as a key self-evaluation instrument) prepared by the NDB;
  - c. Provide an independent assessment of the entirety of projects financed by the NDB exiting the project portfolio in any given year; and
  - d. Generate data and lessons that may provide the foundation for independent evaluations conducted by IEO.

### III Users of PCRVs

4. The main users of the PCRVs will be the NDB Management<sup>4</sup>, in particular the operational staff responsible for the preparation of PCRs. However, the PCRVs would also be of

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<sup>1</sup> These guidelines are not applicable to Funds and will cease to be applicable to non-sovereign operations, as soon as separate guidelines are approved by the Bank.

<sup>2</sup> The Bank does not intend to share PCRs with borrowers for non-sovereign operations.

<sup>3</sup> Approved by the Board of Directors in August 2022.

<sup>4</sup> Consistent with the practice in other MDBs with independent evaluation offices, the use of the term ‘Management’ refers to concerned members of the senior and middle management as well as all other staff in the organization, excluding those in IEO.

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interest to other NDB staff, for example, those responsible for analysing and compiling project performance data at the aggregate level (e.g., in the Strategy, Policy and Partnership Dept). Data from PCRVs would also be an important source for IEO to prepare, in the future, an annual independent report on NDB's wider development effectiveness.

#### IV Methodology for PCRVs

5. **Validation of project results.** The core methodology of PCRVs will entail the use of internationally recognised evaluation criteria, as followed by the Evaluation Cooperation Group (ECG)<sup>5</sup> of the MDBs and the Organization for Economic Cooperation and Development (OECD). It is important for the NDB to adopt, customised as appropriate to its own context, the evaluation criteria and overall methods adopted particularly by the ECG, as this would further strengthen the credibility of the NDB as a key organisation within the broader MDBs galaxy.
6. As such, the following evaluation criteria will be used by IEO in PCRVs of public sector operations: relevance, effectiveness, efficiency, impact, and sustainability<sup>6</sup>. A composite criterion “overall project achievement” will also be used, to provide a wholistic validation of project results. The analysis of overall project achievement will be informed by the analysis of the other five criteria mentioned above. Moreover, PCRVs will include an analysis of NDB and Borrower performance, respectively. In conducting its analysis, as needed, IEO will review the project completion report, supervision reports and progress reports prepared during implementation, to collect further data and evidence about project performance.
7. With specific regard to the *impact* criterion, it is understood that impacts emerge on a more longer-term basis following project completion. Hence, PCRs would not be expected to include a detailed impact analysis (for example, using counterfactuals). Nevertheless, at project completion, some emerging impacts are likely to be visible – such as on social and economic mobility in roads construction projects - which should be documented<sup>7</sup>. The validations by IEO will therefore not examine whether detailed impact analysis has been conducted as part of PCRs, but rather assess what changes to higher level objectives (e.g., women's economic and social empowerment) are visible and documented. This is critical to bring reassurance to NDB shareholders and others

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<sup>5</sup> The ECG was established in 1996 to promote a more harmonized approach to evaluation methodology. It is the key MDB platform for discussing evaluation issues, and is composed of ten MDBs including the ADB, AfDB, BSTDB, EIB, EBRD, IDB, IsDB, IFAD, IMF, and the World Bank. NDB/IEO has submitted an application to join the ECG, which is under consideration by the Group's membership committee.

<sup>6</sup> See Annex 1 for definition of evaluation criteria adopted by the ECG.

<sup>7</sup> See for example, the IEO evaluation report of the India Madhya Pradesh Major District Roads Project, completed in end 2022.

concerned that projects funded by the NDB are indeed contributing to the Bank’s mandate to “maximise impact”<sup>8</sup>.

8. For private sector operations, IEO will build on the criteria in the current version of the Good Practice Standards (GPS) for the evaluation of private sector operations, adopted by the ECG<sup>9</sup>. The evaluation criteria<sup>10</sup> included in the GPS for private sector operations include: financial performance and fulfilment of project business objectives, economic sustainability, contribution to NDB mandate objectives, and environmental and social performance. In addition, the GPS also includes additional criteria as follows: NDB’s investment profitability, NDB performance<sup>11</sup>, and NDB additionality. However, in conducting the validation of PCRs for private sector operations funded by the NDB, the aforementioned criteria will be appropriately customised and consolidated to the NDB context, also taking into account the latest practices adopted by other MDBs with large private sector portfolios. The criteria adopted by NDB will also inform an overall project “outcome” assessment.
9. Based on the evidence collected and the analysis conducted, IEO will assign a performance rating to each evaluation criterion, using a six-point scale (see Table 1). The rating assigned by IEO is based on its evaluative judgement, using triangulation techniques, after analyzing all data and information collected. Each rating will be accompanied by relevant “explanatory factors”, which would allow readers to clearly understand the underlying rationale for the rating.

**Table 1: Definition of Rating Scale<sup>12</sup>**

| Rating (numeric value) | Description               |
|------------------------|---------------------------|
| 6                      | Highly Satisfactory       |
| 5                      | Satisfactory              |
| 4                      | Moderately Satisfactory   |
| 3                      | Moderately Unsatisfactory |
| 2                      | Unsatisfactory            |
| 1                      | Highly Unsatisfactory     |

<sup>8</sup> See NDB General Strategy 2022-2026.

<sup>9</sup> [GPS on the Evaluation of Private Sector Operations, Fourth Edition | Evaluation Cooperation Group \(ecgnet.org\)](https://ecgnet.org/)

<sup>10</sup> See Annex 2 for evaluation criteria adopted by the ECG.

<sup>11</sup> Borrower performance may also be assessed, though this is not normally covered by other MDBs. In this regard, further discussions will be held between IEO and NDB Management to develop a common understanding on the *pros* and *cons* of including an assessment of *borrower performance* in the validation of non-sovereign operations.

<sup>12</sup> Most MDBs use a similar rating scale. Adopting the same scale will facilitate benchmarking the performance of NDB operations with other MDBs in the future.

10. In order to facilitate the work of those preparing PCRVs, a “score description” will provide guidance in the assignment of ratings to individual evaluation criterion, which will also serve to enhance transparency of the validation exercise. The score descriptors for the six-point rating scale are presented in table 2 below.

**Table 2: Score descriptions**

| Rating | Score (rating) descriptor   |
|--------|---|
| 6      | Under the concerned criterion, the activity (project, programme, non-lending, etc.) achieved or surpassed all main targets, objectives, expectations, and results and could be considered as a model within its project typology. |
| 5      | Under the concerned criterion, the activity achieved almost all (indicatively, over 80-95 per cent) of the main targets, objectives, expectations, and results.   |
| 4      | Under the concerned criterion, the activity achieved the majority (indicatively, 60 to 80 per cent) of the targets, objectives, expectations, and results. However, a significant part of these was not achieved.                 |
| 3      | Under the concerned criterion, the activity did not achieve its main targets (indicatively, less than 60 per cent), objectives, expectations, and results.  |
| 2      | Under the concerned criterion, the activity achieved only a minority of its targets, objectives, expectations, and results.   |
| 1      | Under the concerned criterion, the activity (project, programme, non-lending, etc.) achieved almost none of its targets, objectives, expectations, and results.   |

11. **Harmonization of methods.** Harmonization of evaluation methods in individual MDBs between the independent evaluation office and the respective Management, as well as across the independent evaluation offices of the MDBs, is a key principle adopted by



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the ECG. Having said that, while the NDB has commenced reflection on the preparation of guidelines for PCRs, it is fundamental for NDB Management to adopt the same evaluation criteria and corresponding definitions as well as rating scale in the preparation of PCRs. In line with the practice in other MDBs, this would advance the harmonization of methods between IEO in its PCRVs and Management in the preparation of PCRs, and allow for a comparison of IEO and Management ratings<sup>13</sup>.

12. **Assessment of the quality of the PCR.** PCRVs will include a dedicated section to assess the quality of the PCR prepared by NDB Project teams. This is particularly important to achieve objective (b) of PCRVs - see paragraph three above. The following criteria will be used to assess the quality of the PCR:
- a. *Candour.* This criterion will assess the objectivity of the analysis and findings reported in the PCR. Under this criterion, IEO will also assess the consistency between the narrative and corresponding rating assigned by the Project team to each evaluation criterion.
  - b. *Lessons learned.* PCRVs will assess the extent to which lessons have been documented in the PCR, which can be useful for future and ongoing operations.
  - c. *Scope.* In the assessment of scope, the PCRV will assess the adequacy of the data and documentation used in the preparation of the PCR. Under scope, attention will be devoted to whether the PCR has followed all agreed evaluation criteria (as also covered in PCRVs). This however cannot be applied to older PCRs that understandably could not have followed the criteria agreed by IEO and NDB Management.
  - d. *Coverage.* The PCRV will analyse whether all key aspects of the project have been covered in the PCR, including financial management and disbursements, auditing, reporting on physical targets and outcomes, assessment of the quality of M&E systems, achievement of project objectives, issues related to environmental and social safeguards, and other such dimensions.
13. Each of the above four criteria will be rated individually using the rating scale in table 1 above. Based on this, a composite rating will be given in the PCRV to the “overall quality of the PCR”. In order to facilitate the rating for each of the above criteria, specific indicators/questions of quality will be developed to ensure objectivity in individual

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<sup>13</sup> This would allow for the calculation of the “net-disconnect” between IEO and Management ratings, with the ultimate aim of eliminating the disconnect between the ratings issued by NDB’s independent and self-evaluation systems, respectively.

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assessment as well as consistency across PCRVs. These indicators/questions will build on good practice examples of PCRVs or equivalents prepared by other MDBs.

## V Preparation process of PCRVs

14. The preparation of PCRVs by IEO will follow the following five steps:
  - a. Towards the end of each calendar year, IEO will request NDB Management to provide a list of all PCRs ready for validation and make available all PCRs and any other related documents in a timely manner to IEO.
  - b. The PCRVs will be entirely based on a desk review of documents, and not entail any field visits, which is consistent with the practice in other MDBs. The desk review will include analysis of key project documentation, in particular the PCR, supervision and progress reports, and other relevant documentation. During the desk review phase, IEO may hold discussions with the relevant NDB project teams to gain clarity on specific topics and/or request additional information/data to make an informed assessment.
  - c. The main output of the PCRv process will be a short report (maximum 10 pages). The draft PCRv report will be shared with the relevant project teams and NDB Management for their comments. Where necessary, the comments may also be discussed in any suitable inter-departmental NDB platform, prior to IEO finalizing the PCRv.
  - d. PCRVs will be prepared by IEO, following the guidance contained in this document and a template to be developed by IEO to ensure consistency across PCRVs. The preparation of a PCRv report should not take more than 7-8 working days of time.
  - e. The NDB Management will prepare a short written response<sup>14</sup> on the PCRv, which will be included in the final report before its publication and disclosure.
  
15. A PCRv will **not** be prepared in those cases where IEO is planning a project performance evaluation in the near future of the same operation. This is to avoid duplication of efforts by IEO as well as concerned NDB staff and in-country partners.

## VI Disclosure

16. Once completed and in line with the disclosure provisions of the NDB Evaluation Policy and NDB Information Disclosure Policy, PCRVs will be disclosed through the IEO webpages on the NDB website. PCRVs will be shared with NDB operational and other staff as well as with relevant in-country institutions (e.g., project executing agency, etc) and the concerned NDB Director on the BoD and his/her team. IEO together with the

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<sup>14</sup> A template will be developed for the NDB Management Response, so that they follow a consistent format across PCRVs.

Management will formulate an approach for disclosure of PCRVs for non-sovereign operations and sovereign-guaranteed operations with corporate clients that will ensure that disclosure is in not in breach of Bank’s legal obligations and undertakings under loan and non-disclosure agreements.

17. The number of PCRVs is likely to increase exponentially in the future as the number of projects exiting the portfolio increases. In order not to burden the BoD’s agenda, it is not recommended to present the PCRVs to the BoD. There might be exceptions however, for instance, should there be a specific request by the BoD, or in the case of a specifically innovative project that may generate the interest of the BoD<sup>15</sup>. All final PCRVs will however be made available to the BoD and others through the IEO webpages.

## **VII Reporting**

18. The BoD will be kept informed of the progress in the undertaking of PCRVs as part of IEO’s reporting done on the implementation of IEO activities contained in the annual work programme and budget document.

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<sup>15</sup> IEO will develop clear criteria to determine which PCRVs would be tabled for discussion in the BoD.

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## Annexes

### Annex 1 – Definition of evaluation criteria for PCRVs of public sector operations

**Relevance.** The assessment of relevance will examine the extent to which: (i) the objectives of the project are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies; (ii) the design of the project is consistent with the objectives; and (iii) the project design has been (re-) adapted to address changes in the context. Finally, under relevance, an assessment will also be made of the compatibility of the intervention with other interventions in a country, sector or institution.

**Effectiveness.** The extent to which the project achieved, or is expected to achieve, its objectives and results at the time of the evaluation, including any differential results across groups. The analysis of effectiveness involves taking account of the relative importance of the objectives or results.

**Efficiency** focusses on how well resources are used. In particular, the assessment of efficiency will examine the extent to which the project delivers, or is likely to deliver, results in an economic and timely manner.

**Impact.** The extent to which the project has generated, or is expected to generate, significant positive or negative, intended or unintended, higher-level effects.

**Sustainability** assesses whether project benefits will last or are expected to last after completion. More specifically, sustainability is about whether the net benefits of the project will continue or are likely to continue.

**NDB and Borrower performance.** This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. The performance of each partner will be assessed on an individual basis with a view to the partner's expected role and responsibility in the project life cycle.

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## Annex 2 – Definition of evaluation criteria for PCRVs of private sector operations<sup>16</sup>

**Financial Criteria.** It reflects the project/company's financial performance and achievement of project business objectives. This criteria includes the assessment of the fulfilment of Project Business Objectives. The rating considers the achievement of process and business objectives articulated at approval.

**Economic Criteria.** It reflects the project / company's contribution to economic growth. This includes assessing the operations net benefits, both benefits and costs associated with the project, including economic distortions.

**NDB Mandate Criteria.** This indicator measures the project's contribution to the NDB's mandate objectives, be they to stimulate development of the private sector, development of efficient financial / capital markets, or transition to a market economy. The scope of measurement should be adjusted to match the scope of the IFI's mandate.

**E&S Criteria.** It reflects the project / company's environmental and social performance. The rating of environmental and social performance considers the project company's / enterprise's overall environmental and social performance in the area of influence of the project.

**Investment profitability.** The indicator measures the profitability of each of NDB's investment(s) in the project company.

**NDB performance.** Similar to definition of criteria for public sector operations.

**Additionality.** The rating of the NDB's additionality considers the organisation's value proposition in providing support to the project. It is based on the counterfactual assessment of how the project would have (or would not have) proceeded without NDB support. It should consider all factors relevant to the role and contribution of the NDB.

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<sup>16</sup> To be further customized to the NDB context