

**ASIAN DEVELOPMENT BANK
Operations Evaluation Department**

ANNUAL EVALUATION REPORT

ON

**ACTING ON RECOMMENDATIONS AND LEARNING FROM LESSONS
IN 2007: INCREASING VALUE ADDED FROM OPERATIONS
EVALUATION**

In this electronic file, the report is followed by Management's response and the Board of Directors' Development Effectiveness Committee (DEC) Chair's summary of a discussion of the report by DEC.



Annual Evaluation Report

Reference Number: RPE:OTH 2007-15
September 2007

Acting on Recommendations and Learning from Lessons in 2007: Increasing Value Added from Operations Evaluation

Operations Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
BPMSD	–	Budget, Personnel, and Management Systems Department
CAPE	–	country assistance program evaluation
CPS	–	country partnership strategy
DEC	–	Development Effectiveness Committee
DMC	–	developing member country
EVIS	–	evaluation information system
MDO	–	Office of the Managing Director General
OED	–	Operations Evaluation Department
SPD	–	Strategy and Policy Department
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

Key Words

asian development bank operations evaluation, managing development result effectiveness, policies strategies programs projects, project portfolio performance management, learning lessons, value adding knowledge products services

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<p>The guidelines formally adopted by OED on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of OED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.</p>
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EXECUTIVE SUMMARY

The Operations Evaluation Department (OED) was established in 1978 to evaluate the operations of the Asian Development Bank (ADB). Over the years, OED has undergone several organizational changes culminating in the establishment on 1 January 2004 of an independent department reporting to the Board of Directors of ADB through its Development Effectiveness Committee (DEC). This last change led to the restructuring of OED's functions, priorities, and procedures, embodied in the provisions of the 2003 Board paper on enhancing OED's independence and effectiveness.¹ This introduced a new structure of roles in ADB's learning and change management process:

- (i) OED's role is to independently distill lessons and make recommendations for desirable improvements.²
- (ii) ADB Management's role is to decide which recommendations are acceptable and realistic, and should be implemented.
- (iii) DEC's role is to guide ADB's Management on the priorities for change and improvement.

Operations evaluation covers all aspects of public and private sector operations and the policies, practices, and procedures that govern them. The evaluation of ADB's operations emphasizes effective feedback on performance and use of lessons learned to improve the effectiveness of ADB's operations and enhance their contribution to developing member countries. The essential functions of every operations evaluation include (i) deriving lessons and best practices to promote the sustainability and development impact of ADB's assistance; (ii) recommending appropriate measures for the design of future operations; country partnership strategies; sector policies; and changes in ADB's policies, practices, and procedures; (iii) assessing the development effectiveness of the use of resources; and (iv) following up on evaluation recommendations to sustain the benefits of activities supported by ADB.

One key output from operations evaluation, to which DEC pays close attention, is monitoring of and reporting on actions taken by ADB and its executing agencies in response to evaluation report recommendations. When it reviewed the *2005 Annual Evaluation Review*,³ the DEC Chair's Summary of Discussions noted that related material was appended in largely numerical form and that this was not enough for this important topic. The *2005 Annual Report of the Development Effectiveness Committee*⁴ included a theme section that focused on the institutional process of taking action on lessons learned from independent evaluations. It recommended that the subsection of the *Annual Evaluation Review* that reports on follow-up actions on OED recommendations be elevated to a major section in the next *Annual Evaluation Review*, and that a system be established for monitoring the cumulative progress of actions on OED recommendations.

In response, the *2006 Annual Evaluation Review*⁵ contained a separate chapter that focused more on strategic recommendations from operations evaluation. However, reporting separately on actions taken in response to evaluation report recommendations is a logical

¹ Available: <http://www.adb.org/documents/policies/enhancing-oed.pdf>

² The policies and procedures that spell out OED's mandate are detailed in ADB's Operations Manual in OM Section K1. Available: http://www.adb.org/Documents/Manuals/Operations/OMK01_23sep04.pdf

³ Available: <http://www.adb.org/Documents/PERs/pre-oth-2005-10.pdf>

⁴ Available: <http://www.adb.org/Documents/Board/Committee-Reports/2005/Dev-Effect/dec-ar05.pdf>

⁵ Available: <http://www.adb.org/Documents/PERs/2006-AER.pdf>

progression, given the continuing priority that DEC assigned to this issue in the *2006 Annual Report of the Development Effectiveness Committee*.⁶

Acting on Recommendations and Learning from Lessons is proposed as a regular input to strengthen actions taken in response to evaluation report recommendations within the new structure of roles in ADB's learning and change management process. It examines what actions were taken in relation to recommendations that DEC, ADB's Management, and OED tabled in 2005–2006; what impact evaluation findings have had on recent Board proposals; and what steps that OED, in consultation with other departments and offices, can take to increase value added from operations evaluation.

This report presents encouraging signs that lessons are being learned and notes the particular contribution that country and sector assistance program evaluations are making to managing for development effectiveness. The steps that it proposes to increase value added from operations evaluation relate to adhering to strategic principles, sharpening evaluation strategies, distinguishing recommendation typologies, making recommendations better, reporting evaluation findings, and tracking action on recommendations. In relation to adding value from operations evaluation, the report notes that in the accomplishment of its role OED faces similar challenges to those faced by evaluators elsewhere. Evaluation takes place in a dynamic organizational context and audiences have different expectations. Evaluation methodologies and approaches have evolved to meet these. However, evaluation findings are only one among a number of inputs to improve organizational performance. What is needed most is data, information, and knowledge that support dialogue among partners.

⁶ Available: <http://www.adb.org/Documents/Board/Committee-Reports/2006/Dev-Effect/dec-ar06.pdf>

I. INTRODUCTION

1. The *2005 Annual Evaluation Review* of the Operations Evaluation Department (OED) of the Asian Development Bank (ADB) assessed, in an appendix, follow-up actions taken in response to recommendations in evaluation reports. When discussing that document, the Development Effectiveness Committee (DEC) of the Board of Directors requested that related analyses be given more depth and profile in a separate chapter in subsequent *Annual Evaluation Reviews*. Progress was made in the *2006 Annual Evaluation Review* in addressing this directive from DEC. However, OED considers that the topical nature of *Annual Evaluation Reviews* does not lend itself easily to this exercise. It disrupts the flow of *Annual Evaluation Reviews*. In 2007, OED decided to produce a companion document. This report examines actions in relation to recommendations that DEC, ADB's Management, and OED made in 2005–2006. It also analyzes the impact of evaluation findings on proposals considered by the Board. The report concludes by identifying steps that OED, in consultation with other departments and offices, can take to increase value added from operations evaluation. Presenting this material in a separate report is consistent with the priority that DEC has placed on trying to answer the question "What happens as a result of OED's reports and DEC's deliberations?"

II. ACTION ON DEC AND ADB MANAGEMENT (PORTFOLIO PERFORMANCE ACTION PLAN) RECOMMENDATIONS IN 2005

A. DEC Recommendations

2. In the *2006 Annual Report of the Development Effectiveness Committee*, issued during the second quarter of 2007, DEC found the implementation of all four recommendations made in the *2005 Annual Report of the Development Effectiveness Committee* to be satisfactory.¹ DEC recommended a full Board discussion on the *2005 Action Plan to Improve Loan and Technical Assistance Portfolio Performance*² formulated in response to the *2004 Annual Report on Loan and Technical Assistance Portfolio Performance*. Despite DEC's request, this item was not put on the Board's agenda. DEC, as an interim measure, discussed the initial implementation progress with ADB's Management in August 2006 and will receive another briefing in 2007.

3. Actions on two recommendations in the *2004 Annual Report of the Development Effectiveness Committee* were reported to be outstanding and were repeated in the recommendations of the *2006 Annual Report of the Development Effectiveness Committee*. The status of implementation progress was discussed in that report. Actions on the other three recommendations are under way as part of the *2005 Action Plan to Improve Loan and Technical Assistance Portfolio Performance*,³ the implementation progress of which is being monitored.

¹ These dealt with (i) shifting towards county, sector, thematic, and special evaluations; (ii) adopting a thematic focus for future *Annual Evaluation Reviews*; (iii) analyzing further the 1989 turnaround in project success; and (iv) making follow-up actions more responsive and time-bound.

² Available: <http://www.adb.org/Documents/Reports/LTAPP/IN292-05.pdf>

³ The *2004 Annual Report of the Development Effectiveness Committee* made nine recommendations. Two recommendations, namely, (i) pilot testing of aggregate ADB output reporting for selected sectors, and (ii) building flexibility in budget and staff resource allocation to project supervision, were carried over in the recommendations of the *2006 Annual Report of the Development Effectiveness Committee*. Three recommendations were incorporated in the *2005 Action Plan to Improve Loan and Technical Assistance Portfolio Performance*. They were to (i) make project readiness criteria mandatory, (ii) make assessments of the development effectiveness of private sector operations a requirement, and (iii) use critical path analysis.

4. In the *2006 Annual Report of the Development Effectiveness Committee*, DEC made nine new recommendations.⁴ An update of the initial implementation progress of each recommendation is provided below:

- (i) **Improve Country Partnership Strategies.** Guidelines on *Further Enhancing Country Strategy and Program and Business Processes*⁵ were introduced in August 2006. The guidelines require that (a) country partnership strategies (CPSs) should establish clear linkages with subsequent operational programs; (b) the results chain between CPSs, sector road maps, and individual interventions should be clearly presented; (c) findings from OED's country and sector assistance program evaluations should be reviewed by the country team and fed directly into a new CPS's risk assessment; and (d) OED should submit a country assistance program evaluation (CAPE) to DEC for discussion prior to the submission of a new CPS, the latter to explicitly address the recommendations of DEC and the CAPE. To ensure timely availability of findings from CAPEs, these are completed approximately 2 years before the strategy-initiating process. ADB's action on DEC's recommendation is rated *satisfactory*.
- (ii) **Document the Government's Views in CAPEs.** OED began in 2005, as part of the CAPE preparation process, to seek the government's views on how ADB could become a more relevant development partner. OED now holds meetings and consultation workshops with executing agencies and government officials on the CAPE's evaluation approach paper and the CAPE's findings. Government officials and other development partners are now routinely asked to identify areas where they feel ADB should make changes to become a more relevant development partner. The recent CAPEs for People's Republic of China, Pakistan, and Sri Lanka showed that this approach is now a matter of routine. Feedback from clients is now being systematically sought for some other evaluation studies (e.g., the special evaluation study on *Performance of Technical Assistance*,⁶ and the ongoing special evaluation study on the *Effectiveness of ADB's Resident Missions*). Action on this DEC recommendation is assessed to be *satisfactory*.
- (iii) **Incorporate a Results Orientation in Implementation of Safeguard Policies.** DEC has recommended that the revised safeguard policies covering the environment, resettlement, and indigenous peoples should be based on a new business model incorporating a better balance between the dual objectives of compliance by ADB projects and achievement of positive overall results at the national level. DEC has recommended incorporating an implementation approach that distinguishes between medium-term steps and milestones and the desired long-term standards. The ongoing update of ADB's safeguard policies is examining ways to (i) balance the current front-loaded procedural approach with one focused more on results during project implementation, (ii) strengthen the use of the country safeguard system, (iii) harmonize policy principles and practices with other multilateral development banks, (iv) tailor safeguard procedures to better match different lending modalities or financing products, and (v) identify improvements in the internal process and results reporting. Although

⁴ In fact, item (viii) comprises two separate recommendations, bringing the total to 10.

⁵ Available: <http://www.adb.org/Documents/Guidelines/Country-Strat-Prog-and-Bus-Proc/CSP-BP.pdf>

⁶ Available: <http://www.adb.org/Documents/SES/REG/sst-reg-2007-02/SST-REG-2007-02.pdf>

progress has been made in the context of OED's evaluations of the safeguard policies, and action is being taken in response to DEC's guidance, the update of the safeguard policies is a work in progress, and it is premature to assess the degree to which DEC's recommendation has been acted upon.

- (iv) **Consider Staff Resource Requirements for Implementation of New or Revised Policies and Strategies.** Staff are currently guided by the *Staff Instructions on Definition of Directional Documents and Processing of Policy and Strategy Papers*⁷ dated 22 July 2004, which require that all policy and strategy papers include, where applicable, a section indicating resource requirements and cost implications for implementation. The Budget, Personnel, and Management Systems Department (BPMSD) has stated that recent policy and strategy proposals and reviews include a separate section to estimate resource required for implementation. Action on DEC's recommendation is considered *satisfactory*, although, as an ongoing activity, this needs to be monitored.
- (v) **Redefine the Role of Agriculture and Rural Development in Poverty Reduction.** An informal staff Working Group has been discussing this issue since 2006 and is expected to finalize a report in 2007. Although progress has been made, until the next report has been submitted and action is taken presumably following the priorities established in the course of the review of the *Long-Term Strategic Framework, 2001–2015*,⁸ it is premature to determine the adequacy of action on DEC's recommendation.
- (vi) **Report on Development and Institutional Effectiveness.** The Managing Director General stated at DEC's meeting of 23 March 2007 that ADB's Management has set up an interdepartmental working group to prepare an annual report to discuss development effectiveness. Work has commenced on developing the format and content of the report and will include selected indicators of the effectiveness of development results. A draft structure of the report will be informally discussed with DEC in late 2007. This represents considerable progress. However, making a judgment on whether the final product is a satisfactory response to DEC's recommendation must await completion of the report.
- (vii) **Review ADB's Human Resources Strategy by an Independent External Body.** BPMSD plans to engage an independent external body in the fourth quarter of 2007 to conduct a staff engagement survey in early 2008. Following this survey, a comprehensive review of ADB's human resources strategy will commence. ADB's Management has not committed to a review of ADB's human resources strategy by a body of the type proposed by DEC, an *unsatisfactory* outcome.

⁷ ADB. 2004. Compendium of Staff Instructions. Memorandum of 26 July 2004 from the Strategy and Policy Department to staff. Manila.

⁸ Available: <http://www.adb.org/documents/Policies/LTSF/ltf.pdf>

- (viii) **Address the Recommendations of the 2004 Annual Report of the Development Effectiveness Committee:**
- (a) **Pilot-test Annual Reporting on the Production of Outputs Against Projections in Selected Sectors.** Under the guidance of the Managing Director General, work has commenced on a template for an annual Development Effectiveness Report, which will include indicators of development results. ADB's Management will discuss aggregation of output indicators with DEC. Although work is under way, action on this DEC recommendation was due in 2005 and hence has been assessed *partly satisfactory*.
- (b) **Build Flexibility in Staff Allocation for Project Supervision.** BPMSD has stated that regional departments have been given full flexibility to determine the relative distribution between processing and administration, as well as the flexibility to reallocate and redeploy resources within the regional department to meet the requirements of projects at risk. Significant flexibility is also given on the use of discretionary expense items (e.g., business travel, staff consultants) to address issues relating to projects at risk. However, it is not clear how much this flexibility in the budget management system is translated into staff resource allocation that supports sufficiently vigorous project supervision. Action on DEC's recommendation is assessed to be *satisfactory* in terms of flexibility, but the quantum of resources available for project supervision needs to be monitored. Given that OED reports consistently document weaknesses in ADB's supervision, it appears that budget flexibility is not all that is required to address this persistent problem.
- (ix) **Update the Implementation Progress of the 2005 Action Plan to Improve Loan and Technical Assistance Portfolio Performance.** Work was initiated to update the implementation progress of the Action Plan through an interim stocktaking of progress in August 2006. The Office of the Managing Director General (MDO) prepared the initial draft update of the implementation progress in June 2007. An interdepartmental meeting was held on 8 June 2007 to discuss ways to further mainstream implementation of the Action Plan at the operational level. Following the meeting, the initial draft update was sent to concerned departments and offices for additional inputs. The final update on the Action Plan's implementation progress will be provided to DEC in 2007. Action on DEC's recommendation is *satisfactory* and discussed in more detail in the following section.

5. Overall, actions taken on the recommendations of the *2006 Annual Report of the Development Effectiveness Committee* are *satisfactory*, or sufficient progress has been made to suggest that satisfactory outcomes are likely, except in the case of a review of ADB's human resources strategy by an independent external body. Of the 10 recommended items, actions on 5 items are considered *satisfactory*, action on 1 was *partly satisfactory*, and action on 1 was rated *unsatisfactory*. It is premature to assess actions taken on the remainder. Actions were satisfactorily taken on items that are (i) implemented under the new guidelines or processes (e.g., preparation of CPSs and CAPEs), and (ii) implemented by a single unit (e.g., the coordinating role of MDO on updating responses to the *2005 Action Plan to Improve Loan and Technical Assistance Portfolio Performance*). Actions were less satisfactory for

recommendations that are relatively longer term and require several units for implementation (e.g., safeguard policy update, establishment of an aggregated sector output reporting). For broad and long-term recommendations, OED needs to develop a monitoring plan that will help define and/or disaggregate recommendations into operational components, specify responsible units, and provide indicators as to when recommendations are considered met or unmet. This should help to mainstream and institutionalize the actions taken on DEC's recommendations to improve ADB's operations and achieve long-term impact.

B. 2005 Action Plan to Improve Loan and Technical Assistance Portfolio Performance

6. In the *2004 Annual Report on Loan and Technical Assistance Portfolio Performance*,⁹ OED made observations related to problems in ADB's portfolio performance. DEC concluded that these did not go far enough to address the problems, and recommended that ADB's Management develop a comprehensive action plan to address the key strategic issues presented in report. In response, the *2005 Action Plan to Improve Loan and Technical Assistance Portfolio Performance* was prepared and implemented beginning in December 2005. It comprises a number of steps being pursued under ADB's Reform Agenda, a more rigorous application of some relevant existing ADB procedures, and additional measures to address OED's findings. It comprises six key areas with 30 action items.

7. The *2005 Annual Report on Loan and Technical Assistance Portfolio Performance*¹⁰ emphasized the need to fully implement the action plan and highlighted those it deemed most important. After more than a year of implementation, OED has undertaken a stocktaking of actions taken on the key areas. The results of the review follow:

- (i) **Enhance Project Administration Efficiency.** Significant accomplishments have been made in enhancing project administration. All except two of the nine actions to address this recommendation have been completed. Portfolio management issues were addressed by regional departments through the establishment of focal units and the preparation of annual portfolio administration review plans and management review meeting issues papers. Project management tools and techniques such as Microsoft Project, the critical path method, and results-based country portfolio management are being promoted and the ability of staff in ADB and executing agencies to use them is being built. The proposed changes in ADB procurement and consultant recruitment processes have been implemented.¹¹ With regard to staff and budget allocations, substantial alignments have been undertaken in line with the priorities of the *Medium-Term Strategy II, 2006–2008*¹² through the staff sequestration exercise, the Enhanced Separation Program, and the realignment of regional departments. However, staff and budget allocation will continue to be refined to further improve the linkage between outputs deliverables and resources and to accommodate the rapidly changing needs of clients. Strengthening the role of resident missions in project administration remains to be addressed. This matter will be addressed in OED's review of resident missions, to be completed in 2007. Actions taken to

⁹ Available: http://www.adb.org/Documents/Reports/Portfolio_Performance/2004/2004-12.pdf

¹⁰ Available: http://www.adb.org/Documents/Reports/Portfolio_Performance/2005/rpe-oth-2005-06.pdf

¹¹ The revised *Guidelines on the Use of Consultants and Procurement Guidelines* were approved on 6 February 2006 and became effective on 1 April 2006.

¹² Available: <http://www.adb.org/Documents/Policies/MTS/2006/Medium-Term-Strategy-II.pdf>

enhance project administration efficiency are considered *satisfactory* as they are well under way.

- (ii) **Improve Technical Assistance Portfolio Management.** Good progress has been made to improve technical assistance (TA) portfolio management and the impact is already noticeable. All five actions have been completed. Improving TA portfolio management has been addressed through a change in its management, the enhanced application of TA resources, and a more accurate TA information system. Information on TA administration activities is updated regularly and reported during quarterly project performance report meetings, while the format for TA completion reports has been revised. The TA Reform Task Force undertook a review of TA operations that includes measures to streamline TA processing to make more resources available for TA implementation and to improve country ownership. The TA reform proposal will be submitted to the Board in 2007. Action on improving the strategic application of TA resources has been taken, leading to greater focus in the TA program. Since 2006, TA approvals have increasingly concentrated on the priorities of the *Medium-Term Strategy II, 2006–2008*. Furthermore, reduction of TAs under administration, both through reduced number of approvals and increased closings, led to scale-up of average TA size, permitting longer-term intervention with greater impact. ADB's actions in this area are considered *satisfactory*, as all the five actions have been completed.
- (iii) **Improve the Planning and Timing of Board Consideration of Loans.** Of the five action items to improve the timing of Board consideration of loans, four were completed while one is being implemented. All regional departments have introduced project readiness filter checklists for use during project processing. All reports and recommendations of the President are now required to include a status report on project readiness criteria as a supplementary appendix. Project cost estimates and budget needs for project preparation are mandatory in the TA concept paper required under the enhanced *Country Partnership Strategy and Business Processes* approved by the President on 4 August 2006. A more systematic readiness monitoring system of advance action has been established. Both the executing agency and ADB are required to track consultant recruitment closely through a consultant recruitment activity monitoring frame. However, actual monitoring to assess the extent of advance action in consultant recruitment needs to be further enhanced. The readiness of advance action for procurement is reviewed internally and interdepartmentally prior to the management review meeting. While regional departments are making good progress on the use of country-specific filters with DMC counterparts during country portfolio review missions, discussions on filters are still in progress in some regional departments. Actions taken in this area are considered *satisfactory*, as four of the actions have been completed and the remaining action on country-specific filters is progressing well.
- (iv) **Improve Sector Selectivity.** The two action items to implement this recommendation have been completed. First, a new operational model for sector selectivity and focus was introduced in the *Medium-Term Strategy II, 2006–2008*. Second, ADB has mainstreamed results-based CPSs and, as of end-2006, had adopted 11 strategies—for Bangladesh, Bhutan, Cambodia, Indonesia, Lao People's Democratic Republic, Mongolia, Nepal, Philippines, Papua New Guinea,

Uzbekistan, and Viet Nam. All DMCs are expected to have results-based CPSs by end-2009. Actions taken in this area are deemed *satisfactory*.

- (v) **Strengthen Project Monitoring and Evaluation.** Of the two action items to strengthen project monitoring and evaluation, one has been completed and the other is ongoing. *Guidelines for Preparing a Design and Monitoring Framework*¹³ were issued in March 2006, and staff training on the subject has been conducted. With the help of the Office of Information Systems and Technology, all regional departments have been working on the review of project and TA performance report formats under the management information system and the project processing and portfolio management projects. The revised format for the project performance report was approved by all the directors general concerned in July 2006, and the revision of the TA performance report format is ongoing. Actions taken in this area are judged *satisfactory*.
- (vi) **Increase and Improve the Ordinary Capital Resources Portfolio.** All the seven action items to improve the portfolio of ordinary capital resources have been completed. A paper on *Enhancing Asian Development Bank Support to Middle-Income Countries and Borrowers from Ordinary Capital Resources*¹⁴ was prepared and discussed by the Board in August 2006. It will serve facilitate ongoing and planned initiatives to support ordinary capital resource borrowers. Work under the *Innovation and Efficiency Initiative*¹⁵ has been completed, and implementation of various measures is ongoing. Pilot-testing of new financial modalities and instruments is making good progress. Demand for the multitranche financing facility has been high—eight facilities were approved under ordinary capital resources in 2006. The revised policy on supplementary financing expanding the coverage to private sector operations and Asian Development Fund-financed investment operations was approved by the Board in November 2005. A review of loan charges including simplification of commitment fees was carried out in *Enhancements for the Asian Development Bank's Loan and Debt Management Products*, approved by the Board in November 2006. *Private Sector Development: A Revised Strategic Framework*¹⁶ was prepared in February 2006 and is being implemented. The revised CPS processes integrated private sector development initiatives into the CPSs for Azerbaijan and Kazakhstan in 2006. The quality of ADB's private sector portfolio is good. The Risk Management Unit is fully functional but needs strengthening. Actions on the ordinary capital resources portfolio are considered *satisfactory* as all actions have been completed.

8. Overall, implementation of the Action Plan is rated *satisfactory*. Of the 30 action items, 26 have been completed and four are ongoing. Two of the ongoing actions have been mainstreamed but are continuing activities. The remaining two experienced delays, initially, but are in the final stages of implementation. Coupled with the need to monitor continuing and long-term actions, the Action Plan could be considered fully implemented once the two delayed items are completed (viz., review of resident mission operations; and revision of the TA performance report format). The seven action items highlighted in the *2005 Annual Report on Loan and*

¹³ Available: <http://www.adb.org/Documents/guidelines/guidelines-preparing-dmf/guidelines-preparing-dmf.pdf>

¹⁴ Available: <http://www.adb.org/Documents/Policies/Enhancing-ADB-Support/MIC-paper.pdf>

¹⁵ Available: <http://www.adb.org/Finance/IEI.asp>

¹⁶ Available: http://www.adb.org/documents/policies/private_sector/PSD-strategic-framework-2006.pdf

Technical Assistance Portfolio Performance have been almost completed, except for the two items on aligning staff and budget allocations with the priorities of the *Medium-Term Strategy II, 2006–2008* and reviewing the TA performance report format.

9. In the course of the review, it was observed that regional departments formulated innovative ways to enhance portfolio quality. The Pacific Department devised a system to enhance portfolio quality during project implementation. The South Asia Department is piloting an enhanced results reporting system that covers not only implementation but also sector results reporting. The lessons of their experience should be captured to identify best practices.

10. The evaluative evidence indicates that considerable progress has been made in implementing items of the *2005 Action Plan to Improve Loan and Technical Assistance Portfolio Performance*. This is commendable. However, it remains to be seen whether the totality of the actions taken will be adequate to achieve the objective, namely better portfolio performance. This will be monitored in subsequent *Annual Reports on Loan and Technical Assistance Portfolio Performance*.

III. IMPACT OF EVALUATION FINDINGS ON BOARD PROPOSALS IN 2006 AND EARLY 2007

A. Medium-Term Strategy II, 2006–2008

11. The *Medium-Term Strategy II, 2006–2008* emphasizes sector selectivity. It classifies sectors into three groups. Group I covers core operational sectors, where ADB will build up a critical mass of expertise and be a leading provider of assistance (financing and expertise). Group II comprises sectors for which building ADB's capacity is not a priority but that are identified as important for ADB to be able to meet the diversity of needs across different developing member countries (DMCs). Group III covers sectors with limited demand for ADB services, and sectors in which ADB's performance has sometimes been poor. Operations in Group III sectors will be gradually phased out.

12. Demand from DMCs for assistance, strategic considerations, broad development trends in Asia and the Pacific, and findings from operations evaluation were the criteria used to classify the sectors in the *Medium-Term Strategy II, 2006–2008*. Based on the ratings of OED, project success is consistently higher for Group I than for Group II sectors. Three of ADB's poorest performing sectors (viz., fisheries, livestock, and development finance institutions) are in Group III, having experienced project success rates of only 20–50%. Group III also includes some sectors in which ADB has achieved project success rates of 70–90% (e.g., civil aviation, water transport, and communications), but future demand from DMCs for ADB financing in these sectors is likely to be limited.

13. Successful projects in Group I sectors in the *Medium-Term Strategy II, 2006–2008* in which ADB's operations are expected to grow (viz., irrigation and water management, power, water supply and sanitation, education, and roads) were analyzed in the *2006 Annual Evaluation Review* to identify best practices associated with successful interventions. Project success rates in these sectors have been in the range of 55–90%. The analyses found 10 common factors that were present across sectors that contribute to good project performance: (i) strong ownership by governments and executing agencies; (ii) continuity of ADB's involvement; (iii) an ability to learn lessons and incorporate them in project design; (iv) careful project preparation; (v) strong executing agencies that operate in the right policy environment; are autonomous; and have the necessary human resources, technical skills, and access to

adequate financing for project implementation and for operation and maintenance; (vi) an ability to identify and solve problems during project implementation; (vii) a clear, unmet demand for the goods and services provided by the project; (viii) use of a participatory approach and involvement of stakeholders and beneficiaries in all project phases; (ix) successful institutional impacts; and (x) good performance by consultants and contractors.

B. Country Partnership Strategies

14. CAPEs contributed to the formulation of CPSs discussed by the Board of Directors in 2006 and the first quarter of 2007. These evaluations were available for five of the seven instances.¹⁷ When preparing the *2007 Annual Evaluation Review*, four of the seven CPSs (viz., Indonesia, Lao People's Democratic Republic, Papua New Guinea, and Viet Nam) were examined to assess the extent to which the recommendations tabled in CAPEs had been incorporated.¹⁸ Of a total of 25 recommendations in the four CAPEs, 23 (92%) were taken into account in the subsequent CPSs. Specifically, all recommendations in the CAPEs for Indonesia and Lao People's Democratic Republic, eight of nine (88%) for Papua New Guinea, and two of three (67%) for Viet Nam were integrated. Recommendations that had not been considered related to self-evident advice; or, they had been rendered irrelevant by time since the CAPEs had been prepared much earlier (viz., in 2000 for Viet Nam and in 2003 for Papua New Guinea). Recommendations that carried particular weight were to

- (i) sharpen selectivity to focus on a smaller number of sectors;
- (ii) increase consistency between the CPS and corresponding government policies, budgets, and public resources;
- (iii) address limited government absorptive capacity by supporting capacity building assistance of executing agencies;
- (iv) move to results-based management with performance indicators;
- (v) identify ways to catalyze private sector investment;
- (vi) improve communications with stakeholders;
- (vii) enhance lending and nonlending programs and some areas in policies, practices, and procedures so that ADB becomes a better development partner; and
- (viii) promote harmonization among development partners.

15. When preparing the *2007 Annual Evaluation Review*, action on DEC's recommendations to strengthen feedback from CAPEs to CPSs was tracked.¹⁹ The recommendations were to

- (i) include in CPSs a section explaining how the strategy had been translated into an operational program, to make linkages clear;
- (ii) explain how lessons learned from past portfolio performance had been taken into account; and
- (iii) document DEC's recommendations from its discussions of CAPEs, explaining how these recommendations had been integrated in the CPSs.

¹⁷ The seven CPSs discussed concerned (i) Armenia, (ii) Indonesia, (iii) Lao People's Democratic Republic, (iv) Papua New Guinea, (v) South Asia Regional Cooperation, (vi) Uzbekistan, and (vii) Viet Nam. Of these, only those for Armenia and South Asia Regional Cooperation were not preceded by a CAPE.

¹⁸ The CPS for Uzbekistan was not included in this review it was assessed in the *2006 Annual Evaluation Review*.

¹⁹ These were enunciated in DEC's discussion of the CAPE for Uzbekistan in 2006 for incorporation in the enhanced format and business processes for CPSs.

16. All three recommendations were incorporated in the CPSs for Indonesia and Lao People's Democratic Republic, the two strategies prepared after DEC made its recommendations.

C. Individual Loan Proposals

1. 2006 Loan Proposals

17. Thirty six program/project loan proposals brought to the Board in 2006 and early 2007 were reviewed to assess the degree to which evaluation findings had been reflected in the documents.²⁰ In 30 of 36 (83%) cases, the proposals did so. The remainder,²¹ all of which were for non-sovereign investments, did not. The source of evaluation lessons reflected in project documents was, primarily, from corresponding project/program performance evaluation reports, with a few from related TA performance evaluation reports, sector assistance program evaluations, special evaluation studies, and CAPEs. The format for reports and recommendations of the President on private sector loans and investments differs from that for public sector loans and contains no requirement for a specific section on evaluation findings. OED has completed few evaluations of private sector projects, and there is relatively little evaluative evidence to reflect in the loan documents.

18. The probability of incorporating evaluation lessons in new loan proposals should increase with the introduction of the new evaluation information system (EVIS),²² a user-friendly online application developed by OED, which includes information on lessons learned, recommendations, follow-up actions, and ADB Management responses to evaluation reports from 1995 to 2007. The database is fully searchable, and information can be organized and extracted by country, sector, project/program, and keyword. During development of EVIS, the database of OED lessons and recommendations was reviewed and action was taken to delete very general lessons that are not actionable, plus very project-specific lessons that are not applicable in other contexts. OED plans to further improve the quality of lessons in the database.

2. Follow-Up Actions Recommended in 2006 Evaluation Reports

19. The operational influence of individual program/project evaluations can also be shown by the extent to which follow-up actions recommended in evaluation reports are implemented by executing agencies or ADB. The results of a tracking of government and ADB implementation of follow-up actions are reported in the appendix and summarized below.

20. **Project/Program and TA Performance Evaluation Reports.** Since 1999, OED has assessed the degree to which recommendations in evaluation reports have been addressed by (i) DMCs through the executing agencies and/or appropriate government agencies, and (ii) ADB. The appendix provides a summary of follow-up actions recommended in 2006 evaluation reports (Table A1) and the extent to which they have been acted upon (Table A2). The assessment covers evaluation reports that recommended follow-up actions for implementation in 2006 or the first half of 2007. All together, 26 evaluation reports were considered, consisting

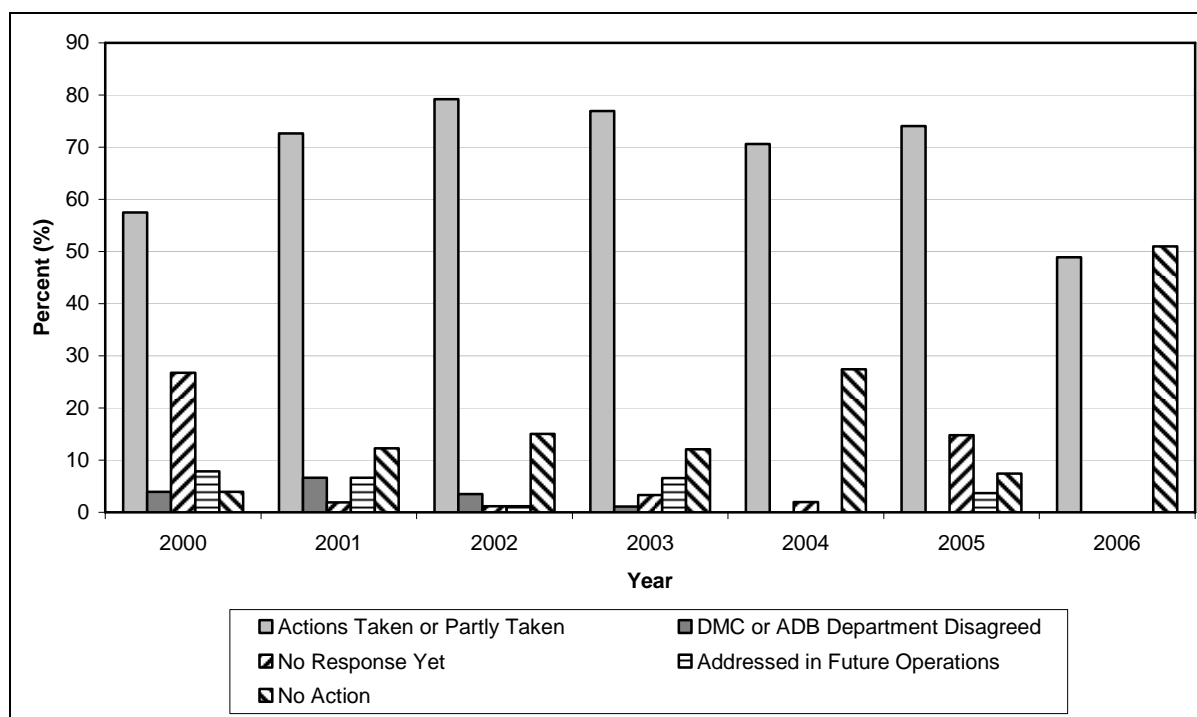
²⁰ This is the number for which records of Board discussions were available as of 22 March 2007.

²¹ They are: (i) JSC Kazkommertsbank, (ii) Rights Securitization by Alliance Bank JSC in Kazakhstan; (iii) Small and Medium-Sized Enterprises Financing Facility, (iv) Dahej Liquefied Natural Gas Terminal Expansion Project, (v) National Thermal Power Corporation Capacity Expansion Financing Facility, and (vi) Uttaranchal Power Sector Investment Program in India.

²² Available: <http://evis.adb.org/>

of 16 public sector project/program performance evaluation reports, 2 TA performance evaluation reports, and 8 broader studies (7 special evaluation studies and 1 sector assistance program evaluation). Only 56% of the recommendations contained in 2006 project/program and TA performance evaluation reports resulted in action. This is a significant drop from the 74% reported in the *2006 Annual Evaluation Review* and the lowest registered since monitoring began (Figure 1). For the 35 actions addressed to partner countries, 16 or 48% have been, or are being, implemented. For the 12 recommendations addressed to ADB, action was taken or partly taken in 7 or 58% of them.

Figure 1: Status of Implementation of Recommendations in Project/Program and TA Performance Evaluation Reports Completed in the Given Year



21. With regard to the 35 follow-up recommendations addressed to DMCs, action had been taken on 16, and 19 remained outstanding. In the 19 cases where no action was reported by operations departments, three recommendations were agreed to by ADB's Management with qualifications. In two cases, ADB's Management agreed that the recommended action should be taken but felt that it should be addressed in a way that differed from that recommended in the OED report. In the other case, ADB's Management indicated that it did not agree with the timing and felt that the action should be taken in 2007 and not 2006. The operations department concerned also reported that ADB had already exited from one private sector project, and because of the new composition of project ownership felt that ADB no longer had the legal personality to monitor the implementation of the six related recommendations. The other recommendations that had not been acted on were expected to be addressed in the future, when opportunities would arise through loans and/or TA grants. If this turns out to be the case, the overall compliance will increase. These findings illustrate the importance of long-term ADB engagement in a sector. In such cases, opportunities arise for ADB to engage in policy dialogue to address issues identified in evaluation reports. If ADB has exited from a sector, the probability that there will be opportunities to do so diminishes significantly.

22. On the follow-up recommendations addressed to ADB, 21 have been addressed and 8 are outstanding. The relevant operations departments reported that two recommendations were not supported: one action had already taken place during project implementation, and one was not felt to be operationally relevant. The remainder are expected to be addressed when opportunities arise during future ADB activities in the sector.

23. **Broader Evaluation Studies.** The number of recommendations in broader evaluation studies that require follow-up has increased as the number of such studies has grown. In the first half of 2007, 10 evaluations in this category were completed containing 17 recommendations from special evaluation studies and 1 in a sector assistance program evaluation. This is more than double the number of recommendations from such evaluations reported in the *2006 Annual Evaluation Review*. All the recommendations were addressed to ADB; nine concerned ADB's internal processes, guidelines, or strategies, and the remaining eight were designed to improve a specific project, sector, or CPS. Fourteen (82%) were acted on; two will be addressed in future operations through the review of the *Long-Term Strategic Framework, 2001–2015*, for one, and the other through the urban sector initiative. *Lessons in Capacity Development: Sectoral Studies in Sri Lanka*²³ contributed to increased consideration of the use of capacity development as a key instrument to improve governance in the preparation of the new CPS for Sri Lanka, expected for approval in 2007.

24. A feature of the *2007 Annual Evaluation Review* is that outstanding recommended follow-up actions from evaluation studies in 2003, 2004, and 2005 were revisited. Table 1 provides a summary of actions taken on these recommendations since the time they were last reported in the relevant *Annual Evaluation Reviews*. Of the 29 outstanding recommendations, further action had been taken to address 7 (or 24%). These findings suggest that there has been little effort to address recommendations once the initial inquiry on their status has been responded to. The passage of time does not result in a significant increase in the actions taken on outstanding recommendations.

Table 1: Status of Actions Taken on Outstanding Follow-up Recommendations

	Evaluation Reports Considered (no.)			Outstanding Follow-Up Actions (no.) Addressed to			New Actions Taken Addressed	
	PPERs/TPERs	SES	Total	DMC	ADB	Total	DMC ADB	
							DMC	ADB
2003	9	2	11	11	5	16	4	1
2004	5	0	5	4	1	5	1	0
2005	4	1	5	8	0	8	1	0

ADB = Asian Development Bank, DMC = developing member country, OED = Operations Evaluation Department, PPER = project/program performance evaluation report, SES = special evaluation study, TPER = technical assistance performance report.

Sources: OED database and ADB Operations Departments.

D. Board Discussions

25. Transcripts of Board discussions from 2006 to the first quarter of 2007 were examined for references to findings from operations evaluation. These were made in 28 out of 51 discussions, or 55% of the cases. Such references were prominent in Board discussions of the *Medium-Term Strategy II, 2006–2008* and the *Budget of the Asian Development Bank for*

²³ Available: <http://www.adb.org/Documents/Reports/Evaluation/sst-sri-2006-04.pdf>

2007;²⁴ 5 out of 7 (71%) Board discussions of CPSs (for Indonesia, Lao People's Democratic Republic, Papua New Guinea, the South Asia Regional Cooperation Strategy and Program, 2006–2008, and Uzbekistan), and 21 of 42 (50%) Board discussions of individual loan and TA proposals. References to findings from operations evaluation by Board members has grown from 2005, when they were made in only 10 instances.

IV. ACTION ON RECOMMENDATIONS IN THE 2006 ANNUAL EVALUATION REVIEW

A. Project Success and Country Outcomes

26. The *2006 Annual Evaluation Review* suggested that OED should undertake further work to identify factors that influence project success and ultimately country outcomes.²⁵ To help achieve this objective, OED has continued to build a more clearly defined results architecture and results framework. Prominent elements of the architecture include country and sector assistance program evaluations and special evaluation studies, the recommendations of which vis-à-vis project success and country outcomes are captured and stored in EVIS, and disseminated by means of *Learning Curves*²⁶ and *Success Rates*.²⁷ OED expects that continuing emphasis on application of knowledge management to lesson learning will help to catalyze and facilitate identification, creation, storage, sharing, and use of lessons, and maximize operational and development impacts of recommendations from operations evaluation. The *2007 Annual Evaluation Review* addresses capacity development as a major theme, because good institutions contribute to the achievement of development results at the sector and country levels as well as that of individual ADB-assisted projects and programs. As recommended in the *2006 Annual Evaluation Review*, some recent OED reports (e.g., the special evaluation study on *Performance of Technical Assistance*, and the *2007 Annual Evaluation Review*) grouped factors contributing to success into those that were within ADB's control and those that were not.

B. Good Governance and Development Effectiveness

27. The *2006 Annual Evaluation Review* highlighted the problems of measuring governance and recommended that ADB undertake a rigorous analysis to establish that good governance is the key binding constraint for development in all DMCs, and is a causal factor for good economic performance, reducing poverty, achieving other development results, good portfolio performance, and project success. Despite DEC's endorsement of this recommendation, the Strategy and Policy Department (SPD) explained that ADB's Management had reservations about a related request for action to review, in the context of the upcoming Asian Development Fund replenishment exercise, the high weight given to governance variables in the current performance-based allocation formula. SPD concerns were that the claim that the governance weighting is too high run contrary to the observation that it is consistent with the preferences of Asian Development Fund donors, and is still significantly lower than the 66% weight assigned in the World Bank's formula for performance-based allocation. SPD remarked that the *2006 Annual Evaluation Review* also notes the importance of harmonization with other multilateral development banks on prominent cross-cutting issues such as governance, and that ADB's method of assessing governance under the performance-based allocation policy is fully harmonized among multilateral development banks.

²⁴ Available: <http://www.adb.org/Documents/Reports/Budget/2007/2007-budget.pdf>

²⁵ Available: <http://www.adb.org/Documents/PERs/2006-AER.pdf>

²⁶ Available: <http://www.adb.org/Evaluation/reports.asp?s=1&type=15>

²⁷ Available: <http://www.adb.org/Evaluation/reports.asp?s=1&type=16>

28. The *2006 Annual Evaluation Review* noted that depending on the results of the analysis, consideration might have to be given to including sector level variables, or lowering the weight given to governance in the performance-based allocation formula. SPD held that the recommendation to reduce the weighting given to governance was based on several propositions: (i) governance has many definitions and is hard to measure, (ii) there is a relatively weak relationship between all dimensions of governance and the level of development in DMCs, and (iii) there is a generally weak relationship between good governance and development results in ADB-funded projects. According to SPD, these propositions follow from a statistical exercise using broad governance indicators that are different from the detailed and specific governance benchmarks used in the policy-based allocation questionnaires of ADB and other multilateral development banks; furthermore, the emphasis of the analysis is on the instrumental value of governance in affecting other country outcomes, such as portfolio performance, rather than the intrinsic value of governance as an important development outcome in itself. SPD also stated that the evidence cited and presented in the *2006 Annual Evaluation Review* to support the relatively weak relationship between all dimensions of governance and outcomes in DMCs was misleading; contrary to the impression given in the report, one of the more robust results to emerge from the large literature on the (cross-country) determinants of growth is that governance matters. Finally, SPD deemed the research cited in the *2006 Annual Evaluation Review* on the impact of governance on other development results to be methodologically weak. Robust conclusions could hardly be drawn from mere statistical association between different variables, or lack thereof, in the absence of a sound theoretical model and causality tests because of the "missing variables" problem.

29. SPD proposed no specific action on the recommendation. It clarified that a general review of the performance-based allocation is scheduled as part of the Asian Development Fund replenishment exercise. It explained also that the Second Governance and Anticorruption Action Plan, approved by ADB's Management on 31 July 2006, adopts a risk-based approach to governance. Country and sector governance, institutional, and corruption risk assessments are currently being undertaken focusing on the thematic areas of public financial management, procurement, and corruption. Lastly, SPD reminded OED that ADB's governance policy clearly states how ADB defines governance.

C. Staff Performance Appraisal Systems and Project Quality

30. The *2006 Annual Evaluation Review* suggested that ADB, through BPMSD, should undertake a study to explore the feasibility of strengthening ADB's staff performance appraisal systems to provide stronger incentives to focus on project quality at entry and project administration and supervision to encourage achieving better development results from ADB operations. In 2007, BPMSD clarified that, while it manages and coordinates the performance appraisal system for staff of ADB, the criteria against which staff's performance will be measured are specific to the objectives of concerned departments and offices and should be developed by latter. The current personnel development plan allows for competencies that are specific to a department or job family, in addition to core competencies. However, incentives or rewards for staff involved in project implementation, administration, or similar work that span several performance review periods are particularly challenging and will require careful consideration. The performance criteria developed should be clear, realistic, and measurable to properly motivate and reward staff. BPMSD indicated that it will coordinate further with departments and offices on developing appropriate performance measures. However, DEC felt that this recommendation did not go far enough and recommended an external review of ADB's human resources strategy, a recommendation that it repeated in the *2006 Annual Report of the*

Development Effectiveness Committee. In light of the broader recommendation from DEC, action on the erstwhile recommendation of the *2006 Annual Evaluation Review* will no longer be tracked by OED.

D. Learning Lessons in ADB

31. Lastly, the *2006 Annual Evaluation Review* advocated that ADB should make more concerted efforts to become a learning organization in terms of using evaluation findings to improve the design of ongoing and future operations. OED has helped by facilitating lesson learning from operations evaluation. In 2006, it developed a work plan to promote knowledge management. In the short term, the work plan aims to promote client orientation among staff of OED and to initiate steps to improve dissemination of evaluation reports to key audiences. To strengthen dissemination of lessons to key audiences, improvements were made to OED's website. Invitations to link to it were sent to organizations that maintain related websites. Knowledge contained in evaluation reports was repackaged by compiling summaries. Encouraged by positive feedback from DEC, ADB's Management, and other departments and offices, including regional departments, OED formulated plans for the establishment of a Knowledge Management Unit to catalyze and facilitate the identification, creation, storage, sharing, and use of lessons. OED felt that failure to do so would minimize the operational and developmental impacts of recommendations from operations evaluation. These initiatives are expected to (i) improve client awareness among staff of OED, (ii) facilitate dissemination of findings and recommendations to key audiences, and (iii) foster learning and exchanges in OED and ADB. In turn, this is expected to increase the probability that OED's recommendations will be acted upon.

32. In 2006, improvements were made that hold promise not only in OED but, more importantly, vis-à-vis its interfaces with other departments and offices, DMCs, and the international evaluation community. In the medium term, OED must continue helping to improve organizational culture, management systems, business processes, information technology solutions, community of practice, and external relations and networking for lesson learning. OED must connect better to ADB's knowledge management framework. For this, a plan is needed to build on recent achievements and create more value with measurable results against each interface. In 2007, OED produced *Learning Lessons in ADB* to draw elements of knowledge, relationships, context, external environment, interfaces, and architecture in a conceptual structure within which decisions on knowledge management initiatives can be taken and implemented with knowledge management tools.²⁸ The framework sets the stage for regular annual knowledge audits for systematic identification and analysis of knowledge needs, products and services, gaps, flows, uses, and users from the perspective of learning lessons. The framework also permits formulation of annual business plans to deliver outputs steadily against each interface based on operational needs and priorities but also resources, with flexibility and adaptability. As a result, OED will be better placed to accomplish its mission.

33. OED piloted the annual business planning process in 2007. The intention is to repeat this in subsequent years, each time building on accomplishments and embedding lessons learned from the previous iteration. In 2007, the annual business planning process was informed by analyses conducted in 2006. *Learning Lessons in ADB* outlines the provisional knowledge management work program for 2007. Other knowledge management pilots for 2007 will be confirmed as a consequence of the first knowledge audit, now being carried out.

²⁸ Available: <http://www.adb.org/Documents/Reports/Learning-Lessons-ADB/Strategic-Framework-2007-2009.asp>

V. INCREASING VALUE ADDED FROM OPERATIONS EVALUATION

A. Adhering to Strategic Principles

34. OED's mission is to help ADB become a learning organization that continuously improves its development effectiveness and is accountable to its stakeholders. The considerations that are associated with this include the need for rigor and validity in evaluation using best international practice, action orientation that contributes to evidence-based decision making and practice, ownership of and participation in evaluation by users, prioritization of capacity building in evaluation, and promotion of evaluative thinking. Evaluation must be seen to make a contribution to ADB's knowledge management processes. To accomplish its mission, OED needs strategic knowledge management principles that will give context and coherence to action, in contrast to adhoc approaches that are likely to result in unrelated sets of recommendations. The criteria that will frame the generation and appraisal of alternative options will be as follows:

- (i) **Evaluations Should Contribute to the Accomplishment of ADB's Mission.** ADB's mission is to help DMCs reduce poverty and improve the quality of life of their citizens. Evaluations should advance the design and implementation of ADB's policies, strategies, and operations with respect to relevance, effectiveness, efficiency, and sustainability.
- (ii) **The Decision to Evaluate Should Be Strategic.** Evaluations should be designed to lead to action and contribute to effective decision making at all levels. Selectivity in determining what policies, strategies, and operations are to be assessed at what time will condition evaluations to provide useful findings and recommendations and help ADB to manage risks and achieve development results.
- (iii) **Evaluations Should Enlist the Participation of Users.** To be useful, evaluations need to produce relevant, action-oriented findings. Usefulness is fostered by sustained interaction with users throughout the evaluation process.²⁹
- (iv) **Evaluations Should Be an Asset to Users.** Users should benefit from the process of evaluation and should have a substantial role in drawing up the evaluation agenda. Evaluations can impose a time and resource burden on users, and their participation should not be taken for granted.
- (v) **The Process of Evaluation Should Develop Capacity in Evaluative Thinking and Evaluation Use.** The process of evaluation can increase an organization's ability to be clear and specific about its objectives and to learn and apply lessons. Evaluations should increase the capacities of participants and their comfort with the process of evaluation.

²⁹ Typologies of evaluation refer to autocratic, bureaucratic, and democratic approaches. Democratic evaluation is an information service to the whole community about the characteristics of policies, strategies, and operations. Sponsorship of the evaluation does not in itself confer a special claim upon this service. Democratic evaluations recognize value pluralism and seek to represent a range of interests in issue formulation. See MacDonald, B. 1976. Evaluation and the Control of Education. In Tawney, D. (ed) *Curriculum Evaluation Today: Trends and Implications*. Schools Council Research Studies. Macmillan: London.

- (vi) **Evaluative Thinking Should Add Value from the Outset of Operations.** Evaluative thinking can make the design and implementation of policies, strategies, and operations more effective by clarifying the results to be achieved, the strategies that will contribute to their accomplishment, and the milestones that will demonstrate progress.
- (vii) **Evaluations Should Test the Validity of Conventional Wisdom about Development Practice.** Demonstrating how and why change happens where it matters most, namely in improving the lives of the poor, calls for regular testing of the accuracy of our development hypotheses. The process of evaluation, which demonstrates concern for accountability, transparency, and improved performance, can help us to learn from past experience to enhance ongoing and future operations.
- (viii) **Evaluations Should Meet Quality Standards.** To ensure the validity of findings from operations evaluation and the reasonableness of recommendations, accepted social science research methods and procedures should be followed. The quality of evaluations will be assessed against four internationally accepted standards: utility, feasibility, propriety, and accuracy.³⁰

B. Sharpening Evaluation Strategies

35. *Independent Evaluation at the Asian Development Bank*³¹ explains the changing context, new modus operandi, and directions of operations evaluation. It shows how OED has focused its 3-year rolling work program on priority areas, has moved to capture synergies between OED and operations departments, and has begun to select evaluation topics in a way that should ensure higher order effectiveness and impact. OED's work program for 2007–2009, endorsed by DEC, was designed to continue the progress made in recent years to allow for more strategically timed and better focused evaluation results. In 2007–2009, OED will (i) undertake fewer evaluations of individual operations but will validate ratings in all project completion reports; (ii) increase the number of broader evaluation studies such as corporate and policy evaluations, country and sector assistance program evaluations, thematic evaluations, and impact evaluations; (iii) improve the evaluative content of *Annual Evaluation Reviews* and *Annual Reports on Loan and Technical Assistance Portfolio Performance*;³² (iv) prepare or revise evaluation guidelines; (v) sequence evaluations so that those done early in the 3-year period feed into those planned for later years; and (vi) promote knowledge management, including dissemination of findings and recommendations in accessible and digestible ways. OED's work program for 2007–2009 should be supported by devoting more attention and resources to knowledge products and services. OED's work program is structured around studies. Table 2 is the template of how OED's work program might be reinterpreted to emphasize organizational learning in a more clearly defined results architecture and results framework to

- (i) conduct and disseminate strategic evaluations (in consultation with stakeholders),
- (ii) harmonize performance indicators and evaluation methodologies, and

³⁰ See Sanders, James R. 1994. Joint Committee on Standards for Educational Evaluation. *The Program Evaluation Standards*. California: Sage Publications, Inc.

³¹ Available: <http://www.adb.org/Evaluation/documents/Independent-Evaluation/Independent-Evaluation-ADB.asp>

³² Available: <http://www.adb.org/Evaluation/annualreports.asp>

- (iii) develop capacity in evaluation and evaluative thinking.

Table 2: Programming Work for Organizational Learning

Organizational Level	Strategic Driver ³³	Reporting Mechanism	Content/Focus	Responsibility	Primary User and Uses	Timing
Corporate						
Policy						
Strategy						
Operations						

C. Distinguishing Recommendation Typologies

36. Two types of lessons are identified in *Learning Lessons in ADB*: operational and developmental. Operational lessons have a managerial and administrative component offering ideas for the establishment of an environment enabling identification and ownership of good practices. They relate to performance measurement, aid coordination, resource requirements, team building and coordination, procurement practices, delivery and reporting systems, and logistics. Developmental lessons relate to the realization of development results, improvement of developmental practice, and delivery on priorities.

37. Utilization-focused, user-centric recommendations can likewise be classified for clarity. The typology might include incremental, instrumental, or conceptual categories.³⁴ For ADB, however, it might be more workable to classify recommendations according to whether they are directed at its behaviors, rules, structures, or organizational purposes.³⁵ Discerning typologies would encourage prioritization of recommendations, in consultation with DEC and ADB's Management; facilitate tracking of actions on these; and promote management for development results.

38. Audiences for evaluations are both inside and outside ADB. They include the Board of Directors; ADB's Management; senior staff; staff in headquarters, resident missions, and representative offices; institutional responsibility centers in DMCs; local stakeholders; nongovernment organizations; other development agencies; and umbrella organizations such as the Development Cooperation Directorate in the Organisation for Economic Co-operation and Development and the Evaluation Network that it coordinates, the United Nations Evaluation Group, and the Evaluation Cooperation Group of the multilateral development banks. These audiences comprise users and readers. Users are the parties who will apply the findings and recommendations; readers are those who wish to remain informed. Every evaluation study must

³³ The strategic drivers are (i) developing evaluation capacity, (ii) informing corporate risk assessments by departments and offices, (iii) conducting evaluations in anticipation of known upcoming reviews, (iv) monitoring and evaluating performance, (v) critiquing conventional wisdom about development practice, and (vi) responding to requests from departments and offices.

³⁴ Recommendations for incremental improvements target small changes at the margins of operations that might, over time and in synergistic fashion, lead to higher development effectiveness. Recommendations of an instrumental nature call for major changes in operations, including policies, strategies, and organizational structure. Recommendations of a conceptual order aim to enlighten or inform audiences for evaluation as to the costs and benefits of current practices as well as alternative options.

³⁵ Recommendations targeting these aim to improve compliance, amend procedures, restructure the hierarchy, or transform the values underlying broad functions, respectively. Experience shows recommendations for behavioral change are most readily accepted by organizations, followed by changes to rules, structures, and purposes.

have primary users, whereas readers are optional. Maintaining this distinction provides direction to the evaluation.

D. Making Recommendations Better

39. Recommendations are individual statements, derived from evidence presented, that suggest courses of action and provide a means to introduce improvements and/or identify matters for follow-up. They are integral to strengthening accountability mechanisms. When drafting *Learning Lessons in ADB*, OED substantiated the value of evaluation, considered the typology of lessons, reflected on how to enhance benefits from evaluations, and confirmed the necessity for OED to reach out to key audiences.

40. When preparing the *2007 Annual Evaluation Review*, OED examined the quality of OED recommendations. In some instances it noted that the quality of recommendations could have been improved by making them more time-bound and actionable and by spending more time on developing ownership in responsible departments and offices. OED's recommendations related variously to ADB's business processes, guidelines, and strategies without forming a sufficiently coherent whole amenable to structured action along a results chain of inputs, outputs, outcomes, and impact. Some recommendations could not be addressed by a single department or office, requiring synchronized inputs by several. In such cases, more guidance and discussion with the concerned units was required. Especially when evaluations concern operational matters, recommendations should be specific (in relation to the why, what, how, who, when, and where relative to taking some action) and feasible (in other words, capable of being implemented and likely to be so). The reasonableness of a recommendation depends on its being based on a set of findings, a plausible interpretation of the findings, and a judgment applied to them.

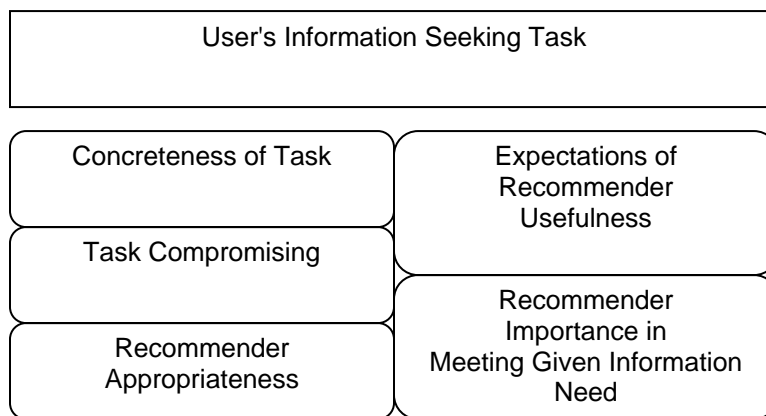
41. OED expects that evaluation staff will explain clearly the basis for making recommendations, with intrinsic linkages to the data and information collected in the evaluation report to establish a flow of logic developing from them. Both the interpretation of evidence and the basis for judgment should be addressed. In 2007, OED will organize training by an external expert to help evaluation staff conduct utilization-focused evaluations. Evaluations should be judged by their utility and actual use. The main advantage of utilization-focused evaluations is the increased likelihood that evaluation results will effect change. Utilization-focused evaluations also reduce emotional barriers to the idea of results and measurements. However, they take more time at the beginning of the evaluation process and require evaluation staff to have the necessary facilitation skills. The recommendations generated in evaluation reports should be governed by the following concerns for utility and actual use:

- (i) Are the recommendations (a) supported by the evidence; (b) appropriate, given what was learned; and (c) adequate in terms of coverage?
- (ii) Is the number of recommendations put forward limited in number and based on significance and value?
- (iii) Are the recommendations brief, concise, and pragmatic?
- (iv) Are changes to policies, approaches, procedures, practices, and/or financial resources required?
- (v) Are the recommendations realistic, given the context of development and/or capacity to implement them?
- (vi) Are the recommendations geared toward effective decision-making?
- (vii) Have the recommendations been designed to facilitate implementation?

- (viii) Who would be responsible for implementing each recommendation? Are new partnerships required, and with whom?
- (ix) Were the recommendations developed through a participatory process that actively involved stakeholders and thereby increased the downstream potential for implementation?
- (x) Can the recommendations be presented as sets of options?³⁶
- (xi) Do the recommendations provide adequate direction without being overly prescriptive?

42. Making recommendations better also means that evaluation staff must become user-centric, meaning situationally responsive. Care must be taken to ensure that OED's recommendations are not so specific that they take away the necessary flexibility from ADB's Management to creatively explore alternative, and perhaps better, ways to address the issue identified in the evaluation. Audiences for evaluations have a variety of information needs, be they operational or developmental, that they may or may not be able to express formally. This calls for understanding of the users of recommendations and their information-seeking tasks. Figure 2 depicts the parameters of information search. Relating this to ADB, OED as recommender should not expect the users of its findings to always pursue concrete tasks—more often than not, accomplishing a task involves compromise. OED should also bear in mind that users turn to a recommender if the latter is thought to have a credible role in meeting information needs. Lastly, if a user does choose to refer to OED, it will have expectations about the usefulness, hence importance, of OED before it even begins to refer to evaluation findings.

Figure 2: The Parameters of Information Search



Source: S.M. McNee, J. Riedl, and J.A. Konstan. Making Recommendations Better: An Analytic Model for Human-Recommender Interaction. In *Extended Abstracts of the 2006 ACM Conference on Human Factors in Computing Systems (CHI 2006)*, Montreal, Canada, April 2006.

E. Reporting Evaluation Findings

43. Reporting evaluation findings serves to (i) assist decision making, and (ii) provide a better understanding of accomplishments and areas for improvement. Studies need to be (i) useful and informative, (ii) scheduled for availability at the right time, and (iii) targeted to particular audiences. This means that evaluation reports may need to be prepared in different

³⁶ Given a set of findings, several plausible interpretations and different value positions may generate a range of options. Each option should be adequately documented, showing fairly how the findings, interpretations, and judgments support it.

formats to meet the needs of different audiences. These needs should be considered before the evaluation begins. In 2007, OED introduced *Guidelines for Disseminating Findings and Recommendations*, which require evaluation staff to integrate a dissemination plan in the evaluation approach paper submitted to the Director General, OED. The guidelines highlight the need to assess dissemination options and to propose a variety of formats and channels. They could be strengthened with the provision of templates for reports, and recommendations for associated channels of dissemination, itemized by type of evaluation study and targeted audience. An important step in the formulation of such templates would be discussion with representatives of key audiences to identify their information needs.

44. OED also plans to take action to better integrate lessons of international experience in its reporting. In Australia, for instance, expressions of dissatisfaction with evaluation reporting by audit agencies emerged in the late 1990s. Briefly, arguments were that reports were too long, hard to read, expensive to produce, and issued in numbers too large for key audiences to absorb. Some of these findings also apply in ADB. OED expects that better reporting of evaluation findings will lead to better stakeholder relationships, improved media coverage, improved quality and impact of reports, and lower costs. In 2008, OED will adopt "plain English" reporting, to make evaluation reports more engaging.³⁷

F. Tracking Action on Recommendations

45. One way in which OED can influence development effectiveness is through the recommendations that it makes to ADB's Management in its evaluations. Tracking the use of, and follow-up to, OED's recommendations helps to monitor progress toward improved development effectiveness.³⁸ When drafting *Annual Evaluation Reviews*, including the *2007 Annual Evaluation Review*, OED has relied on yearly surveys it undertakes and generic requests for information. It also searches Board proposals for evidence of actions taken on OED recommendations or indications of influence of OED evaluation reports. Until EVIS was developed, ADB had no integrated operating system for doing so. In parallel, ADB's Management has made efforts to improve the coverage and quality of its responses, focusing on the recommendations of the *2005 and 2006 Annual Reports of the Development Effectiveness Committee*.

46. The lack of a systematic system to follow up on DEC and OED recommendations was a concern to DEC. In 2006–2007, in response to a memorandum of MDO dated 5 April 2006, OED developed EVIS, an intranet- and internet-based action tracking system that has attracted the attention of the Evaluation Cooperation Group,³⁹ to

- (i) provide DEC and ADB's Management with a record of its recommendations, the proposed management actions, and the actual status of these actions; and

³⁷ Plain English is a message, written for the reader, in a style that is clear and concise. Its chief tenets are (i) keep words simple; (ii) avoid nominalizations; (iii) avoid passive voice; (iv) use lists to the extent possible; and (v) keep sentences short. The advantages of plain English are (i) it is quicker to write, (ii) it is faster to read; and (iii) it puts messages across more often, more easily, and in a friendlier way.

³⁸ This includes tracking DEC recommendations on the conduct of operations evaluation.

³⁹ The Evaluation Cooperation Group was established by the heads of evaluation of the multilateral development banks in 1996 to (i) strengthen the use of evaluation for greater effectiveness and accountability, (ii) share lessons from evaluations and contribute to their dissemination, (iii) harmonize performance indicators and evaluation methodologies and approaches, (iv) enhance evaluation professionalism and collaborate with the heads of evaluation units of bilateral and multilateral development organizations, and (v) facilitate the involvement of borrowing member countries in evaluation and build their evaluation capacity.

- (ii) increase the accountability of ADB's Management regarding DEC's recommendations on monitoring and evaluation issues.

47. In 2007, OED and MDO held discussions on EVIS to clarify the roles and responsibilities of MDO, OED, and various departments and offices in terms of tracking actions taken on OED and DEC recommendations. It was agreed that the concerned departments and offices should own the "Action Taken" field in EVIS. For most recommendations, this will be an individual regional department. For recommendations with ADB-wide implication, MDO will take ownership. MDO will organize demonstration sessions on EVIS, to be conducted by OED for SPD, the Regional and Sustainable Development Department, and regional departments. The emphasis will be on how the task of updating the actions taken will help departments and offices and how the searchable database can be used to make evaluation findings readily available. Table 3 records the understandings reached for maintenance of EVIS.

Table 3. Roles and Responsibilities for Upkeep of the Evaluation Information System⁴⁰

Responsibility Center	Function
MDO	<ul style="list-style-type: none"> • Monitor and track actions taken by ADB on (i) specific DEC recommendations, and (ii) specific OED recommendations accepted by ADB's Management. • Discuss ADB Management's response with OED before finalizing. ADB Management's response should clearly indicate which recommendations ADB Management accepts and which it does not, to the extent possible. • Responsible for actions taken on recommendations dealing with ADB-wide and cross-cutting issues of strategic importance. • Organize briefing sessions for SPD, the Regional and Sustainable Development Department, and regional departments.
OED	<ul style="list-style-type: none"> • Discuss its recommendations on broader evaluation studies with MDO before finalizing. OED's recommendations and follow-up actions should be more specific and time-bound to the extent possible. • Include in EVIS DEC's endorsement of OED recommendations where applicable. DEC's own recommendations will be entered in the database separately. • Continue to bear responsibility overall for maintenance, operation, and development of EVIS. • Responsible for entering recommendations from evaluation studies in EVIS. A sunset clause (due-by date) will be indicated. • Once action has been completed on a specific recommendation, the recommendation and follow-up action will be moved out of the active part of the database.

⁴⁰ This table draws from the minutes of the meeting on EVIS that MDO and OED held on 27 July 2007 to clarify the roles and responsibilities of MDO, OED, and departments and offices in term of updating actions taken on OED and DEC recommendations.

Responsibility Center	Function
Concerned Departments and Offices	<ul style="list-style-type: none"> • Own the "Action Taken" field in EVIS and be responsible for inputting follow-up actions on recommendations in EVIS. MDO will be copied on final inputs. • Focal points will be appointed by heads of departments and offices.

48. Several repeat recommendations are made in evaluation reports. These have been identified to bring them to attention of DEC and ADB's Management. Ways to address them could be considered in the course of the review of the *Long-Term Strategic Framework, 2001–2015*. Recurring recommendations include the need to

- (i) decentralize and delegate more authority and accountability to ADB's resident missions;
- (ii) transform ADB's business processes to make them more effective and efficient;
- (iii) move away from the one-size-fits-all approach that treats all DMCs and executing agencies in the same way, and recognize that capacities vary by country and sector;
- (iv) make better use of TA;
- (v) emphasize focus and selectivity in CPSs, engage for the long term, learn lessons to improve ongoing and future performance, and allocate adequate resources to support the implementation of the strategies;
- (vi) align policy and strategy aspirations with ADB's human and financial resources;
- (vii) complete the transition of ADB to an organization that focuses on delivering development results rather than on the volume of annual loan approvals; and
- (viii) find ways to engage more successfully in agriculture and rural development.

VI. CONCLUSION

49. Operations evaluation has a role to play in organizational learning, namely by finding out what results are being achieved, what improvements should be considered, and what lessons can be learned. To accomplish this role to the fullest extent, OED works to produce credible, timely, and objective data, information, and knowledge that describe ADB's performance. Organizational learning, however, will ultimately take place only if what is learned informs decision making.

50. In the accomplishment of its role, OED faces similar challenges to those faced by evaluators elsewhere.⁴¹ That is to say, evaluation takes place in a dynamic organizational context. The operations that OED evaluates are proposed, defined, debated, enacted, and funded through complex processes. They incorporate, to varying degrees, the views and mandates of miscellaneous audiences for evaluations. The practice of evaluation makes statements about issues such as the legitimacy of operations and the usefulness of their implementation. But, perceptions of evaluation and actions taken in response will depend on the status and function that the recipients of the findings and recommendations have. ADB's Management will look to evaluation to strengthen ADB, for the most part vis-à-vis its external environment. It will look to evaluations as warning signals, material for debate on directions, or guides to development effectiveness. Departments and offices will look at evaluations partly with a view to safeguarding operational interests, and they will be mindful of implementation and

⁴¹ See Cracknell, B. 2000. *Evaluating Development Aid: Issues, Problems and Solutions*. Sage Publications.

performance assessments. The further away from the action, the more dispassionate audiences for evaluations will be. In response to the different expectations of audiences, the practice of evaluation has evolved to include, for example, participatory evaluation, utilization-focused evaluation, impact evaluation, action evaluation, and macro-evaluation.⁴² All have advantages and shortcomings, depending on context,⁴³ and therefore require that the tool matches the task at hand. Through its membership of the Evaluation Cooperation Group,⁴⁴ ADB keeps abreast of developments in evaluation methodologies and approaches.

51. But, irrespective of the context for or driving force behind evaluation, the latter being as the case may be funder- or practitioner-driven,⁴⁵ evaluation findings are only one among a number of inputs to improve organizational performance. What is needed most is data, information, and knowledge that support dialogue among partners. This report proposes steps that OED plans to take toward this, building on the past and recent accomplishments highlighted in *Independent Evaluation at the Asian Development Bank*. It will thereby increase the impact of its findings in supporting ADB's quest to improve its development effectiveness in Asia and the Pacific. The nature and format of the report—which in addition to coverage of actions also allows discussion of special themes with DEC, ADB's Management, and departments and offices—lends itself to healthy debate.

⁴² The first is a bottom-up or people-centered approach to evaluation. It aims to include as many stakeholders as possible in the evaluation process. The guiding principle of the second is that an evaluation should be judged based on its utility to predetermined audiences. Impact evaluation aims to determine the longer-term consequences of interventions. Action evaluation seeks to ensure the success of interventions by encouraging stakeholders to define, then monitor success. Macro-evaluation seeks to determine how grassroots micro-level interventions ripple up to the regional or national level.

⁴³ *Learning Lessons in ADB* presents a holistic view of knowledge incorporating the organizational context, organizational knowledge, inter- and intra-organizational relationships, and the external environment.

⁴⁴ The Evaluation Cooperation Group was established by the heads of evaluation of the multilateral development banks in 1996 to (i) strengthen the use of evaluation for greater effectiveness and accountability, (ii) share lessons from evaluations and contribute to their dissemination, (iii) harmonize performance indicators and evaluation methodologies and approaches, (iv) enhance evaluation professionalism and collaborate with the heads of evaluation units of bilateral and multilateral development organizations, and (v) facilitate the involvement of borrowing member countries in evaluation and build their evaluation capacity.

⁴⁵ Many funding agencies now request or carry out evaluations to render themselves more accountable, both to the general public and to those affected by the interventions they fund. Practitioner-driven evaluations are designed to provide detailed feedback and recommendations to the intervention as an abundant source of lessons learned and as a means of determining and developing best practice.

TRACKING GOVERNMENT AND ADB IMPLEMENTATION OF FOLLOW-UP ACTIONS

Table A1: Follow-Up Actions by Type

Item	PPER/TPER		SES		Total	
	Number	%	Number	%	Number	%
Addressed to DMCs						
Specific to the Project	29	61.7	0	0.0	29	45.3
Concerned with Sector or National Level or with Multiple Agencies	6	12.8	0	0.0	6	9.4
Subtotal	35	74.5	0	0.0	35	54.7
Addressed to ADB						
Specific to the Project, Sector or Country Strategy	12	25.5	8	47.1	20	31.3
ADB's Internal Processes, Guidelines or Strategies	0	0.0	9	52.9	9	14.1
Subtotal	12	25.5	17	100.0	29	45.3
Total	47	100.0	17	100.0	64	100.0

ADB = Asian Development Bank, DMC = developing member country, PPER = project/program performance evaluation report, SES = special evaluation study, TPER = technical assistance performance evaluation report.

Table A2: Status of Implementation

Item	PPER/TPER		SES		Total	
	Number	%	Number	%	Number	%
Addressed to DMCs						
Action Has Been or Is Being Taken	12	25.5	0	0.0	12	18.8
Action Partly Taken	4	8.5	0	0.0	4	6.3
Subtotal	16	34.0	0	0.0	16	25.0
No Action Because DMC Disagreed	0	0.0	0	0.0	0	0.0
ADB Requested DMCs to Take Action but There was No Response Yet	0	0.0	0	0.0	0	0.0
No Action Taken	19	40.4	0	0.0	19	29.7
Subtotal	19	40.4	0	0.0	19	29.7
Addressed to ADB						
Action Has Been or Is Being Taken	7	14.9	14	82.4	21	32.8
Action Partly Taken	0	0.0	0	0.0	0	0.0
Subtotal	7	14.9	14	82.4	21	32.8
Will Be Addressed in Future Operations	0	0.0	2	11.8	2	3.1
No Action Taken	5	10.6	1	5.9	6	9.4
Subtotal	5	10.6	3	17.6	8	12.5
Total	47	100.0	17	100.0	64	100.0

ADB = Asian Development Bank, DMC = developing member country, PPER = project/program performance evaluation report, SES = special evaluation study, TPER = technical assistance performance evaluation report.

**MANAGEMENT RESPONSE TO THE
2007 ANNUAL EVALUATION REVIEW: THE CHALLENGE OF CAPACITY
DEVELOPMENT AND
ACTING ON RECOMMENDATIONS AND LEARNING FROM LESSONS IN 2007:
INCREASING VALUE ADDED FROM OPERATIONS EVALUATION**

On 24 September 2007, the Director General, Operations Evaluation Department (OED), received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. We appreciate OED's *2007 Annual Evaluation Review* (Review). The Review provides a helpful overview of OED's activities and the performance of the Asian Development Bank's (ADB) lending operations. We welcome the inclusion of capacity development as a theme of the Review. The findings of the Review confirm the importance of our ongoing initiatives to improve loan and technical assistance (TA) portfolio performance and integrate capacity building into country operations.¹ We note that the Review does not present any recommendations, but instead provides a few pointers for future directions in capacity building. We note these suggestions and look forward to further discussion with OED on the theme of capacity development, especially once the special evaluation study on this topic has been finalized.

2. We further appreciate OED's report on *Acting on Recommendations and Learning from Lessons in 2007: Increasing Value Added from Operations Evaluation*. We are pleased to note that the report is generally positive about ADB's performance in acting on the Development Effectiveness Committee's (DEC) and OED's recommendations. We would also like to note that recommendations from DEC and OED have played vital roles in ADB's learning and change management process.

II. Specific Comments on the "2007 Annual Evaluation Review"

3. **Performance of ADB's Lending Operations.** We are encouraged to note the Review findings that (i) the success rate for loan projects has significantly improved since the mid-1980s, and (ii) the success rate of program loans has markedly improved to approach that of project loans. As indicated in the Review, this reflects the positive effect of initiatives aimed at strengthening project quality and stronger institutions and better policies at developing member countries (DMCs), among others.

4. We agree with the Review's finding on the common success and deterrence factors for project and program loans, which is consistent with that of a number of other analyses, such as the Economic and Research Department's Economic Analysis Retrospective.² We also note that we are undertaking various measures to maintain these improvements for the future.

5. **Capacity Building.** We agree in general with the Review suggestions on capacity building. On OED's suggestion to pilot alternative approaches in capacity

¹ These include ADB. 2005. *The Action Plan to Improve Loan and TA Portfolio Performance in Response to the 2004 Annual Report of the Operation Evaluation Department*. Manila; and ADB. 2007. *Integrating Capacity Development into Country Programs and Operations Medium-Term Framework and Action Plan*. Manila.

² ADB. 2006. *Economic Analysis Retrospective 2005: Strengthening Quality-at-Entry of ADB Operations*. Manila.

building, we note that many initiatives have been undertaken to pilot innovative approaches in capacity building in ADB. For example, there is a major initiative underway in Pakistan that will apply the capacity development framework adopted in ADB's capacity framework and action plan comprehensively, across sectors, at provincial and local levels.

6. The Review also suggested that ADB incorporate capacity building strategies into country partnership strategies and ensure the recently approved Medium-term Framework and Action Plan for Capacity Development to be fully resourced. We note that these have resource implications that need to be considered as part of ADB's work program and budget preparation process.

III. Specific Comments on “Acting on Recommendations and Learning from Lessons in 2007: Increasing Value Added from Operations Evaluation”

7. As the report on *Action on Recommendations and Learning from Lessons in 2007* (Report) is essentially a compendium of recommendations from other OED reports, we will focus our comments on its general purpose and principal findings, rather than commenting on the individual recommendations cited.

8. **Overall Assessment.** We concur with the Report's positive assessment regarding the implementation status of actions recommended by OED and DEC in the 2006 Annual Report of the DEC and the 2005 Annual Report on Loan and Technical Assistance Portfolio Performance. We note that many of these recommended actions are already mainstreamed into ADB operations.

9. **Proposed OED's Evaluation Approach.** While acknowledging the great need to ensure significant value added on a consistent basis from operational evaluation, we support the proposed steps to achieve this in the Report by (i) sharpening evaluation principles and strategies, (ii) distinguishing recommendation typologies, and (iii) encouraging utilization-focused recommendations. We believe that OED's recommendations on operational matters should not only be specific and feasible but also be value added and substantive in terms of their impact on development outcomes. This will minimize the costs of complying with recommendations for ADB and the DMCs. We also encourage OED to continue to take a more consultative approach in developing recommendations to improve potential for implementation and result to desired improvements in ADB operations.

10. **Structure of the Report.** We note that the Report is a collection of numerous recommendations from various OED and DEC reports. Therefore, it is essentially duplicative in nature, as its recommendations are mostly extracted from other OED reports. Also, as those recommendations then become separated from their original context, this could cause some confusion as to their genesis and purpose, especially for readers not closely acquainted with the subjects at hand.

11. For greater clarity and focus, we suggest that, in the future, the Report concentrate on a small number of key recommendations and lessons selected from other OED reports. We also suggest that OED consider presenting such recommendations in a matrix format for easier identification, with content defined in a consistent and sufficiently detailed manner.

12. **Overlapping Nature of Recommendations.** We note that given widely differing nature of recommendations, there is overlap in their intention and consequently in their

follow-up. As such, we would suggest that the Report's recommendations be grouped in a logical manner, and that the relationships between the various individual recommendations be made clear. For additional clarity, it would also help to have a hierarchy for the recommendations, with clear priorities identified, and—potentially—with the scope for some of these individual recommendations to be subsumed into others.

13. **Recurrent Recommendations.** The recurring recommendations mentioned in paragraph 48 of the Report are under various stages of implementation. Also, many of these are too general or broad to consider them completed at any particular point in time. While the ongoing Long-term Strategic Framework Review can further address these, as suggested in the Report, it should also be clear that these are continuing activities. For example, on the recommendation to transform ADB's business processes to make them more effective and efficient, several measures to address it are being implemented as continuing activities under the Innovation and Efficiency Initiative.

14. **Methodology for Assessing Compliance with Recommendations.** The Report provides both qualitative and quantitative assessments of compliance with implementing recommendations (e.g., paragraph 20 of the Report). As there may be several reasons for differing status in terms of follow-up, it would be useful that the Report elaborates on the reasons for the varying compliance levels, instead of merely enumerating the status. Such factors could, for example, examine the resource implications of implementing recommendations, capacity constraints in executing agencies, or simply the changing context in which ADB does business.

15. **Assessment of OED's Actions.** The Report frequently cites/assesses actions taken by OED itself. To maintain objectivity, we suggest that self-assessment of OED actions not be included in this report.

16. **Tracking Action on the Recommendations.** We welcome the launch of the evaluation information system to track action on recommendations and OED's plan to translate its recommendations into operational actions. We fully recognize the importance of tracking the use of OED and DEC recommendations. However, to effectively translate its recommendations into operational actions, it is essential (i) for OED to make realistic and actionable recommendations and (ii) for concerned departments/offices to agree on how to operationalize suggested measures without creating another layer of procedural requirements. In some cases, it would be helpful to leave detailed plans to departments/offices concerned rather than imposing them from outside.

Development Effectiveness Committee

Chair's Summary of the Committee Discussions on 24 October 2007

I. 2007 ANNUAL EVALUATION REVIEW: THE CHALLENGE OF CAPACITY DEVELOPMENT

Sub-item. Acting on Recommendations and Learning from Lessons in 2007: Increasing Value Added from Operations Evaluation

1. The 2007 Annual Evaluation Review (AER) is a retrospective of activities and recent results of evaluations by OED. It has two volumes: the main report (the Report), and a report on the actions taken by Management on OED recommendations (Vol. 2). The theme chapter, which reports on ADB's operations to support Capacity Development (CD), identifies general success and deterrent factors, and offers several points for further improvements.
2. OED noted Management's reference to the Report's suggestion that ADB should incorporate capacity building strategies into country partnership strategies (CPS) and ensure that the recently approved Medium-term Framework and Action Plan for Capacity Development are fully resourced. Management noted that these have resource implications that need to be considered as a part of ADB's work program and budget preparation process, but OED is not aware of the extent to which this may or may not have happened.
3. Vol. 2 concludes that lessons are being learned and actions are being taken, and identifies ways to increase OED's value-addition to improve the quality of its recommendations. There is a tension between being specific enough while not being too prescriptive. The objective is to create the right balance through consultations between Management and OED.
4. Management emphasized that recommendations in the Report are mostly extracted from other OED reports, therefore separating recommendations from its original context. Management suggested that future AERs concentrate on a small number of key recommendations and lessons. OED explained that the AER was designed to give quantitative and qualitative assessments of actions taken on the totality of recommendation in OED reports. The Evaluation Information System takes stock of the recommendations based on the context for which they were made (database links the recommendations to the individual evaluation reports).
5. On Management's comments that the recurring recommendations mentioned in the Report are under various stages of implementation, OED mentioned that some recommendations may still recur as the need arises. OED found Management's suggestion for future AERs to elaborate reasons for varying level of compliance with actions taken to be useful.
6. DEC encouraged OED's continued knowledge dissemination efforts. DEC suggested that future AERs include a critical self-assessment by regional departments (RD) and OED, rather than employing the current input-output approach. DEC agreed with the importance of encouraging willingness to build capacity, and encouraged the RDs to adapt the innovative approaches to CD presented in the Report.

7. DEC mentioned the need to focus more on capacity building (including increasing country ownership) not only on project-cycle-related areas, but also on project sustainability. DEC noted how the Report found the advisory technical assistance (ADTA) operations of ADB to be ineffective, and suggested that Management improve on this, as ADTA could play a very important role in capacity building. DEC also agreed that future AERs should focus on major issues.
8. DEC referred to the Report's timing vis-à-vis the 2006 DEC Annual Report, and noted that it may be premature to conclude that satisfactory actions were taken on the recommendations of the DEC Annual Report. DEC also emphasized the importance of evaluating policies and strategies. DEC agreed with Management that OED's recommendations should be practical and implementable.
9. DEC pointed out that evaluation has two sides: the recommendations on the one hand, and transforming the recommendation into operation on the other. Increasing the value-addition of evaluation to the operations side was essential.
10. On Management's suggestion for OED to continue to take a more consultative approach in developing recommendations, DEC inquired on the extent of consultation that OED has been using, and how Management would like OED to improve its consultation process.
11. DEC noted Management's response on OED's plan to translate its recommendations into operational actions and suggested that OED remains balanced by acting independently on its evaluations but with a client-friendly approach.
12. DEC agreed with Management that in terms of recommendations, it would be helpful to leave detailed plans to departments/offices concerned rather than imposing them from outside. However, DEC cited the importance of ascertaining that recommendations are taken into account. DEC suggested that Management invite OED when designing project concepts.
13. The DEC Chair referred to para. 105 of the Report, and suggested that DEC wait for the completion of the special evaluation study on CD before it arrives at any conclusions.
14. The DEC Chair drew DEC's attention to the differing views of OED/DEC and Management on the 2006 AER where the problem of measuring governance was highlighted, and ADB was asked to undertake a vigorous analysis to test whether good governance is the key binding constraint for development in DMCs. Management had reservation to undertake a review, citing that OED and DEC's views on overweight on governance was contrary to the reference of the ADF donors. Given that the weight is still significantly lower than the 60% weight assigned in the World Bank's formula for performance-based allocation (PBA), DEC now has to take a position if Management should or should not undertake the analysis.
15. OED informed that useful information on the issue would be available in an upcoming evaluation of ADF, including PBA and the robustness of the estimates of governance and the measures used.
16. OED would consider Management's suggestion for a hierarchy of recommendations, including its comments on recurring recommendations, and will establish appropriate mechanisms. OED clarified that it participates in project processing by attending Management Review Meetings and providing feedbacks at the project design stage.

17. On the suggestion to complement the self-assessment with a more critical assessment, OED is finalizing an evaluation-users survey to obtain feedbacks from users. OED will work on improving future reports similar to Vol. 2, in coordination with the MDG Office. The current consultative approach is working well, but OED is open to suggestions to improve it even more.

18. The DEC Chair referred to Management's suggestion that "to maintain objectivity, ... self-assessment of OED actions not be included in the report." OED explained that it only takes stock of actions undertaken by Management on specific recommendations, and does not make any judgment call on what actions should or should not be undertaken. The information on those actions was provided by the departments concerned.

19. On the issue of governance, DEC viewed that ADB should undertake the analysis of the relationship between governance and development effectiveness with caution, but did not see any need to conduct a separate review of the PBA system which is going on under the ADF negotiations. One DEC member opined that a separate review should be at the discretion of Management, especially if a similar exercise is already planned for ADF negotiations.

20. Management (represented by the Managing Director General; Acting Director General, RSDD; and Principal Director, COSO) noted the improved extent of consultation being undertaken by OED. Management emphasized that the recommendations should be more practical, aside from being implementable. Management is already very weary of the number of recommendations that keep piling up. Management suggested for a hierarchy of recommendations, and would be able to consider any recommendation that is implementable.

21. Management welcomed the theme chapter on CD, and said that ADB will continue to do capacity building. A CD working group and medium-term framework and action plan had been established. Management added that the Bank is encouraging the willingness for CD, both in the country programs and in the HQ.

22. Management sought DEC's guidance on the governance issue by having a separate discussion on the issue.

23. In conclusion, the DEC considered the two reports and noted the contents. DEC noted that the report on CD would provide important information on CD, and broadly endorsed the findings. DEC noted Management's Response and saw merits on the substance of the response. DEC reiterated the need for more research and insight into the linkages between good governance and development effectiveness. DEC believed that good governance is extremely important for development effectiveness; DEC encouraged Management to reconsider its views and undertake the research analysis of the relationship between governance and development effectiveness.

ASHOK K. LAHIRI
Chair, Development Effectiveness Committee