

**MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY
ON LONG-TERM STRATEGIC FRAMEWORK:
LESSONS FROM IMPLEMENTATION (2001–2006)**

On 22 January 2008, the Officer-in-Charge, 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) of the Long-term Strategic Framework (LTSF) with its focus on lessons learned from implementation during the 2001 to 2006 period. The SES provides a good overview and succinctly covers the broad spectrum of activities envisioned under the LTSF. The SES is timely and provides important inputs to formulating the LTSF (2008-2020) and the lessons learned are a valuable reference for planning the implementation of ADB's future strategic framework. We note the frequent interactions with OED in preparing the LTSF (2008-2020) Working Paper (W-Paper), which was circulated to the members of the Board of Directors on 26 December 2007.

2. We generally concur with SES's evaluation ratings of LTSF implementation. We also note the SES's emphasis placed on the importance of giving greater focus on developing member countries' (DMCs') needs and priorities. We believe that the wide spectrum of development needs in Asia and the Pacific region, however, precludes any one institution from meeting all DMCs' needs and priorities. Given limited resources, ADB must make strategic choices on the areas of its operational focus with the aim of enhancing its development effectiveness. The recent regional consultation meetings on LTSF also reiterated the need for ADB's selectivity and focus in its operations in order for ADB to provide the most relevant and highest quality assistance to its DMCs.

II. Comments on the Findings of the Study

3. **Inclusive Social Development.** The SES assessed LTSF's strategic priority of inclusive social development as highly relevant, but ADB's responsiveness and results as low. As stated in the SES, we note that this assessment was not based on complete analysis of the impact of development assistance in the DMCs. In undertaking more complete analysis, the impact of the fiscal space created by DMCs' borrowing for income-generating projects, such as infrastructure, allowing for higher investment in social sector programs and projects, should also be taken into account.

4. **Governance and the second Governance and Anticorruption Action Plan (GACAP II).** We agree with OED's evaluation rating on governance but would emphasize that GACAP II should not be seen as limiting ADB's governance work to anticorruption and sector level governance. Contrary to SES findings, we believe that GACAP II provides a clear and effective strategy to guide ADB's operations in governance. In our view, GACAP II has given focus and direction to what was previously a broad and diffused governance agenda by focusing on three priority areas: financial management, procurement, and

anticorruption. Moreover, GACAP II does not preclude ADB from engaging in broader governance issues, in areas of strong demand from our DMCs and where ADB has a comparative advantage.

III. Comments on the Recommendations of the Study

Recommendation 1. Focus on each DMC's binding development constraints and sector priorities, followed by sector selectivity within ADB based on its comparative advantage and greater collaboration with other development partners will help to ensure that ADB's products and services are demand driven.

5. This recommendation confirms the importance of what we have been doing in our country operations. Within this well-intentioned principle, ADB has identified and addressed DMC's binding development constraints, beginning with country partnership strategies, and through its sector studies, projects and programs. However, to enhance effectiveness and achieve results, we believe that ADB's assistance for addressing DMCs' binding constraints to development must be determined in relation to the agreed areas of ADB's comparative strength, and where ADB has a corporate-wide operational focus and the critical mass of expertise. The LTSF (2008-2020) W-paper proposes to expand the scope of partnership as a requisite measure to enhance ADB's effectiveness. This will require yet closer coordination with our development partners, increased harmonization in business processes and procedures, and will in some instances entail higher transaction costs, at least in the initial phase.

Recommendation 2. Reduce the range of high-level strategic documents and statements to guide operations more effectively.

6. We concur with this recommendation and plan to streamline high-level strategic documents and statements subsequent to adoption of the LTSF (2008-2020) in order to improve coherence in ADB's corporate strategies and policies.

Recommendation 3. Enhance strategic clarity by focusing on one set of strategic directions over a combination of sector and thematic areas.

7. We fully support the recommendation. We will take the opportunity of formulating the LTSF (2008-2020) to present a single long-term vision and strategic directions. As proposed in the W-Paper, the organization's vision would continue to be an 'Asia and Pacific region free of poverty', and ADB operations will focus on three development agendas: inclusive growth, environmentally sustainable growth, and regional integration. However, at the operational level, ADB will continue to address multiple development sectors and issues, in a complementary or integrated manner.

Recommendation 4. Expand private sector operations by developing synergies between ADB's public and private sector operations.

8. ADB has promoted expansion of private sector operations since the 2002 reorganization and have achieved significant increase in lending volume from its private sector window. Building on these achievements, creating stronger synergy between the public sector and private sector operations is proposed as a

key focus area under the LTSF (2008-2020) W-paper, with the aim to overcome DMCs' private sector development constraints and increase ADB's private sector operations and meet the rising regional demand.

Recommendation 5. Increase investment in ADB's human resource development, and manage institutional change.

9. Measures have been adopted to increase investment in ADB's human resource development and will continue as an area of importance. Also, alternative approaches for cost effective mobilization, deployment and retention of staff, including more flexible recruitment practices are being introduced. Subsequent to the staff engagement survey being undertaken in early 2008 and the adoption of LTSF (2008-2020), we will review the Human Resources Strategy (HRS) with the assistance of external experts and plan for appropriately increasing investment for ADB's human resource development.

Recommendation 6. Provide a better balance in terms of resource allocation and incentives between project preparation and implementation.

10. ADB has been making steady progress in balancing resources between project preparation and implementation, resulting in improved loan and technical assistance portfolio performance. Efforts will continue under the implementation of the LTSF (2008-2020) as we re-examine resource allocation and incentives in the context of enhancing ADB's institutional responsiveness and the review of HRS.

Recommendation 7. Strengthen ADB's capacity to provide knowledge products and services.

11. We agree with this recommendation. The LTSF (2008-2020) W-paper proposes measures to strengthen ADB's capacity for delivering high-quality knowledge products and services, primarily in the areas of its operational focus. ADB also has a role to play as a knowledge conduit by working in partnership with variety of institutions and utilizing modern information and communications technologies.

Recommendation 8. Enhance ADB's data quality and information management systems and provide a set of performance indicators to monitor and evaluate progress in achieving strategic directions and likely development results.

12. We broadly concur with this recommendation. In the LTSF (2008-2020) W-paper, we propose to put in place a set of performance indicators and a database in support of implementing the LTSF (2008-2020). The database will aid in tracking results against performance indicators so that corrective actions can be taken at an early stage. The importance of streamlining the business processes in creating an effective data management system is also recognized.