

## BOARD OF DIRECTORS

### DEVELOPMENT EFFECTIVENESS COMMITTEE

#### CHAIRPERSON'S SUMMARY OF THE COMMITTEE'S DISCUSSION ON 9 JUNE 2005 OF THE SPECIAL EVALUATION STUDY ON THE ROLE OF PROJECT IMPLEMENTATION UNITS

1. At the Second High-Level Forum on Aid Effectiveness in March 2005 (the *Paris Declaration*), ADB and other major donor agencies resolved to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes” in order to support the strengthening of partner country systems. While acknowledging that commitment, the Development Effectiveness Committee (DEC) also agrees with the evaluation study's main conclusion that, in the foreseeable future, PIUs shall continue to be a generally legitimate and justifiable implementation mechanism for capital investment projects, which comprise the majority of ADB's loan portfolio, because PIUs generally enable efficient and timely implementation. At the same time, there are significant, practical lessons to be learned from the experience with PIUs to date.
2. The Committee made three general assessments.
  - (i) The analysis of the need for PIUs in ADB assisted projects and the identification of good practices for PIUs are matters for Management rather than the DEC to consider. However, the overall development management systems of DMCs are of relevance to the DEC because they are major determinants of development effectiveness and PIUs have, in practice, become significant components of those systems. While the study concludes that PIUs have efficient project implementation rather than agency capacity development as their primary objective, the linkage of PIUs to capacity development and ADB's strategy for capacity development is of importance to the DEC. At the discussion, the Committee was informed of examples of PIUs' positive contribution to capacity development. Some DEC members expressed the view that in planning future PIUs, the results and impacts on agency capacity development should be addressed more explicitly. It cannot be “business as usual”.
  - (ii) In the strategic context that is of interest to the DEC, the study would have increased its relevance if, in addition to PIUs' effect on implementation efficiency, it had also delved into how PIUs contribute to achievement of project objectives, i.e. development effectiveness.
  - (iii) Box 2 on good practices for project implementation arrangements and Appendix 13, *Checklist for the Institutional Analysis to Determine the Need for, and Nature of, a Project Implementation Unit*, are good examples of practical tools resulting from evaluations that become useful and of significant added value to operational staff. These should therefore be adequately disseminated to staff.
3. In discussing the study, DEC members emphasized two considerations in ADB's future use of PIUs:

- (i) PIUs must be driven absolutely by demand of the borrowing DMC; such country ownership has proven to be a critical success factor for PIUs. When creation of a PIU has been analyzed to be necessary, its justification, planning and design should be an integral part of, and tailor made to, the project proposal.
- (ii) While certain general lessons can be learned from the experience to date, no 'one size fits all' or single best practice would be generally appropriate across projects, executing agencies, or country systems. In this light, there remains much room for trying new arrangements in order to achieve both project implementation efficiency and agency capacity development objectives, and ADB should keep trying in this direction.

4. Among PIU related practices that could be further designed, tried and evaluated, DEC members identified the following:

- (i) performance assessment systems to apply to PIU staff, possibly including performance based remuneration;
- (ii) allocation of part of a PIU budget towards training of related agency managers, possibly linking such a program to further development of local management training institutes; and
- (iii) where possible, in order to avoid an unnecessary proliferation of PIUs, establishment of an overall PIU to manage the implementation of multiple related projects, which may be supported by multiple donors, in a sector.

5. The Committee recalls that the study's recommendation that "the focus at the stage of Board approval should be on project readiness" echoes a recommendation made by the DEC in May 2002—*three years ago*—that a "project readiness filter" should be introduced as a management tool to help reduce delays in loan effectiveness. The Committee further recalls that in its annual reviews in both 2003 and 2004, the DEC found actions taken on this same recommendation to have remained *unsatisfactory* and said it would reassess the status in 2005 when it reviews OED's coming annual report on loan and technical assistance portfolio performance.

6. Finally, the Committee notes that Management, in its response, has expressed concerns in regard to two of the follow-up actions proposed in the study: (i) developing a set of staff guidelines on project implementation units (PIUs); and (ii) conducting a study on salaries of domestic and international consultants in the context of incentives and disincentives for government agency staff. While the DEC understands the reasons for Management's concerns, the Committee urges Management to further consider these proposed actions at a more appropriate time.

Agus Haryanto  
Chairperson  
Development Effectiveness Committee

23 June 2005