

DEVELOPMENT EFFECTIVENESS COMMITTEE

Chair's Summary of the Committee Discussion on 27 October 2008

I. 2008 ANNUAL EVALUATION REVIEW: LESSONS FROM A DECADE OF ADB COUNTRY ASSISTANCE PROGRAM EVALUATIONS; AND ACTING ON EVALUATION RECOMMENDATIONS IN 2007

1. Management appreciated the synthesis of evaluation recommendations presented in the 2008 Annual Evaluation Review (AER), but noted the significant increase in the number of recommendations by the Operations Evaluation Department (OED) compared to last year. Given the limitations of the overall resource envelope, proliferation of the number of recommendations impede adequate response and follow-up.

2. Director General, OED explained that the increase in the number of recommendations was due to the increase in the number of broader evaluation studies, many of which are carryovers from previous years. More recently, OED has adopted the approach of presenting fewer recommendations by picking the more important ones from among the larger number of suggestions presented in reports.

3. Director General, OED noted Management's agreement to the proposed Management Action Record (MAR) system. The MAR system would help better address Management's request for better classification of recommendations and assessment of the level of compliance. OED appreciated Management's support and cooperation, through the Office of the Managing Director General, Office of Information and Technology Services, and Strategy and Policy Department (SPD), in developing the MAR system.

4. DEC Chair requested clarification on the difference in ADB's performance in ADF group A, B and C countries in terms of project and program, and technical assistance (TA) operations. Director General, SPD noted that the evaluation was based on 2007 operations, and does not reflect the medium-term trends. Historical trends would show the overall gradual improvement in performance of ADB project, program and TA operations in ADF countries.

5. DEC Chair noted the ratings of two projects in project completion reports (PCRs) that were downgraded in OED's evaluation. Director General, SPD explained how OED's PCR validation has served as a learning process for Management, and assured how Management takes into consideration the PCR validations in its effort to ensure good quality PCRs.

6. DEC Chair also noted how ADB has performed better in the infrastructure sector than in the agriculture, natural resources, and finance sectors. Director General, OED was of the view that the lesser successful performance of agricultural projects could be due to their more complex design and implementation requirements, as compared with infrastructure projects which are relatively less complex and easier to deliver. Director General, SPD added that agricultural projects are more human resource intensive, and resource constraints add to the complexity.

7. DEC Chair further noted ADB's 61 percent success rate in TA operations which is below the 70 percent benchmark. Director General, OED noted that this could be due to lesser attention accorded to TAs compared to projects. Director General, SPD emphasized that OED's recommendations on this issue are being considered by Management. The current thrust of TA

operations is towards wider and deeper involvement of executing agencies (EAs) and government agencies to improve quality, achieve better outcomes and shorter implementation periods.

8. DEC and Management agreed on the measures proposed to strengthen country assistance program evaluation (CAPE) reports, and acknowledged the usefulness of CAPEs as inputs to the preparation of country partnership strategies (CPSs), and as qualitative research material that feed into operational policies. DEC emphasized the importance of further improving the quality of CAPEs by presenting implementable recommendations.

9. One DEC member recommended a decentralization strategy that would provide more authority to resident missions (RMs) for project implementation. Another DEC member noted the importance of achieving synergy between ADB's public and private operations, and inquired about multilateral development bank (MDB) best practices. A DEC member also emphasized the importance of follow-through to address the increasing number of OED recommendations.

10. On the proposed Management Action Record (MAR) system, a DEC member suggested inclusion of timelines and records of OED recommendations not agreed to by Management. Another DEC member stressed that Management should address those outstanding recommendations by OED from 2003 to 2006. Director General, OED indicated that once operational, the MAR system will address these requirements and will be available on-line any time to ADB staff, Management and Board members, with Management responsible for updating the record, and OED validating the record at year-end and reporting to the DEC through an annual report.

11. There was a discussion on at what level OED can provide recommendations to Management. Management and DEC agreed that OED should be less prescriptive in its recommendations. Highlighting the key issues in the reports, with Management being accountable to address the issues in ways it deemed appropriate, was suggested and agreed on by DEC, OED and Management.

Conclusions

12. DEC noted that ADB's country program performance ratings are broadly similar to those of other multilateral development banks.

13. The feed-forward from CAPE to ADB's operations appear to be working well. However, DEC noted the major differences of project success rates in ADF group A countries with group B and C countries, which was in sharp contrast to the TA success rates in these two groups of countries. DEC recommended that Management and OED look into the reasons for these.

14. DEC also noted the downgrading of two ratings in the PCR validation as a serious matter. Furthermore, the operations in projects appear to be more successful than operations in programs; and within projects, operations were more successful in the infrastructure sector (energy and transport).

15. DEC also noted the 61 percent success rate of TA performance, which falls below the 70 percent benchmark set by ADB in 2006 for satisfactory performance. Given that considerable resources are spent on TAs, DEC viewed that there was a need to look into the reasons for the unsatisfactory performance, and improve the success rate of TA programs.

16. DEC urged OED to be very selective in prioritizing its recommendations and suggested highlighting in italics the parts of the report which OED would want to bring to particular notice of Management and DEC.

II. ANNUAL REPORT ON 2007 PORTFOLIO PERFORMANCE

17. Director General, OED highlighted four systemic issues in the report, namely: (i) chronic delay averaging two years in loan closing; (ii) discrepancy between project processing reports (PPRs) and PCRs with regards to implementation delays and project “at risk” ratings; (iii) inadequacy of the design and monitoring framework (DMF) as a monitoring tool for development effectiveness; and (iv) absence of a systemic and comprehensive monitoring of outputs and outcomes for development effectiveness after project completion.

18. Management generally agreed to issues (i) to (iii) above, but left the decision on adoption of OED’s recommendations to the working groups of the project processing and portfolio management (P3M) and project performance management system (PPMS). On issue (iv), Management considered OED’s recommendation to be impractical at the moment due to resource implications. Nevertheless, OED urged reconsideration of its proposal for post project completion monitoring of outputs and outcomes. This would also help improve reporting in the ADB-wide results framework and country development effectiveness briefs.

19. In reference to the Level 2 indicators of the ADB-wide results framework,¹ DEC emphasized the importance of measuring the outcomes and impact of ADB projects beyond the PCR, and highlighted the importance of obtaining information on project benefits three to five years after the PCR, which is the time when ADB can draw a better picture of the development impact of a project.

20. Director General, SPD emphasized the budgetary constraints that a post-PCR monitoring would entail. He noted how the ADB-wide results framework and the country development effectiveness briefs would link individual projects to changes in the sector and the whole economy. Such was the consensus among the donors during the negotiation for the ninth replenishment of the Asian Development Fund (ADF). He further noted that the results framework is ADB’s first attempt to improve the reporting system of development results, and was established to guide the preparation of an annual development effectiveness review. Improvements over time are anticipated.

21. DEC also agreed on OED’s recommendation on self-evaluation by DMCs that could inform the results monitoring system of ADB. DEC noted the keen interests of some DMCs on such approach. Director General, SPD mentioned various efforts that could support this option, such as TAs for managing for development results, continuous dialogue in the Managing for Development Result Community of Practice (MfDR CoP), and statistical capacity building.

22. DEC noted the initiatives under the P3M and PPMS discussions. Principal Director, COSO affirmed that OED recommendations on the PPR and PCR rating systems were being actively considered by the P3M and PPMS working groups.

23. One DEC member inquired about MDB practices for DMFs. Principal Director, COSO explained that in comparison with other MDBs, ADB has state-of-the-art DMF guidelines, which are in accordance to international best practice. Another DEC member inquired about other

¹ ADB Results Framework (DOC.R166-08 issued on 18 August 2008).

international financing institutions' (IFIs) approach to the level 2 indicators of the results framework. Director General, SPD responded that ADB's approach was not much different from that of other IFIs.

Conclusions

24. DEC noted that the performance of the portfolio has improved in certain areas. However, it also noted that progress was slow in terms of moving towards realistic implementation period and project design. DEC was pleased that Management agreed to move to a more realistic estimation of project implementation period.

25. Similarly, on the significant discrepancy between PPR ratings and PCR ratings, DEC was pleased with the P3M working group's efforts to remove the source of the discrepancy within the period of less than 12 months.

26. On monitoring the development outcome of ADB operations, DEC noted that although ADB agreed to have a results framework, resource constraints posed problems in monitoring the project output or outcomes in the post completion period. While some of the poorest developing member countries will also suffer from the same resource constraints, they are encouraged to develop their own monitoring system and provide inputs to the results framework.

Ashok K. Lahiri

Chair, Development Effectiveness Committee