

**BOARD OF DIRECTORS
DEVELOPMENT EFFECTIVENESS COMMITTEE**

CHAIR'S SUMMARY OF THE COMMITTEE DISCUSSION ON 14 JUNE 2006

Special Evaluation Study on Pathways Out of Rural Poverty and the Effectiveness of Poverty Targeting

1. The Development Effectiveness Committee (DEC) generally welcomed the study's intent, directness, and manner of research. The intent to stimulate a rethinking in ADB of the effectiveness of its current approaches to rural poverty reduction appeared to have made a good start as evidenced in the generally positive and open stance of the Management response. Certainly DEC members welcomed the basic challenges to business-as-usual that the study raised. The straightforward style in which the study's insights are presented should help contribute to stimulating a healthy debate—a goal that more evaluation studies should aim at. DEC members enthusiastically supported the extensive fieldwork underlying the study and encouraged such an approach to obtain first hand inputs and enable evaluations to be grounded at the grassroots level and reflect local conditions. It noted Management's preference for further quantitative analysis to support findings but also understood that the study's goal was to identify key issues rather than make an impact assessment.

2. The DEC endorsed the general recommendation that ADB explore alternative approaches to assisting DMCs fight rural poverty and thought that the study did provide a useful (if somewhat provocative) framework for exploring such alternatives. DEC endorsed the two specific follow-up actions recommended by the study. On the first one, having an informal staff working group review the study's findings as a step towards redefining the role of agriculture and rural development in poverty reduction, DEC asked to be informed of the specific purpose, areas of focus, expected outputs, and a timetable for the working group. The working group might also take into consideration some reservations expressed by Management in its response to the study. DEC would appreciate periodic updates on progress from the informal working group. On the second recommendation of doing a more in-depth assessment of road network planning issues in the coming evaluation of the transport sector assistance program in PRC, DEC suggested that the East Asia Regional Department also participate.

3. DEC members generally agreed with the study's recommendation that, despite the unsatisfactory results of many agriculture and rural development projects in the past, ADB should not withdraw from the sector because rural areas continue to be important for poverty reduction. What ADB needs to do is improve its interventions, ensuring these are needs based, and address the root causes of rural poverty in country specific contexts. This means that specific approaches to poverty reduction are expected to keep evolving over time. In the process, due attention should be given to building the necessary assets for the poor, and reducing household vulnerability, as suggested by the study.

4. Several DEC members had reservations about the alternative approach suggested in the study of shifting the focus of poverty related interventions, particularly in the case of infrastructure projects, from poor regions to regions naturally attractive to private investors, even if the latter are not poor regions. These DEC members considered that with the right strategies for creating roles for financing institutions and microfinancing in poor regions, effective poverty reduction programs in poor regions could be sustainable.

5. The range of views among DEC members was wider on the question of whether pro-poor components should be added (“add-ons”) to investment projects to address social issues (particularly in the case of infrastructure projects), or whether standalone projects should be designed to directly address key causes of poverty diagnosed in specific project contexts. Some DEC members emphasized (i) the need to keep project design as uncomplicated as possible, especially in the light of constraints on executing agency capacity; (ii) that such add-ons were not necessary for all infrastructure projects; (iii) that social issues could be more efficiently and effectively addressed as part of national programs; and (iii) that the Board certainly did not require add-ons as a practice. Other DEC members emphasized that lessons from experience had also brought out the need for an integrated approach that generally included social dimensions in development projects, especially toward poverty reduction; and that it was due to this overall learning process that development approaches had, by nature, increasingly graduated from simple project designs. However, these represented differences in viewpoint and emphasis, not on policies (infrastructure is of primary importance to poverty reduction; safeguard policies are mandatory) or principles. As a pragmatic step, some DEC members suggested that an incremental cost/benefit approach to deciding on add-ons might be considered.

6. DEC encouraged wide internal and external dissemination of the study so that it would continue to stimulate and feed the important debate on effective poverty targeting. It emphasized that organizing the staff working group to pursue operational level review of the study’s findings was the next concrete step. The output of the working group was expected to influence the coming review of ADB’s Long Term Strategic Framework.

Special Evaluation Study on Lessons in Capacity Development: Sectoral Studies in Sri Lanka

7. The DEC’s last discussion on capacity development had been in September 2004, when the committee considered the Special Evaluation Study on Capacity Development Assistance of ADB to the Lao People’s Democratic Republic. At that meeting, there had remained a wide range of views and concerns on capacity development and the committee had welcomed the opportunity to review ADB’s role in concrete, country-specific contexts. Thus DEC considered this evaluation, which focused on the experience in Sri Lanka, as continuation of an important institutional effort to come to grips with the contextual factors that contribute to the success of capacity development activities and to develop a meaningful framework for assessing past activities and future needs.

8. DEC considered the study very well done and highly value-adding both in the specific context of the Sri Lanka assistance program and in the broader context of ADB-wide initiatives in capacity development, now a thematic priority of ADB’s overall poverty reduction strategy. In the Sri Lanka context, DEC endorsed the study’s recommendation that the upcoming country strategy and program (CSP) for Sri Lanka should reflect assessment of the tradeoffs between exiting a sector and ensuring the full impact and sustainability of past and ongoing capacity development activities (but the latter consideration should not be the main reason for staying in a sector).

9. In the broader ADB context, DEC considered that the concepts and model developed through the study should form important inputs to the work of the Capacity Development Working Group under the Regional and Sustainable Development Department (RSDD). Specifically, DEC endorsed the study’s recommendations that: (i) DMC governments should be

informed of the implications for future CSPs of ADB's new strategic priority for capacity development; and (ii) in the process of preparing the Medium Term Framework and Action Plan for Capacity Development, RSDD should collaborate with OED in clarifying what capacity development means in concrete and operational terms,.

10. Major points made by individual DEC members were:

- In the long run, capacity development may be the most important value-adding contribution by ADB.
- The study makes an important contribution by including the end-user beneficiary and placing the latter at the center of the model for capacity development.
- The importance of sufficient and effective communication with all stakeholders in a capacity development initiative cannot be overemphasized. Such scope of communication goes hand in hand with the study's conclusion that capacity development needs should be assessed at all levels of public service, from national agencies to local levels, especially where responsibilities have been devolved.
- Opposition to policy and institutional change may be due to an inadequate process of change management, not necessarily to the magnitude of change required.
- The issue surrounding consultancy may be not so much in the fact of having consultants but in selecting the right ones, i.e. consultants who not only know their field but also know how to develop capacity within the agency; specifying results-based terms of reference; and managing the consultants. In this context, the efficiency and value added by domestic consultants must be considered.
- The issue of the effectiveness of overseas training may be an issue of the design of such training.

11. The committee wondered if further delay might be expected in completion of the work started by the Working Group in 2004. Staff responded that, while there had indeed been delay, the timing of the finalization of the Medium Term Framework and Action Plan for Capacity Development now fitted in well with the timing of consideration of enhanced CSP and business processes and with the preparation of the second Governance and Anticorruption Action Plan following the review of the implementation of ADB's governance and anticorruption policies. The next step planned was a Board seminar on the medium term framework and action plan for capacity development.

Agus Haryanto
Chair, Development Effectiveness Committee

21 June 2006