

## MANAGEMENT RESPONSE TO THEMATIC EVALUATION STUDY ON EFFECTIVENESS OF ASIAN DEVELOPMENT BANK'S PARTNERSHIPS

On 7 March 2016, the Director General, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### I. General Comments

1. We welcome the Thematic Evaluation Study (TES) on the *Effectiveness of Asian Development Bank Partnerships*. As the TES highlights, the Asian Development Bank (ADB) has recognized the importance of engaging in development partnerships since its establishment. The TES will provide valuable input for the preparation of the new corporate strategy.

2. **Scope and Methodology.** The TES focuses primarily on (i) interagency coordination partnerships, (ii) knowledge partnerships, and (iii) financing partnerships. Other types of partnerships, such as commercial cofinancing and project-specific official cofinancing arrangements, are minimally discussed. Excluding these important elements limits comprehensive analysis and recommendations. Disaggregating experience by region, especially with respect to knowledge generation and cofinancing partnerships, could have provided additional insights.

### II. Response to Recommendations

3. **Recommendation 1. Operationalize interagency coordination partnerships as much as possible and exploit complementarities.** *Management partly agrees.* The only part of the recommendation we have an issue with is on results frameworks for coordination partnerships, which may not be feasible with many partners. Monitoring a large number of Memorandums of Understanding (MoU), each with separate results framework and indicators, in addition to ADB's own internal result frameworks and indicators, could lead to inefficiencies. Fewer but better resourced MoUs may be the way forward, selected on the basis of relevance and complementarities in relation to corporate mandates. The remainder of the recommendation is acceptable and is being addressed. To help developing member countries face challenges posed by the sustainable development goals and vast financing needs, ADB has already renewed longstanding partnerships with the United Nations Development Programme and United Nations Economic and Social Commission for Asia and the Pacific. These partnerships include shared arrangements to monitor and track progress. ADB is also coordinating informally with other multilateral development banks and the International Monetary Fund on Financing for Development issues.

4. **Recommendation 2. Improve internal alignment in ADB to foster and deepen knowledge partnerships.** *Management agrees.* Several reforms are under way. The new sector and thematic groups are already mandated to expand and deepen knowledge partnerships, as recommended by the TES. With regard to revising guidelines to deepen partnerships with civil society

organizations and external knowledge centers, more specific suggestions on how to address this (beyond what ADB is doing now) would have been helpful. ADB's present Project Administration Instructions offer flexibility. Broader procurement reforms have commenced, and will streamline guidelines further. ADB has a secondment program to attract experts, and guidelines for sponsor-funded staffing were revised in 2014. Efforts to further encourage secondment will continue, with consideration to budgetary implications and departmental needs.

**5. Recommendation 3. Strengthen collaboration arrangements in financing partnerships so the partners can make more effective contributions.** *Management partly agrees.* The TES recommends arrangements to strengthen collaboration in financing partnerships that need to be further explored. Overall, we agree that stronger collaboration is needed, and improvements will be undertaken in discussion with financing partners. The only sub-recommendation that is not acceptable is to phase out single partner trust funds. This may reduce donors' incentives to make project-specific contributions. Also, although it is plausible that cofinanced projects receive more scrutiny and supervision, more in-depth analysis is required to conclude that this leads to greater effectiveness compared to projects without cofinancing.

**6. Recommendation 4. Improve the efficiency of ADB's internal management of partnerships by a number of measures.** *Management agrees.* Most of the sub-recommendations are already being addressed.

a. Work is under way on 'simplifying approval processes for trust fund investments' [page xviii (i)], and 'exploring various cost recovery options performed under collaborative cofinancing' [page xviii (iii)] as part of the Management of ADB Trust Funds and Global Funds Action Plan launched in 2014. The 'donor fund management system' [page xviii (ii)] is under development.

b. 'Making an assessment of the performance of partners in technical assistance and project completion reports mandatory' [page xviii (v)] can be considered. The technical assistance completion report template is currently under review to make such reports more informative. Likewise, 'giving more incentives to project team leaders who design and administer cofinanced projects' [page xviii (vi)] can be further addressed through annual performance reviews.

c. The Private Sector Operations Department already has separate internal targets for commercial cofinancing (excluding trade finance), and for commercial cofinancing generated through the Trade Finance Program. Trade finance cofinancing is also shown as a separate line item (under commercial cofinancing) in ADB's Statement of Operations and Annual Report for transparency purposes. Management recognizes that ADB's enlarged financing capacity will increase the effort needed to meet Strategy 2020 cofinancing target. ADB will reassess the cofinancing target during the preparation of Strategy 2030, and the new Corporate Results Framework.

d. The TES presents two interesting options for organizational restructuring. It is unclear whether these options would be more efficient in comparison to

further improving current practices and streamlining processes. These options need a more detailed assessment than is presented in the TES—including on human and financial resource requirements.