

**MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY
ON PRIVATE SECTOR DEVELOPMENT AND OPERATIONS:
HARNESSING SYNERGIES WITH THE PUBLIC SECTOR**

On 22 June 2007, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. We welcome OED's Special Evaluation Study (SES) on Private Sector Development and Operations. The private sector indeed plays a vital role in development as the engine of growth and poverty reduction, and the study provides a solid analysis of the role of private sector in ADB's operations.

2. We note the SES findings that ADB's private sector development and operations have been satisfactory overall. Having private and public sector operations under one roof is a unique strength of ADB and this provides an excellent basis for collaboration between private and public sector operations with the aim to increase development effectiveness of ADB's operations. We agree with the suggestion that synergy between public and private sector operations is the key to ADB's success in promoting the private sector. We have been taking several initiatives to foster synergies between various operations in ADB such as the adoption of the new Country Partnership Strategy (CPS) processes.

II. Comments on Specific Recommendations

3. **Assessment of the Need for Changes in Organizational Structure.** We note the recommendations for changes of the organizational structure and operational arrangements, including further strengthening of the Risk Management Unit. As a matter of fact, some of them are under discussion, but any further view on them will be taken up in the context of the ongoing review of the Long-term Strategic Framework including the resource implications of these changes.

4. **Corporate Management Plan.** We believe that an additional medium-term corporate management plan will add little value since there is already a well-established system for planning and budgeting in place. The long-term and medium-term strategies set strategic and operational priorities. These strategies are implemented with a country focus through CPS, operationalized and resourced through the annual work program and budget framework. Private sector operations are fully integrated in this planning process.

5. **Country Business Plan.** We agree with the suggestion that the CPS and the Country Operations Business Plan should be the common business basis for both the public and private sector operations at ADB. We note that the new CPS processes were adopted in August 2006 to ensure smooth

coordination between the Private Sector Operations Department (PSOD) and regional departments.

6. **Medium-term Strategic Plan.** We agree with the SES suggestion that a medium-term strategic plan for private sector development and operational activities needs to be developed. However, we note that such a strategic plan has ADB-wide implications and therefore, should be jointly prepared through an ADB-wide initiative rather than by PSOD alone. A separate strategic plan for PSOD would not foster the envisaged synergies but rather emphasize a silo structure within ADB.

7. **Due Diligence Guidelines.** We agree with the suggestion that procedures need to be codified to ensure that private sector transactions comply with integrity due diligence guidelines that form part of ADB's Anticorruption Policy Framework. Work is already ongoing on revising the Operations Manual section on private sector operations, expanding its coverage to the processing of non-sovereign operations.