

DEVELOPMENT EFFECTIVENESS COMMITTEE

Chair's Summary of the Committee Discussion on 2 October 2009

I. SPECIAL EVALUATION STUDY ON ADB ASSISTANCE FOR PUBLIC-PRIVATE PARTNERSHIPS IN INFRASTRUCTURE DEVELOPMENT—POTENTIAL FOR MORE SUCCESS

1. DEC noted Management's concurrence to the general thrust of the special evaluation study's (SES) recommendations to improve ADB's strategic focus and performance, and strengthen the effectiveness and impact of ADB's support for public-private partnership (PPP).
2. Some DEC members sought clarification on the comparison between ADB's PPP assistance through public sector window versus those through the Private Sector Operations Department (PSOD). DEC members further noted the "less likely" rating to the sustainability of PPPs through public sector. The Independent Evaluation Department (IED) explained that the less likely rating to sustainability was due to some policy reversals for policy reforms, limited capacity development efforts and lack of DMC institutional capacity and incentives to translate experience gained in conjunction with successful pilot PPP projects into new project proposals. Management representatives added that successful public sector interventions in terms of policy, institutional reforms and capacity development should be fundamental to PPP mainstreaming.
3. One DEC member emphasized the need for a more quantitative assessment of the benefits of PPP assistance like government savings on capital expenditure, increase in market access, and increase in income and employment opportunities, among others. DEC Chair added that such data may be introduced in the ADB Results Framework, and may then be followed up in the project completion report, and later validated. Management representatives pointed out that some development impacts may not be quantifiable, and available quantitative measures (economic internal rate of return, efficiency gains) may not represent the overall impact of PPP assistance. IED staff emphasized the need for assessing value for money of using PPP modalities as opposed to public procurement and for estimating the fiscal implications of Government support under PPP schemes, which is also the suggestion in the SES report in this regard.
4. DEC noted ADB's efforts to maximize the synergy between PSOD and regional departments (RDs) with regard to PPP operations. Management representatives updated DEC on the establishment of a separate unit in PSOD that would be tasked to help RDs design viable PPP transactions that would create an enabling environment for PPPs. Managing Director General mentioned that the division of work between PSOD and the RDs is determined by assessing which group can manage the risks better. PSOD handles the commercial and transactional risks, while RDs work on the social and macroeconomic risks.
5. DEC members agreed on the need to have a corporate strategy that would guide PPP activities, and requested that DEC and Board be consulted on the development of the strategy. Managing Director General explained that PPP approach varies from country to country, and therefore, a corporate business plan that is country-tailored would be more appropriate than a strategy. Such business plan would be integrated with country partnership strategies (CPSs).

Conclusions

6. DEC welcomed the SES. It noted the progress ADB has made in promoting PPP in developing member countries.
7. DEC welcomed the management assurance to draw up a PPP corporate strategy along with a corporate business plan on PPP which is duly reflected in the CPSs.
8. DEC urged for having closer coordination between RDs and PSOD and noted that a coordinating unit on PPP is being set up in the PSOD.
9. DEC saw merit in quantifying the benefits of PPP, wherever possible, in terms of public resources saved, such as reductions in projects costs and fiscal expenditures and felt that these quantified criteria may be incorporated in the development results framework and followed up in the project completion and performance evaluation reports.

Ashok K. Lahiri
Chair, Development Effectiveness Committee