



Asian Development Bank

Memorandum

Operations Evaluation Department
Evaluation Division 2

Work-in-Progress: Not for Quotation

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To: Bruce Murray
Director General, OED

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Subject: **Special Evaluation Study: Achievements of ADB's Long-Term Strategic Framework 2001–2015—Evaluation Approach Paper**

A. Introduction

1. On 18 October 2006, at his address to the Management and heads of departments and offices on his reelection, the Asian Development Bank (ADB) President announced that there would be a review of the Long-Term Strategic Framework (LTSF) in 2007.¹ To provide directional inputs to this review, the Operations Evaluation Department (OED) initiated a special evaluation study (SES) on the LTSF with focus on its achievements during the first 5 years. For the purpose of the study, the outcomes of the LTSF are defined as the influence that the LTSF has had on ADB's operational strategies, programs and other related activities, and not their development impacts on the ground. The scope of the SES will be confined to the assessment of areas covered directly under the LTSF, and it will not include an overall performance of ADB since 2001 (see paras. 8–9 also).

B. Strategic Context and Background Issues

2. **Concerns about LTSF at Entry.** The LTSF was prepared using a consultative process that involved a wide variety of stakeholders including the developing member countries (DMCs), shareholders in all member countries, and ADB staff. It also benefited from the views and guidance of a Senior Advisory Panel of external experts, and consultations with multilateral and bilateral development partners and representatives of nongovernment organizations and civil society. The concerns raised at the institutional level included the need to (i) identify resource requirements to meet the strategic framework; (ii) understand the strengths, weaknesses, and constraints ADB had in terms of developing partnership; (iii) clarify ADB's role in private sector development; (iv) specify the organizational and staffing changes needed; (v) specify how ADB wished to become a knowledge-based institution; (vi) be selective in line with given ADB's comparative advantage and resource constraints; and (vii) identify and incorporate performance benchmarks into the LTSF and to revise them periodically.

¹ During the Annual Meeting in Kyoto in May 2007, the President announced the establishment of a Steering Committee to conduct a review of the LTSF and indicated that the review is expected to be completed by next year's Annual Meeting. At the same meeting, a seminar was held to discuss the findings of a report prepared by the Expert Persons Group on the future direction of ADB.

3. **ADB's Role.** ADB celebrated its 40th anniversary in December 2006. By 2006, the number of ADB members had more than doubled since its establishment in 1966. Currently, 48 out of 67 members are regional. ADB's cumulative lending stands at \$116 billion (it was \$62.2 billion in 1996). ADB has played a catalytic role in the socioeconomic development of the Asia and Pacific region. It contributed to the Asian miracle (the success of East Asian Tigers) and emerging Asia (e.g., India, the People's Republic of China, Viet Nam). It supported its member economies during (i) the Asian crisis of 1997–1998; (ii) post-conflict periods (Afghanistan, Timor Leste); and (iii) devastating natural disasters (Tsunami, 2004) and public health outbreaks (Severe Acute Respiratory Syndrome, Avian Influenza). ADB is also a trusted partner in regional economic cooperation and integration. Since 2000, ADB undertook several important initiatives including reorganization (2002, 2006); reform agenda, managing for development results (MfDR); and innovation and efficiency initiatives to respond to the changing needs of its DMCs.

4. **Perceptions of ADB.** A recent public perception survey² reports that ADB has had a positive impact on the way things are going in the countries that it serves and strives to meet country development goals and objectives. ADB clients in general are quite positive about its impacts and helpfulness. It is recognized for financial and human resources strengths. However, there are also areas for ADB improvement identified by the perception survey; which include reforming its cumbersome procedures, strengthening its capacity, and enhancing accountability.

5. **Overarching Goal of Poverty Reduction.** Poverty reduction, the overarching goal of ADB, remains a significant development challenge for the Asia and Pacific region for which the LTSF 2001–2015 provides a broad framework. The LTSF, which is reflected in the poverty reduction strategy (PRS) defines ADB's core areas of intervention as sustainable economic growth, inclusive social development, and governance for effective policies and institutions, and identifies crosscutting strategic themes complementing the core areas, i.e., promoting the role of the private sector in development, supporting regional cooperation and integration (RCI), and addressing environmental sustainability. The LTSF was to be implemented through a series of medium-term strategies (MTSs). The first of these, MTS-I, was to act as the bridge between the LTSF and ADB's operations.

6. **Millennium Development Goals.** At the center of the LTSF lies ADB's commitment for the international development goals, later on expanded to be called the Millennium Development Goals (MDGs). The international development community has vowed to reduce income poverty and hunger, improve education and health services for the poor, preserve the world's natural environment, and promote greater participation of women in social and economic development. In recent years, the Asia and Pacific region has made important progress, particularly in reducing income poverty, and is likely to meet the goal of cutting by half poverty rates (\$1 a day) by 2015. However, even after such an achievement, 1.5 billion Asian people will remain vulnerable to poverty with earnings below \$2 a day. Asia and the Pacific will still be home to over half of the world's most desperately poor people, and finding solutions will become progressively more challenging. Moreover, the progress on non-income MDGs is slow. At the current rate, the Asia and Pacific region will probably not meet many of the non-income MDG targets.

7. **Medium-Term Challenges.** ADB has extended help to its DMCs to meet the medium-term challenges by providing investments combined with technical assistance (TA) support; economic, sector, and thematic studies; and policy dialogue. ADB's unique strength as a development financier is its knowledge of the region and its experience at the country and subregional levels. The LTSF required ADB to strengthen this knowledge and utilize it to supplement its investments by (i) addressing critical institutional constraints and economic and

² ADB. 2006. *ADB Perceptions Survey: Multinational Survey of Opinion Leaders 2006*. Department of External Relations. Manila.

sector management issues; and (ii) improving policy and regulatory frameworks. It was also noted that ADB's financial support alone was not going to be substantial from the point of view of DMCs' capital requirements. However, by packaging and supplementing its loans appropriately, the LTSF expected ADB to address the critical constraints to development in the region over the medium term, and provide strong leverage for the overall investment undertaken by the DMCs and external partners. A preliminary review and analysis of issues affecting the preparation and implementation of LTSF is attached at Appendix 1, and for supporting policies and strategies at Appendix 2.

C. Special Evaluation Study of the LTSF Achievements

1. Objective and Scope

8. The objective of the study would be to assess independently the achievements of the LTSF with focus on ADB's activities and operations implemented during the MTS-I with a view to track progress, identify lessons, and make recommendations for ensuring better development effectiveness of ADB operations in the future. The findings of the study would also provide an important input to fine-tuning of the strategy and/or formulating MTSs and programs.

9. The scope of the study would entail assessing the relevance in the context of development challenges and opportunities prevalent then and now, responsiveness to the underlying objectives of the LTSF, and the results achieved.

2. Fundamental Evaluation Questions

10. In the context of evaluating the achievements of the LTSF, the evaluation will address a number of fundamental questions (see next section) and will lead to the testing of a number of key hypotheses (Table A1). The questions are:

- (i) How **relevant** was the LTSF to the economic and social development context and challenges across Asia Pacific Region?
- (ii) Did the LTSF **respond** to development challenges in guiding the development of policies and strategies and their implementation?
- (iii) Did the LTSF **guide** the development of the operational principles, modalities, and ADB's organization required for improving operational efficiency, and how effective was the response?
- (iv) Did the LTSF **guide** the allocation of resources for sustainable development priorities congruent with DMC needs?
- (v) What was ADB's **organizational response** to LTSF's guidance on operating principles and modalities, and how effective was the response?
- (vi) What indications are there that the LTSF implementation was **results-focused** toward the achievement ADB's overarching poverty reduction goal and is on track in achieving its objectives?

3. Study Approach and Evaluation Framework

11. The study would be undertaken in three main phases: (i) inception to take stock of the relevant literature, ADB documents, and ongoing/planned studies and to develop full-fledged approach paper, methodology design, and piloting; (ii) diagnostic will assess and rate the achievements of the MTS-I and recent initiatives in relation to the LTSF, following the survey and analytical methods developed in phase I; and (iii) formulation of options and recommendations for addressing the findings. The work would be carried out in close consultation with the Strategy and Policy Department at the same time maintaining total OED

independence in the study. A pilot evaluation of the cross-cutting theme of supporting regional cooperation and integration for development has already been completed.

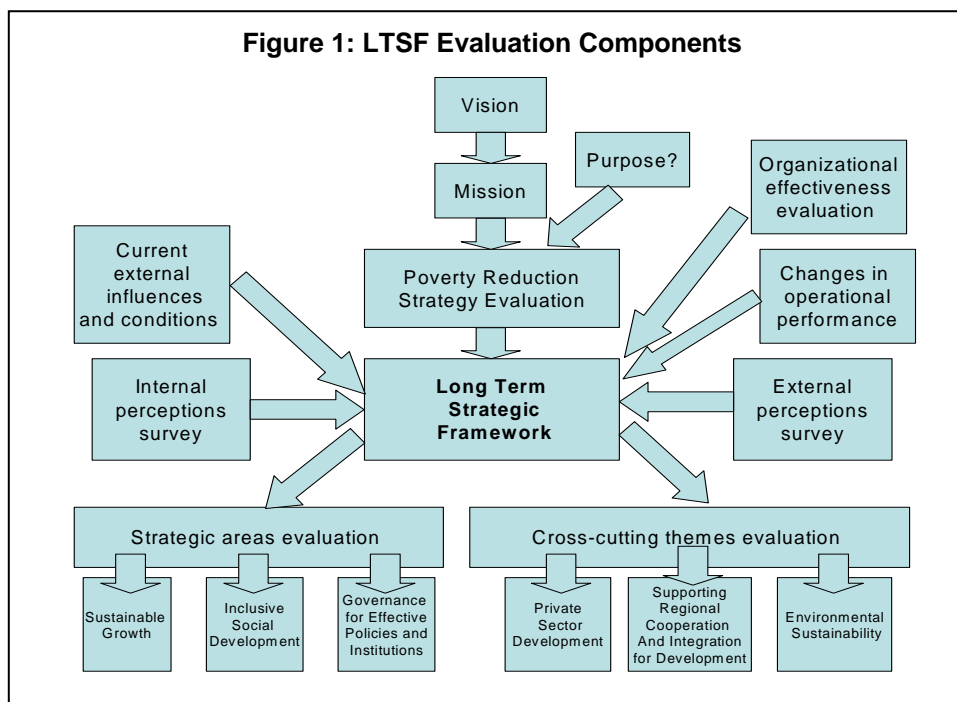
12. The approach to this evaluation study broadly takes account of existing evaluation guidelines and proposes a specific approach for this SES.³ It also draws the findings of alternative approaches and models for the measurement of the development effectiveness (a review of organizational effectiveness evaluation methodologies is attached at Appendix 3) including:

- (i) Multilateral Organizations Performance Assessment Network (MOPAN)—including the methodologies and findings of the annual MOPAN survey concerned with ADB;
- (ii) Multilateral Effectiveness Framework (MEFF)—Department for International Development’s (DFID) of the United Kingdom approach, which assesses the performance of ADB against other multilateral development banks (MDBs); and
- (iii) Common Performance Assessment System—based on an MfDR framework jointly agreed by ADB and other MDBs.

13. The proposed approach will be based on three evaluation criteria: relevance, response, and results orientation. Relevance will address significance and consistency of the LTSF with the regional context and DMC development needs and priorities. Response will address the type and effectiveness of the organizational response, including factors leading to successes or otherwise, such as planning and implementation, and indicators of the efficiency of the response in terms of resources used and procedures followed. Results focus will address the impact on operations of the LTSF and organizational focus and approaches in operation to maintain a results focus.

4. LTSF Evaluation Components

14. Figure 1 summarizes the evaluation components. The evaluation framework is attached at Appendix 4 and evaluation criteria at Appendix 5.



15. At the highest strategic level, the evaluation will comprise (i) an assessment of the relevance of the current vision, mission, and purpose statements to the LTSF; (ii) an evaluation of the PRS; and (iii) evaluation of the effects of external influences on the LTSF.

16. The vision and mission statements are centered on poverty reduction, while the purpose of ADB as defined in the charter is focused on economic development. While the two are not mutually exclusive, they give a different emphasis to the overall direction of ADB. These statements will be assessed against ADB's activities over the course of MTS-I and against changes in the external environment and DMC and shareholder requirements.

17. The PRS was the overarching strategy of ADB as defined in LTSF and implemented through MTS-I, and the study will particularly focus on its relationship to the mission, vision, and purpose statements on the one hand, and the key strategic areas and cross-cutting themes on the other.

18. For each key component of the study, a separate succinct working paper will be produced. These papers will entail assessment and rating of the key components of the LTSF and form the basis of the subsequent overall evaluation, conclusions, identification of lessons learned, and recommendations leading to final report preparation. The working papers will comprise:

- (i) Changes in ADB's operating environment and DMC requirements 2000–2006;
- (ii) Strategic development and direction;
- (iii) Evaluation of the LTSF's influence on each strategic area and cross-cutting theme (six papers covering sustainable growth, inclusive social development, governance for effective policies and institutions, private sector development, supporting RCI for development, and environmental sustainability); and
- (iv) Organizational effectiveness.

19. **Working paper 1 - Changes in ADB's operating environment and DMC requirements 2000 – 2006** will seek to compare the operating environment at the time of the LTSF formulation with that of recent times. This will focus on:

- (i) The global political and economic environment, including changes to global trade patterns, climate change, incidence of natural disasters;
- (ii) A similar analysis for Asia;
- (iii) The influence of external stakeholders including nongovernment organizations, MDBs, and bilateral agencies;
- (iv) DMC assistance requirements; and
- (v) the historical development of, responses to and the operationalization of LTSF to include:
 - a. pre-LTSF MTSs and their role in setting overall strategic direction;
 - b. LTSF including the formulation process and the relative roles of key stakeholders (donors, DMCs, and ADB staff);
 - c. MTS-I, its fit with LTSF, the rationale for focus areas and fit with operational activities; and
 - d. MTS-II, its fit with the LTSF, the rationale for focus areas and fit with operational activities and the influence of MTS-I and changes in ADB's operating environment.

³ There is no standard approach within ADB or established good practice in any multilateral development bank for the evaluation of long- or medium-term corporate level strategies.

20. **Working papers 2 to 7 - Evaluation of the three strategic areas and the three cross-cutting themes in the LTSF** will be based on the areas' and themes' relevance, responsiveness, and results in addressing strategic goals. A pilot working paper on supporting regional cooperation and integration has already been completed and will be used as the template for the other strategic area and theme working papers.

21. For those areas and themes where OED has already carried out, or is in the process of carrying out, an evaluation, these findings will be used as the basis for the evaluation. The criteria to be used are attached at Appendix 2. Where such studies do not exist, the evaluation will be based on the findings of an assessment to be carried out in accordance with the pilot study methodology adopted for a review of ADB's RCI activities during MTS-I. The pilot study of past RCI activities is assessing the historical background, the relevance of RCI to MTS-I and the LTSF, the role of regional cooperation strategy and programs and country strategy and programs in driving operations, operational results, and key issues including funding and ownership.

22. **Working paper 8 - Evaluation of organizational effectiveness.** A key issue in evaluating organizational effectiveness in delivering LTSF's objectives is the difficulty in attributing development results to one particular intervention. This is shown by the use in ADB of MDGs for measuring long-term impact where it is not possible to determine ADB's particular contribution. A review of the available literature reveals that many MDBs and aid agencies are increasingly using results-based management approaches to measuring organizational effectiveness, which focus on the enabling conditions required for achieving results. An example of the results-based management approach is the MEFF approach adopted by the United Kingdom DFID, and which has been applied to ADB by DFID in order to assess the organizational effectiveness of the multilaterals it supports centrally. Details are attached at Appendix 3.

23. MEFF will be adapted and used to evaluate ADB's organizational effectiveness in delivering the key strategic areas and cross-cutting themes of the LTSF as operationalized through MTS-I. In particular, the evaluation conducted by DFID was from their perspective in addressing the issues surrounding the use of DFID cooperation funds. For this evaluation, the focus will be on how ADB has responded to the management challenges posed by the LTSF including those addressed by the reform agenda. The systems to be focused on and examples of questions to be included will be:

- (i) **Corporate governance.** Are there clear accountabilities and responsibilities for implementing LTSF?
- (ii) **Corporate strategy.** Is there a clear and unambiguous relationship between the various elements of the corporate strategy from vision, purpose, and mission statements, through the PRS, LTSF, and MTS-I to component policies and strategies?
- (iii) **Resource management.** Have resources been allocated to DMCs to reflect the corporate priorities in LTSF?
- (iv) **Operational management.** Is the organization structure adequate for addressing the operational requirements for effective LTSF implementation?
- (v) **Quality assurance.** Are adequate quality assurance procedures in place at all stages of the formulation, design, and implementation of development assistance?
- (vi) **Staff management.** Are staff rewarded according to results?
- (vii) **Knowledge management.** Are recommendations and lessons learned incorporated into future development assistance?

24. Each of these organizational systems will be examined from the perspectives of internal performance, country level results and operational impact, and the results fed into a balanced scorecard. The final choice of questions for this evaluation will be made following the initial

individual strategy evaluations in order that they can respond to identified key issues. The evaluation will fully take into account progress with the implementation of the ADB reform agenda (Appendix 6), OED evaluation study reports, and other relevant documents and reports.

25. The ratings will be combined to give an overall rating for organizational effectiveness. The precise allocation of ratings to the results in the balanced scorecard will be determined once the analysis has been completed.

26. **Changes in Operational Performance.** One measure of the effects of the LTSF/MTS-I is the degree to which operational performance has changed over the period 2000–2005 as compared to 1995–2000 period. In view of the difficulties in allocating operational data to the strategic areas and cross-cutting themes of the LTSF as highlighted in footnote 21 in Appendix 2, the SES will first seek to address this issue by establishing a coherent database of operational data. Time series data will then be examined to see how operations have reflected the key strategic thrusts of the LTSF/MTS-I. The results of this analysis will be used to inform both the development of the working papers and the overall evaluation.

27. **Opinion Survey.** In addition to analyzing the results of external perception surveys (footnote 2), the SES will conduct a survey of opinion within ADB. It is proposed that a short questionnaire will be sent to all staff in order to gauge opinion as to the achievements of LTSF/MTS-I. This will be followed up with a series of structured interviews with a representative sample of staff. The aim will be to assess the current level of understanding of LTSF and the overall strategic direction of ADB together with providing staff with an opportunity to comment on this direction. The questionnaire will be “multiple choice” as far as possible to facilitate rapid assessment. The questions will be formulated at an early stage of diagnostic analysis phase of the study. Selectively, former senior staff of ADB will also be interviewed.

28. At all stages of the study, extensive use will be made of existing reports and studies (including past evaluation reports) and interviews with key individuals involved with the design and implementation of LTSF to date.

29. **DMC Consultation.** Before concluding the overall evaluation, the study findings will be discussed with representatives of selected DMCs and development partners in order that their relative perspectives can be taken into account in the study.

30. **Other OED Evaluations.** There are a number of OED evaluations currently under way in areas closely connected to this study. These include (i) effectiveness of ADB’s resident missions; (ii) effectiveness of policy dialogue and support for policy reforms; (iii) evaluation of ADF VIII and IX replenishments; (iv) effectiveness of TA operations; (v) evaluation of private sector operations; and (vi) assessment of the MfDR agenda. The data generated and findings from these studies will be taken into account by the proposed study and the work program designed to take full advantage of complementary work.

5. Overall Evaluation and Final Report

31. The overall evaluation of the achievements of LTSF will draw together the findings of the working papers described above and will identify key lessons, draw conclusions, and make recommendations to the Strategy and Policy Department and the LTSF Steering Committee for their further development.

6. Study Team, Estimated Budget, and Schedule

32. The study would be carried out under the overall supervision of Director, OED2. The team members would comprise (i) a principal evaluation specialist as the task manager (H. Hettige, 6 months, full-time); (ii) a principal evaluation specialist (R. Bolt, 4 months); (iii) two senior evaluation specialists (B. Finlayson, C.M. Kim for 1 month each); (iv) an evaluation specialist (G. Crooks, 6 months on fulltime basis); (v) three national consultants (total 10 months); (vi) a senior strategy advisor (2 months); (vii) a senior development strategy adviser (1.5 months); (viii) evaluation officers (4 months); and (ix) a senior administrative assistant. In addition, there would be external peer reviewers (4 weeks). The estimated cost, excluding staff cost, is \$190,000 which would be financed by the TA budget.

33. The first phase work (inception) has already been carried out from 4 December 2006 to 5 May 2007 (see below). This will be followed by a diagnostic and analysis phase starting on 6 May 2007 for 4 months. A series of working papers covering each of the six LTSF thematic areas and the evaluation of organizational effectiveness will be prepared. The third phase (September–October 2007) of the study will focus on the analysis of strategic options and formulation of recommendations for the future of the LTSF and its implementation. A draft final report will be prepared and peer reviewed by end October 2007. During the final phase, following discussion with ADB management (November 2007), the draft report will be submitted for Director General, OED approval in December 2007. The draft final report will then be submitted to the Development Effectiveness Committee for discussion by end January 2008. Further details are presented below.

- (i) **Phase I: Inception (4 December 2006 to 4 May 2007) (completed)**
 - a. Review of relevant literature and ADB documents and initial discussions
 - b. Preparation of detailed approach paper and piloting
 - c. Pilot working paper on regional cooperation
- (ii) **Phase II: Diagnostic and Analysis (5 May to 31 August 2007)**
 - a. Approval of the approach paper
 - b. Design of report outline, questionnaire/interview checklist
 - c. Interview program with ADB senior management/board
 - d. Evaluation of key components
 - e. Addressing fundamental questions through desk research
 - f. Preparation of draft working papers
 - g. Key findings and storylines
 - h. Peer review of the working papers
 - i. Finalization of working papers
 - j. Preparation of detailed LTSF SWOT
- (iii) **Phase III: Strategic Options and Recommendations (1 September to 31 October 2007)**
 - a. Consolidation of evaluation of the LTSF
 - b. Options and recommendations for addressing study findings
 - c. Implications for ADB's corporate strategy and planning process
 - d. Formulation of recommendations
Consultation with selected DMC opinion leaders
 - e. Preparation and peer review of draft final report
 - f. Interdepartmental review
 - g. Editing
- (iv) **Phase IV: Approval and Board Circulation (November to December 2007)**
 - a. Director General Level Meeting
 - b. Submission for Director General, OED's Approval
 - c. Submission to DEC

D. Recommendations

34. Your approval is sought on overall approach, paras. 32–33, and to proceed on with the rest of the study.

Attachments:

1. Appendix 1: LTSF Preparation and Implementation Issues
2. Appendix 2: Preliminary Analysis of Supporting Policies and Strategies
3. Appendix 3: The Evaluation of Organizational Effectiveness
4. Appendix 4: Evaluation Framework
5. Appendix 5: Evaluation Criteria
6. Appendix 6: ADB's Reform Agenda
7. Appendix 7: Relevance of Country Strategies and Programs in relation to ADB's Long-Term Strategic Framework – Evidence from Country Assistance Program Evaluation Reports
8. Appendix 8: Terms of Reference for Consultants

cc: Director General, SPD; Directors, OED1, SPMS, SPPI;
R. Bolt, G. Crooks, B. Finlayson, C.M. Kim, OED2; OED Central Files

HH:cpr