

MANAGEMENT RESPONSE ON THE 2005 ANNUAL EVALUATION REVIEW

On 2 August 2005, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

A. Overall Comments

1. Management appreciates that OED has undertaken an extensive consultation and productive interactions with relevant ADB departments and offices in finalizing the 2005 Annual Evaluation Review. Management notes that this year's OED annual review has changed in character by reporting on "development results" instead of "evaluation activities" as in the past. This Report is a succinct reflection of OED's strengthened role in implementing Managing for Development Results (MfDR) effectively. ADB has been making considerable efforts to mainstream MfDR in its operations, particularly through its results-based Country Strategies and Programs (CSPs) and the Project Performance Management System (PPMS).

2. Management agrees with most of the conclusions and recommendations, some of which are very important. ADB's ongoing and future operations will support the implementation of major recommendations.

B. Specific Comments on Recommendations

3. **Development results.** While welcoming OED's reinforced focus on development results, given the multi-faceted nature of the MfDR agenda, this Report does not adequately cover many of the important elements of development results which will be the key to ADB's success in this area—e.g., ADB's own and developing member countries' (DMCs) capacity for MfDR; use of MfDR to manage performance of sectoral and policy work; and so on.

4. **Improving performance in poorly performing sectors and regions.** As recommended by the Report, ADB will make efforts to improve performance and not to repeat the same mistakes in the problem sectors and regions. ADB has modified its quality assurance mechanisms following the recommendations of the independent panel for the assessment of the impact of the 2002 reorganization and has also introduced an action plan for the Project Performance Management System in 2004. These recent measures, as well as the MfDR initiative, will help improve ADB's overall development results, including those in such sectors and regions with relatively poor performance.

5. **Improving selectivity and focus based on past results.** ADB needs to improve selectivity and focus in its operations. Management, through the 2006–2008 planning directions, has emphasized the need for selectivity and prioritization in ADB's future assistance to its DMCs. In improving the selectivity and focus in ADB operations, we will take into account the recommendations made by the Report.

6. **Strengthening Project Economic Analysis.** The Report recommended that a task force of ADB economists be formed to undertake long-term forecasts at the country level. ADB's Economics and Research Department (ERD) had extensive discussions with OED on the issues of project economic analysis as determinants of economic viability and country-level long-term forecasts in project analysis. ERD reiterated that the major element of the process should be the focus of attention in improving quality at entry, and that the link between country-level forecasts and project economics is weak.

7. **Addressing potential risks posed by bunching.** The yearend bunching is caused by various factors such as ADB's project processing cycle and annual lending targets. The Report suggests several actions to be taken by ADB to reduce yearend bunching in project processing. Currently, ADB is studying measures to reduce the chronic bunching problem, with its operational departments strengthening the project processing schedules monitoring and the project readiness filtering.

8. **Evaluation of ADB's Energy Policy.** We support OED's proposed evaluation of ADB's Energy Sector Policy under its 2006–2008 work program.

9. **Improving OED's recommendations.** Management appreciates OED's recommendations to improve the strategic impact of its evaluations. Management will coordinate with OED and ADB's operational departments to establish more efficient mechanisms and practices in this regard. We propose that OED prepare a more focused program each year so that the conclusions of the annual review of evaluation findings can be drawn from a more structured and comprehensive review of ADB operations in various sectors and areas.

10. We suggest that OED consider introducing a system of **evaluating results-based CSPs**. Such evaluation work would desirably cover both (i) the methodology and procedures ADB is introducing to design and craft results-based CSPs, and (ii) the mid-term reviews of results-based CSPs and the completion reports for results-based CSPs. We also suggest that OED consider a **special evaluation study of ADB's MfDR agenda** around 2006.