

DEVELOPMENT EFFECTIVENESS COMMITTEE (DEC)

Chair's Summary of the Committee Discussion on 24 August 2009

Annual Report on 2008 Portfolio Performance

1. The Annual Report had raised long-term portfolio performance issues, namely, loan cancellations, cost overruns, start-up and implementation delays, need for better monitoring of outputs and outcomes for development effectiveness after project completion, and monitoring development outcomes of nonsovereign operations.

Discussion Highlights

2. IED mentioned other recurring issues from the 2007 Annual Report including need for better reporting in the project performance reports (PPRs), improvement of the design and monitoring frameworks (DMFs) as a monitoring tool, and post-completion monitoring. IED noted Management's disagreement to a comprehensive revision and restructuring of the midterm review. IED emphasized that the proposed midterm review should allow for midterm corrections that would be needed to strengthen project implementation and supervision, and could examine broader issues like compliance to safeguard issues, relevance of DMFs and its indicators, and also provide clear guidance on key activities to be completed for the project completion mission.

3. Management informed the Committee on ADB's initiatives on portfolio management since the 2007 Annual Report, which include (i) establishment of the Project Performance Management Unit (PPMU) which works with RDs to identify best practices in portfolio management; (ii) assigning Headquarters staff to RMs to advise procurement activities, and (iii) better collaboration between RMs and executing agencies (EAs) to improve start-up periods.

4. Management explained that in addition to midterm reviews, there are annual project reviews, annual country portfolio reviews and special project administration reviews being carried out by RDs. Management will consider the substance of IED's recommendation on revision and restructuring of the midterm review in the context of holistic review of all review missions under the ongoing P3M initiative. IED clarified that it was not recommending a "stand-alone" review and revision of the midterm review process. The review could be conducted as part of other ongoing portfolio improvement initiatives.

5. DEC noted the recurring issues of loan cancellations, loan extensions, and start-up delays. DEC also noted the new initiatives being implemented, including improvements to the project classification systems, project processing and portfolio management (P3M), the revamped PPR system, and the TA self-evaluation as a follow-up on TA reforms.

6. DEC reiterated previous request from the Board for risk assessments of nonsovereign loans to be made available to the Board. DEC members noted that gender and regional cooperation and integration do not account for an appropriate share of the portfolio and recommended that management look into this. One DEC member requested clarification on how the improvements to project performance could address the reasons for lack of project success, in reference to Appendices 5 and 7 of the annual report.

7. DEC raised concern on accountability, to which Management explained that the ADB's Results Framework would be able to provide the metrics, and despite limited resources, Management will explore ways on how to address accountability issues. Management emphasized that focus should be directed to the development effectiveness and the achievements of objectives of ADB operations.

Conclusions

8. DEC expressed satisfaction on the overall improvement of ADB's portfolio performance in 2008. Nevertheless, DEC saw scope for further improvement in curtailing implementation delays and reducing the extent of loan cancellations.
9. While there should not be any extension of the implementation period in a routine manner to reduce implementation delays, there should be more realistic estimation of the projected amounts and periods, and stricter enforcement of efficiency to meet the projected targets.
10. DEC considered the possibility of improvements in the portfolios related to gender and regional cooperation.
11. DEC emphasized that more delegation to RMs could contain possibilities for improving portfolio performance.
12. DEC encouraged management to find ways of monitoring outcomes beyond project completion period.
13. In improving the efficiency and effectiveness of the projects, DEC saw scope for restructuring the midterm review to provide useful feedback on project under implementation.

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