

## MANAGEMENT RESPONSE TO THE 2011 ANNUAL EVALUATION REVIEW

On 10 June 2011, the Officer-in-Charge, Independent Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### I. General Comments

1. Management appreciates this comprehensive report on the accomplishments of the Independent Evaluation Department (IED) in 2010. The 2011 Annual Evaluation Review (the Review) contains useful findings and lessons on trends in sovereign and nonsovereign operations, highlights of IED's higher level evaluations, and a valuable review of ADB Management actions in response to IED's reports and recommendations. The Review also describes IED's initiatives in 2010 to promote evaluation capacity development and to train IED staff, other ADB staff, and personnel of ADB's developing member countries.

### II. Specific Comments

2. The Report does not present recommendations, but provides findings and issues on the following two areas. We would like to comment on these findings and issues as follows.

3. **Declining Performance in terms of Success Rates.** We have noted IED's findings on the declining trend in sovereign operations ratings, and agree that this trend has been heavily influenced by a decline in the performance of projects and programs in ADB's Group B countries, notably Pakistan where portfolio restructuring was undertaken in 2007. As was the experience with other countries where portfolio restructuring was undertaken (Philippines and Indonesia in 2003–2004, India in 2005, Nepal in 2006, and Bangladesh in 2007), it takes two to three years for the subsequent cancellations to be processed and reflected in project completion reports (PCR). Portfolio restructuring paves the way for a better quality portfolio over time, and future PCR ratings to reflect the stronger portfolio.

4. The findings in the Review are generally consistent with those under our annual corporate scorecard, the Development Effectiveness Review 2010 Report (DEfR 2010). We are concerned about the declining trend, and are taking concerted actions to reverse this trend, including introduction of a new project performance reporting system based on the design and monitoring framework since January 2011. This new system includes five new portfolio performance indicators—technical, procurement, disbursement, financial management and safeguards—to derive ratings for a project and the portfolio. It uses a more stringent methodology that will enable ADB and borrowers to identify and solve project implementation problems in a more timely fashion. The new system will also help eliminate or reduce long-standing inconsistencies between the portfolio performance ratings and PCR ratings. We will continue to monitor these operations to enable implementation problems to be resolved as they arise.

5. **Acting on Recommendations.** We are fully supportive of the Management Action Record System (MARS), which IED established in 2008.

MARS has enabled systematic tracking of implementation of recommendations agreed to by Management. We have noted and agree with IED's recommendation to continue consultations between Management and/or departments and IED on the context of the recommendations and their timing, including setting more realistic action plans and less ambitious action completion target dates, all while ensuring that IED's independence is not compromised. Finally, we will find means to encourage more robust real-time tracking, updating and reporting of Management actions on recommendations.