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October 2015

## 2014 Annual Report of the Development Effectiveness Committee

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Asian Development Bank

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AER	–	annual evaluation review
APPR	–	annual portfolio performance report
CAPE	–	country assistance program evaluation
CES	–	corporate evaluation study
CSS	–	country safeguard systems
DEC	–	Development Effectiveness Committee
DEfR	–	Development Effectiveness Review
DMC	–	developing member country
IED	–	Independent Evaluation Department
MARS	–	Management Action Record System
PCR	–	project completion report
RM	–	resident mission
RRP	–	report and recommendation of the President to the Board of Directors
PSOD	–	Private Sector Operations Department
SPS	–	Safeguard Policy Statement
TA	–	technical assistance
TFP	–	Trade Finance Program
XARR	–	extended annual review report

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

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## I. INTRODUCTION

1. In accordance with its terms of reference,<sup>1</sup> the Development Effectiveness Committee (DEC) submits this annual report to the Board of Directors of the Asian Development Bank (ADB). This annual report presents the DEC's discussions on evaluation studies conducted by the Independent Evaluation Department (IED) pertaining to ADB policies, strategies, and completed operations. During the period covered by this report (1 January to 31 December 2014), DEC membership comprised Directors Zhongjing Wang (Chair) and Mario Sander, and Alternate Directors Hideo Fukushima, Khin Khin Lwin, Dominic Walton-France, and Christina Wedekull, who was replaced by Armand Evers in September 2013.

2. The DEC met 11 times in 2014 and reviewed IED's findings and recommendations on ADB's institutional and development effectiveness and provided feedback to IED and ADB management. The DEC also provided feedback on thematic and corporate evaluations conducted by IED, including (i) a commentary report on ADB's midterm review of Strategy 2020; (ii) ADB's support for inclusive growth, climate change, and enhancing governance and public sector operations; and (iii) the role of technical assistance in ADB operations, among others. Considering the importance of monitoring the effective implementation of agreed IED recommendations, DEC decided to, starting from 2015, closely track management's follow-up actions on selected topics concurred with both the IED and the management.

3. This annual report summarizes key points raised by the DEC from its review of IED reports and discussions with IED and management, including the Development Effectiveness Report and Annual Portfolio Performance Report (APPR), and outlines DEC's recommendations for future evaluation activities. DEC commended IED for its performance in 2014 and for its efforts in producing evaluation knowledge products and services and other related papers on ADB policies, programs, and projects.

## II. KEY ISSUES AND FINDINGS FROM THE DEVELOPMENT EFFECTIVENESS COMMITTEE'S REVIEW OF SELECTED EVALUATION STUDIES

4. The DEC discussions highlighted issues specific to projects and countries, as well as systemic factors affecting the development effectiveness of ADB operations. The following paragraphs highlight the DEC's views as documented in the chair's summaries of each DEC meeting.

### A. Country Assistance Program Evaluation: Tajikistan

5. The DEC discussed the country assistance program evaluation (CAPE) for Tajikistan, which rated ADB's program as successful. The CAPE<sup>2</sup> noted that country strategies during the evaluation period were closely aligned with ADB's corporate priorities. ADB programs were also rated relevant—initially in transitioning Tajikistan from central planning to a market economy, and subsequently in addressing challenges like high trade and transport costs and prevalence of natural disasters. The DEC welcomed the country's strong portfolio performance marked by modest delays and minor deviations from intended project results. However, the CAPE raised

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<sup>1</sup> <http://www.adb.org/documents/terms-reference-development-effectiveness-committee-board-directors>

<sup>2</sup> IED. 2014. *Country Assistance Program Evaluation for Tajikistan: Responding to Changing Development Conditions*. Manila: ADB.

concerns about weakness of the macroeconomy and governance including the continued reliance on overseas remittances, business environment, and sustainability concerns.

6. The DEC members welcomed the project success rates of the Tajikistan portfolio, which were higher than Central West Asia Department and ADB as a whole. It noted the significant role played by the resident mission (RM) in project implementation, which is well staffed compared to other RMs with similar portfolio size. The DEC urged management to take note of the lessons highlighted by the CAPE including: (i) simple project designs; (ii) high degree of government ownership; (iii) good coordination between the RM and line agencies; and (iv) good mix of project and program loans, among others.

7. The DEC pointed out that the CAPE offered important insights for ADB's approach toward fragile and conflict-afflicted countries, underlining that country programs could be successful, even in challenging situations. For the next CPS, the DEC expressed the need to increase efforts in agriculture, rural development, health, and education to strengthen Tajikistan's economic growth prospects. Food security is a top government priority and would likely feature in the next CPS, along with gender issues. The DEC emphasized the need to integrate disaster risk management in climate change programs.

## **B. Corporate Evaluation Studies**

### **1. Role of Technical Assistance in ADB Operations**

8. The DEC discussed the corporate evaluation study (CES) on the role of technical assistance (TA) in ADB operations. The study focused on the strategic relevance of TA projects to corporate priorities and reviewed TA management processes in the context of the reforms set out by the 2008 TA policy.<sup>3</sup> The study found that TAs directly supporting ADB's core operational areas and drivers of change have increased. While the alignment of TA projects with country program goals has improved, the study noted that almost 30% of TA projects are not included in CPSs, country operations business plans, and regional cooperation strategies. The evaluation did not find many examples of TA projects being used for pilot-testing new ideas and promoting innovation. The study also noted the declining share of resources allocated to project preparatory TA in recent years, and the impact of the limited budgets and the streamlined business processes on project preparatory TA quality and project readiness. The report raised concerns about the performance of consultants and ADB's consultant management, including the preparation of unclear consultants' terms of reference, which may affect overall TA performance.

9. The DEC noted that about 70% of TA projects from 2007 to 2012 were rated successful, but below the corporate target of 80%. The committee also welcomed the suggestion to establish a senior management committee to identify emerging needs, and who will provide strategic guidance on thematic, sector, and country allocations for TA projects. The DEC acknowledged the perceived knowledge losses when TA implementation is outsourced to consultants and the need to balance the use of short- or long-term consultants with more flexible staffing contracts with a view toward better retention of knowledge build up. The DEC welcomed IED's efforts to: (i) work with management to improve TA completion reports, (ii) undertake more TA evaluations, and (iii) revise CAPE guidelines to better capture the contribution of TA to development outcomes. It also commented that IED should further discuss

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<sup>3</sup> IED. 2014. *Corporate Evaluation Study: Role of Technical Assistance in ADB Operations*. Manila: ADB.

evaluating TA projects with the evaluation departments of other multilateral development banks. The DEC members encouraged staff to improve dissemination of knowledge products and expressed optimism on the forthcoming integrated database of ADB knowledge products from TA projects.

## 2. Safeguards Operational Review

10. In compliance with the Safeguards Policy Statement (SPS) of 2009, IED conducted an operational review that reported overall progress on ADB's safeguards delivery, and paid special attention to two new aspects of SPS: (i) new procedures and conditions allowing the use of country safeguard systems (CSS) in ADB projects in certain circumstances, and (ii) new safeguard requirements for financial intermediary projects.<sup>4</sup>

11. The DEC took note that there is adequate staff in ADB to undertake safeguards work, that systems are largely being followed, and that the TA project on strengthening CSS was beginning to deliver tangible results. However, DEC members noted that the current approach of undertaking equivalency assessments has not worked well. Many countries seem to find it easier to follow SPS in ADB projects than fulfill all the requirements to allow them to apply for the full use of CSS. The DEC welcomed the new requirements under the SPS (e.g., biodiversity conservation, occupational safety and community health and safety, and greenhouse gas emissions) but urged staff to also consider the cost of compliance with ADB standards. The DEC emphasized the importance of striking a balance by maintaining ADB's high safeguard standards but not setting the bar too high, which may discourage DMCs in engaging with ADB. A fuller evaluation of the safeguards' effectiveness, with more attention on results on the ground had been envisaged to be initiated in 2015. On the timing of the full review of the SPS, the DEC agreed with staff's view that IED should consider whether the sample of operations approved after SPS' adoption is sufficiently mature to warrant a review during the fifth year of its implementation.<sup>5</sup>

## 3. Trade Finance Program

12. IED's study on the trade finance program (TFP) found that the TFP has helped address the gap in the trade finance market, and has been able to respond quickly to requests. The program has been a valuable tool in ADB's countercyclical response to the 2008–2009 global financial crisis and its knowledge products have made a notable contribution in showing the low risks associated with trade finance.<sup>6</sup> Several DEC members mentioned the high quality of the IED report. The DEC welcomed the success of the TFP and remarked that the 2015 Board review will be a good opportunity to discuss questions raised by the IED report. Some DEC members expressed a preference for a full review in the form a new report and recommendation of the President to the Board of Directors, to be discussed at a Board meeting rather than by summary procedure, and not limited to a change in scope document. The DEC also urged staff to consider the shifting economic and political landscape, changes in international financial systems, and the Midterm Review Action Plan to guide future strategic directions of the TFP.

<sup>4</sup> IED. 2014. *Corporate Evaluation Study: Safeguards Operational Review—ADB Processes, Portfolio, Country Systems and Financial Intermediaries*. Manila: ADB.

<sup>5</sup> IED originally circulated an Evaluation Approach paper in July 2015 to do the planned SPS effectiveness evaluation; but consolidated comments from management reflected serious concerns on the timing again. After much discussion, IED decided to postpone the full SPS evaluation for another 3 years or so, and decided to pursue with some country case studies for 2015–2016.

<sup>6</sup> IED. 2014. *Corporate Evaluation Study: ADB Trade Finance Program*. Manila: ADB.

The DEC requested staff to think about ways to improve the program's profitability without shrinking finance markets and to consider a flexible business plan that takes into account constantly evolving market demand.

## **C. Thematic Evaluation Studies**

### **1. ADB's Support for Inclusive Growth**

13. The DEC discussed the evaluation study on ADB's support for inclusive growth and noted progress in the adoption of indicators for inclusive economic growth in ADB's corporate results framework, the issuance of staff guidelines on inclusive economic growth in the CPS, and the revision of the project classification system.<sup>7</sup> The DEC agreed with the study's recommendation to focus on both poverty and inequality to achieve inclusive growth. The DEC noted the different definitions of inclusive growth used by comparators and within ADB, as well as the ongoing debate on whether contributing to only pillar one of ADB's Strategy 2020 (as opposed to pillars two and three or a combination of all three), can be considered as contributing to inclusive growth.<sup>8</sup> A vigorous debate was had between IED and staff about whether inclusive growth elements should be considered at: (i) project level versus country partnership level, and (ii) direct versus indirect interventions to lower-income groups. Subsequent discussions revealed a reasonable level of consensus that not all projects need to focus on inclusive growth, but rather that inclusion should be viewed from a country portfolio perspective. Projects under any of the three pillars of Strategy 2020 could contribute to inclusive growth inclusive growth, including infrastructure projects. DEC members agreed that ADB should intensify efforts to support projects that benefit the poorest and most vulnerable in middle-income countries where inequality is more pronounced.

### **2. ADB's Initiatives to Support Access to Climate Finance**

14. IED's real time evaluation study examined how ADB can position itself to improve access to climate finance, develop capacity among developing members to use climate finance, and scale up and mainstream support for climate change responses. The report recognized ADB's efforts to address climate change mitigation particularly in the energy and sustainable transport sectors, the policies it has put in place, knowledge products delivered, the use of technical assistance projects, including the screening of projects for climate risks.<sup>9</sup> The DEC members appreciated the timeliness of the report given the operationalization of the Green Climate Fund in 2014, the prominence of climate in the post-2015 development agenda, and discussions about the midterm review of Strategy 2020 and its action plan. Some DEC members recognized ADB's straightforward process for accessing internally funded and administered funds (e.g., climate change fund). The DEC underscored the importance of correct project classification and expressed concern about the differences observed in the list of projects identified by IED and by staff as addressing climate change. Staff shared that the revised project classification system, which was rolled out in April 2014, has integrated the methodology jointly developed with other multilateral development banks in categorizing climate mitigation and adaptation actions and associated financing. Most DEC members also supported

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<sup>7</sup> IED. 2014. *Thematic Evaluation Study: ADB's Support for Inclusive Growth*. Manila: ADB.

<sup>8</sup> The three pillars of inclusive growth are: (i) creating opportunities through growth, (ii) improving access to opportunities, and (iii) providing social protection.

<sup>9</sup> IED. 2014. *Thematic Evaluation Study: Real-Time Evaluation of ADB's Initiatives to Support Access to Climate Finance*. Manila: ADB.

the development and use of various financial products to support DMCs such as the issuance of topical bonds, disaster risk financing, and continued support for carbon market initiatives.

### **3. ADB Support for Enhancing Governance in Public Sector Operations**

15. The study reported that ADB has been responsive in its institutional and operational support for the agenda, yet cited concerns including the declining share of transport and energy projects that contain governance and capacity development components as well as the limited use of TA dedicated to the infrastructure sectors (relative to the rapid growth in lending). The results of public sector management operations were rated less than satisfactory and the report underscored the need to improve diagnostics, design, monitoring, and supervision in more difficult high-risk environments.<sup>10</sup> Staff agreed with IED recommendations, which call for better governance analytics in country and sector programs and improving the quality and implementation of risk assessment and management plans.

16. The DEC members welcomed the report, noting that the review on governance was the first of its kind considering that the sector represents at least 10% of the total portfolio. The DEC members had mixed views in regard to the needed prominence of the governance agenda in ADB's strategic positioning. One DEC member underscored that ADB's emphasis on governance could be gleaned from the fact that it has been identified as one of the drivers of change with crosscutting relevance on different sectors and the three pillars of inclusive growth. Another DEC member felt that the visibility of governance is limited, given that there are very few indicators relating to this in the revised results framework, which the DEC member hopes will be adjusted in the next review. Some DEC members considered that success rates should not be a decisive factor in ADB's engagement in the sector. They recognized that governance interventions are high-risk, high-return operations, and could have a transformative impact in DMCs, even when partly successful.

#### **D. Special Evaluation Report on ADB's Strategy 2020 at Midterm**

17. The DEC appreciated the opportunity to discuss IED's special evaluation report on ADB's midterm review of Strategy 2020 before the Board discussed the working paper. The DEC members also noted that DEC inputs on strategic issues such as private sector development, decentralization, environmental sustainability and disaster risk management, inclusive growth, and knowledge solutions, had been taken into account. The DEC noted that a key issue for ADB is that its project success rate has remained stagnant at 67% (lower in challenging regions such as the Pacific).<sup>11</sup> The DEC supported IED's view that ADB needs to re-orient its staff, teams, and organizational culture toward achieving excellence, which can be brought about by introducing stronger incentives, recognition, and rewards for the delivery of successful projects with a focus on disbursements and project implementation rather than project approvals.

18. The DEC supported plans to (i) streamline business processes to reduce delays in project implementation, (ii) promote efficient and cost-efficient procurement, (iii) develop career streams for technical and managerial staff, (iv) share resources across departments by

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<sup>10</sup> IED. 2014. *Thematic Evaluation Study: ADB Support for Enhancing Governance in its Public Sector Operations*. Manila: ADB.

<sup>11</sup> IED. 2014. *Special Evaluation Report: Inclusion, Resilience, Change: ADB's Strategy 2020 at Mid-Term*. Manila: ADB.

mobilizing interdepartmental and interdisciplinary teams, and (v) empower RMs and create incentives for staff to work in RMs.

### **III. KEY ISSUES AND FINDINGS FROM THE DEVELOPMENT EFFECTIVENESS COMMITTEE'S REVIEW OF VARIOUS ANNUAL REPORTS**

#### **A. 2014 Annual Evaluation Review**

19. The DEC discussed the 2014 Annual Evaluation Review (AER), which focused on (i) ADB's project performance on both shorter and longer timeframes, (ii) the follow up to evaluation recommendations, (iii) the sustainability of ADB's energy operations, and (iv) trade-offs between inclusive and environmentally sustainable growth.<sup>12</sup> The discussion centered on the methodology for validating project success rates, the deadline for project completion report (PCR) submission, country program performance, the lack of supervisory staff continuity affecting project performance, the Management Action Record System (MARS), environmental sustainability and the role of subsidies, and the interpretation of inclusive and environmentally sustainable growth.

20. The DEC observed a large difference in project success rates as reflected in the AER and the Development Effectiveness Review (DEfR) respectively, noting that the methodology, scope, and adjustment rates used make it difficult to get a clear message regarding ADB's performance. One DEC member put forward that the time period 2007–2010 (with a recorded success rate of 57%) seems to be the only period for which IED has done a sufficiently large number of validations to reach conclusions on ADB's performance with a reliable degree of confidence. He emphasized the importance of clarifying and unifying the methodology for greater consistency, raising questions on: (i) the percentage of PCRs that should be validated; (ii) whether and how unvalidated PCRs should be adjusted in terms of their success rate; and (iii) why in the past, the DEfR applied an adjustment only to 75% of unvalidated PCRs, and not 100%. The DEC chair echoed the concerns, stating that the differing methodologies and data sets are reasons why some DEC and other Board members had suggested a consolidation of the AER, DEfR, and the annual portfolio performance review.

21. IED cited two issues that need to be corrected, moving forward with the two reports: (i) the practice of mixing self-evaluation and validated success rates, and (ii) applying the adjustment to only 75% of unvalidated PCRs for years in which IED has not done validations yet. IED proposed that the adjustment applies to all PCRs insofar as the DEfR is concerned, while the AER will only discuss the success rates based on validated PCRs and project performance evaluation reports. The Strategy and Policy Department explained that there could still be differences in success rates presented by IED and ADB, given that DEfR presents rates exclusively by PCR year, while IED also presents the rates for batches of projects selected on the basis of their approval year. The DEC pointed out that it would be helpful if both staff and IED could reconcile methodologies for better comparability, and agreed it would be unwise to mix ratings for unadjusted, adjusted, and validated PCRs. Staff indicated that they will consult IED to address the question of validation, in preparation for the 2014 report.

22. On staff continuity in project administration, DEC members expressed concern that average staff tenure on projects is less than 2 years and declining, while the average duration of project implementation is 6 years or longer. DEC members agreed that frequent staff changes

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<sup>12</sup> IED. 2014. *2014 Annual Evaluation Review*. Manila: ADB.

are seen as important challenges in ADB-client relations; that staff should stay on projects longer; and, that the current midterm review action plan should pick up the issue of staff continuity. Staff shared that the ongoing action plan discussions had touched on the need for team leaders to stay on with the project for at least 3 years, but this would be a challenge given the constant stream of projects coming in and limited staff resources.

23. The DEC members noted the weaknesses reported on actions recorded in the MARS. Noting that the system is being migrated to eOps from Lotus Notes, a DEC member inquired whether there is scope to integrate MARS information in other aspects of project management (e.g., quality-at-entry reviews, etc.). The DEC members also picked up on some suggestions in the AER such as public reporting of MARS actions. The DEC chair suggested that it may be prudent to inquire about current practice of other multilateral banks in this regard, while noting the importance of publicly showing ADB's commitment to performance and effectiveness. The DEC members appreciated the AER's suggestion to make a better distinction between recommendations and lessons—recommendations are actionable and short term, while lessons are longer term.

## **B. 2013 Development Effectiveness Review**

24. The DEC discussed the 2013 Development Effectiveness Review (DEfR), the first DEfR to use the revised results framework. The DEC noted that results targets were met or exceeded in most of the Strategy 2020 core areas. The DEC was pleased to note that the 2013 outcome achievement rate for ADB operations exceeded 80% for the first time since 2008.<sup>13</sup> However, the DEC noted that there are still many challenges such as cost and time overruns; complex, overambitious, and inadequate project design; delays in start-up; lower disbursement; reduced commercial cofinancing; lower public and private partnership leverage ratio; and off-track performance of Strategy 2020 priorities such as regional cooperation and integration, governance and/or capacity development, climate change adaptation and mitigation, and private sector development. The DEC also noted the absence of an action plan in this year's review unlike in previous years. Staff indicated that an action plan will be presented with the final discussion on the midterm review of Strategy 2020 to avoid duplication of action plans.

25. A DEC member noted that while progress was being made with respect to the Millennium Development Goals and reducing poverty, results in several areas were off-track. The member noted that the Asia and Pacific region still has two thirds of the world's extreme poor, vulnerability to poverty is rising, and income inequality has not improved. The DEC member suggested ways in which ADB could play a part in tackling this challenge such as increasing funding for health, education, and access to sanitation. The DEC member also flagged the impact of disasters in pulling people back to poverty and underscored the importance of social protection.

26. The DEC members noted that improvements in project readiness were starting to bear fruit but indicated that ADB needs to continue efforts to reach the 80% target and pay more attention to sustainability of operations, which is on-track but also below the 2016 target. A DEC member noted that 90% of ADB's successful projects were also rated as sustainable and encouraged staff to make additional efforts to improve success and sustainability. Staff mentioned that the priority is to improve project success rates by focusing on operations and maintenance, specifically on road and water, through performance-based contracts. Staff

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<sup>13</sup> ADB. 2014. *2013 Development Effectiveness Review*. Manila: ADB.

stressed that more recent operations appear to have better results compared to old ones. While noting that ADB projects on average take 8 years to complete, the DEC welcomed efforts on staff procurement training and the 20% reduction in the bid evaluation report review time by the procurement committee.

### **C. Annual Report on 2013 Portfolio Performance**

27. The DEC discussed the 2013 APPR, which showed a mixed portfolio performance. Sovereign portfolio grew by 6% in 2013 and there was a slight increase in project disbursements, but contract awards decreased significantly. While demonstrating good quality and profitability and despite higher disbursements in 2013, the nonsovereign portfolio decreased by 4% due to higher droppage rates, divestments, and prepayments. For the sovereign portfolio, staff flagged that insufficient project readiness translates to slow disbursement in the initial years of the project implementation.<sup>14</sup> Consequently, only 70% of the funds had been disbursed by year 5. Some key measures recommended in the APPR are as follows: (i) a disbursement drive among operational departments to achieve \$10.3 billion up from \$8.1 billion, (ii) implementing the Strategy 2020 midterm review actions on sovereign project implementation, (iii) spring cleaning of uncommitted balances on the nonsovereign portfolio, (iv) re-evaluating the equity strategy, and (v) better information technology systems to monitor performance. Staff also reported that the Private Sector Operations Department (PSOD) has established a portfolio management division that will handle administration of private sector operations.

28. The DEC members commended the APPR as a useful document but suggested that it could have provided more analysis on trends identified. A DEC member welcomed the instructive case study on Papua New Guinea and considered that the report could have been more insightful had it presented more case studies describing lessons learned from projects with long delays. The same DEC member welcomed the drop in problem projects, but would have appreciated more analysis on why this has happened. Some DEC members pointed out that the report would benefit from a wider Board discussion, possibly coinciding with the discussion on the AER.

29. The DEC members also inquired if the increased disbursement target was realistic and cautioned against creating incentives for staff to overly focus on disbursement. The DEC chair flagged concerns often raised by the Board about the bunching season at the end of each year and urged staff to look into measures implemented by other multilateral development banks to address this issue. He also underlined the importance of close cooperation and joint efforts made by client countries in this context. A DEC member recalled that one of the reasons cited recently by staff were delays in project negotiations related to availability of government counterparts.

30. On nonsovereign operations performance, DEC members expressed concern about the (i) high rates of cancellations and droppages, (ii) the decrease in direct value-added cofinancing, and (iii) the lack of nonsovereign public projects. A DEC member pointed out that PSOD could improve the vetting process of its potential partners to address cancellations and droppages. The DEC chair requested for interim updates on 2013 APPR recommendations within the year to closely monitor the progress. Staff agreed to provide updates.

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<sup>14</sup> ADB. 2014. *2013 Annual Portfolio Performance Report*. Manila: ADB.

**V. DEVELOPMENT EFFECTIVENESS COMMITTEE RECOMMENDATION**

31. DEC recommends that the Board approve the public disclosure of this annual report.

**DEVELOPMENT EFFECTIVENESS COMMITTEE  
2014 Work Program**

<b>Meeting No.</b>	<b>2014 Date</b>	<b>Agenda</b>
1	18 February	Special Evaluation Report: Inclusion, Resilience, Change: ADB's Strategy 2020 at Mid-Term (IN.27-14)
2	26 March	Thematic Evaluation Study: ADB's Support for Inclusive Growth (IN.49-14)
3	2 April	2013 Development Effectiveness Review (Sec.M6-14)
4	28 May	Thematic Evaluation Study: Real-Time Evaluation of ADB's Initiatives to Support Access to Climate Finance (IN.109-14)
5	18 June	2014 Annual Evaluation Review (Sec.M11-14)
6	25 June	2013 Annual Portfolio Performance Report (IN.214-14)
7	27 August	Country Assistance Program Evaluation for Tajikistan: Responding to the Changing Development Conditions (IN.238-14)
8	24 September	Thematic Evaluation Study: ADB Support for Enhancing Governance in its Public Sector Operations (IN. 281-14)  IED Work Program and Budget Framework (R164-14)
9	15 October	Corporate Evaluation Study: Role of Technical Assistance in ADB Operations (IN.318-14)
10	7 November	Corporate Evaluation Study: Safeguards Operational Review – ADB Processes, Portfolio, Country Systems and Financial Intermediaries (IN.389-14)
11	26 November	Corporate Evaluation Study: ADB Trade Finance Program (IN.403-14)

## HIGHLIGHTS OF ADB'S INDEPENDENT EVALUATION DEPARTMENT ACTIVITIES IN 2014

### A. Delivering the Evaluation Program

1. Independent Evaluation at the Asian Development Bank (ADB) marked its 10th anniversary in 2014 and with a sustained commitment for more relevant, responsive, and influential evaluation work. Independent evaluation has evolved along with ADB's changing focus. The Independent Evaluation Department (IED) aligns its work with ADB's corporate priorities and generates inputs to ADB strategies, policies, and operations, while striking a balance between accountability and learning. Throughout the year, IED continued to (i) improve coverage and depth of its evaluation studies, (ii) strengthen the validation process for self-evaluations and clear their backlogs, (iii) conduct evaluative pieces on emerging strategic issues and in operationally relevant areas, (iv) promote knowledge sharing and outreach, and (v) support evaluation capacity development both within and outside ADB. IED's activities are also grounded on the good working relationship with the Board of Directors and its Development Effectiveness Committee (DEC).

2. The year 2014 yielded a higher than average number of evaluations, at 127 products, due to: (i) completion of thematic evaluations, which were deferred to prioritize the Strategy 2020 at Mid-Term report; and (ii) an increased number of completion report validations arising from efforts to validate at least 75% of 2014 project completion reports (PCRs) and clear prior years' backlog.

3. Evaluations completed in 2014 focused on key areas of Strategy 2020. IED delivered three corporate evaluations (technical assistance, safeguard operations review and trade finance program); three thematic evaluations (support to inclusive growth, access to climate finance and governance in public sector operations); and the Annual Evaluation Review (AER). A major accomplishment is the opportune delivery of *Inclusion, Resilience, Change: Strategy 2020 at Mid-term* in February.<sup>15</sup> This complemented ADB's own Midterm Review from an independent perspective. For its country work, IED completed a country assistance program evaluation (Tajikistan) and validated a country partnership strategy final review report (Cambodia). At the project level, IED completed 9 project, program, and technical assistance performance evaluation reports and validated 105 PCRs and extended annual review reports (XARR).

4. The DEC and the Board discussed the 2014 AER in June. It had a chapter on inclusive and environmentally sustainable growth. For the second consecutive year, the AER reported on sustainability issues in ADB's project portfolio, i.e., sustainability and inclusion in energy operations.

5. IED continued to do middle-level evaluation research and/or topical papers with strong potential implications on institutional policies and practices. A journal article on *Contributors to the Frequency of Intense Climate Disasters in Asia-Pacific Countries* was published online in the Climatic Change Journal in August. By the end of 2014, work was ongoing for a topical paper on *Rise of Global Climate-related Disasters*, and a book on *Silence on Climate Change*,

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<sup>15</sup> Independent Evaluation. 2014. *Inclusion, Resilience, Change: ADB's Strategy 2020 at Midterm*. Manila. ADB. <http://www.adb.org/sites/default/files/IRC-S2020-IED.pdf>. The report served as critical input to ADB management's own midterm review. Many of its recommendations were absorbed in Management's Strategy 2020 Midterm Review Action Plan approved in July 2014.

*the Fury of Natural Disasters*. Apart from its specific evaluation studies and products, IED provided real-time feedback through selective review and commenting on ADB operational documents, i.e., draft reports and recommendation of the President to the Board of Directors, concept papers and strategy and policy documents, and participation in select management review meetings.

## **B. Enhancing Evaluation Knowledge Sharing and Outreach**

6. **Innovation and Learning in a Changing Asia.** To mark a decade of independent evaluation at ADB, IED hosted on 9–10 September “Innovation and Learning in a Changing Asia,” an international forum featuring a range of high profile panelists who spoke on the need for innovation in responding to challenges like growing inequality, climate-induced natural disasters, and weak governance. This major event also included the launch of IED’s 10-year anniversary book, and ADB’s first ever self-evaluation awards ceremony for high quality self-assessments of completed sovereign and nonsovereign operations. The response to this two-day event has been very positive both from within ADB and from the many participants and panelists who attended. Following this learning event, IED offered a day long capacity development seminar for government clients and resident mission staff who attended the forum.

7. **Anniversary Book.** IED launched the *Evaluation for Better Results* to commemorate the 10 years of independent evaluation at ADB. The publication offers a collection of papers from distinguished development practitioners and evaluators from around the world focuses on evaluation-related challenges, approaches, and capacity development and proposes lessons and solutions to improve results.

8. **Annual Meeting in Astana.** For the first time, IED hosted its own seminar at ADB’s Annual Meeting. Under the topic “Lessons from Independent Evaluation: Toward Better Development Outcomes in Asia and the Pacific,” a panel of distinguished speakers shared their thoughts on the need of supporting a triple bottom line of fostering simultaneously economic growth, social inclusion, and environmental sustainability in response to the region’s main development challenges.

9. **Other outreach activities.** Throughout the year, IED co-organized and/or joined a number of other learning and knowledge sharing events. At ADB HQ, IED hosted two K-hub and Insight Thursday sessions on “Inclusion, Resilience, Change: Strategy 2020 at Mid-Term.” IED participated in the “Championing Disaster Resilience and Urban Transformation” session of the Green Cities conference (May), ADB Board Management Retreat (September) and Asian Development Fund (ADF) XI Midterm Review (November). For the ADF XI Midterm Review, IED presented evaluation findings, in particular on inclusive growth, governance, and safeguards.<sup>16</sup> IED also helped organize and participated in a major conference on “Making Impact Evaluation Matter” held in ADB in September. The conference brought together participants from around the world, including policy makers, program managers and researchers. IED staff presented their impact evaluations during the event.

10. For external outreach events, IED was featured in keynote and panel sessions during the Shell “Powering Progress Together: Energy, Water, Food” forum in Manila (February), UN Evaluation Week event sponsored by UNEG/UNEDAP in Bangkok for the Post-2015

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<sup>16</sup> As an input to ongoing ADF negotiations, ADF donors requested for independent assessments on three key areas for ADB: inclusive growth, governance, and safeguards.

Development Agenda (March), and the 10<sup>th</sup> Annual Conference of the Asia Pacific Economic Association with the theme “Climate Action and Economic Growth.” It also contributed to the 10th European Evaluation Society Conference speaking on ADB’s private sector operations and its contribution to inclusive growth. IED likewise had bilateral meetings with the Netherlands’ Ministry of Foreign Affairs about Asia, ADB and evaluation. In October, IED provided a keynote role during the International Scientific Conference on Fisheries and Aquatic Sciences in Iloilo City in with the theme “Toward Disaster and Climate Resilience” sponsored by the University of the Philippines and The Manila Observatory.

11. **Evaluation derivative products.** IED completed three learning lessons on ADB’s safeguards policy, ADB’s support to inclusive growth, and raising ADB’s impact (based on the Inclusion, Resilience and Change report) which were well-received by internal and external stakeholders. In the area of media relations, IED was featured in various online and print news media: 7 opinion editorials, 10 press releases, and 4 ADB blogs. ABS-CBN News Channel’s Headstart program interviewed IED staff on the need for disaster prevention in climate action. IED also produced and disseminated 10 videos and multimedia to the general audience.

12. **Use of information systems and technology.** IED remains on track in (i) updating its website (including landing pages, visual elements, and related contents), which is the main hub for evaluation resources; (ii) promoting the use of social network sites and information gateways for publication of abstracts for most high-level evaluation reports; and (iii) promoting efficient use of evaluation information. Website hits reached 98,762 in 2014—a fraction below its 100,000 yearly target. IED sent regular communication and information notices to ADB Board and Management on its evaluations (including ADB Today and intranet sites) as well as Evaluation Alerts to subscribers. IED also conducted several briefings and consultations on the lessons database module of the Evaluation Information System to promote its use by the ADB Board, and staff of both operational and knowledge departments. IED continues to act on comments received during these consultations with a view to further raise the use of and interest for the database. IED and management also continue to collaborate to ensure timely updating of the Management Action Records System, which tracks evaluation recommendations and management follow up on action plans.

### C. Evaluation Capacity Development

13. **Capacity development in developing member countries.** IED supported evaluation capacity development in government officials in three ways: (i) Shanghai International Program on Development Evaluation and Training (SHIPDET), (ii) PCR training, and (iii) On-the-job training on evaluation methods and practices. SHIPDET, organized at the Asia-Pacific Finance and Development Center (AFDC) in Shanghai, had two offerings. The first one was held in April for 75 PRC government officials, and IED provided 2 resource persons on results-based management and evaluation. The second offering was held in October and IED supported the participation of 51 officials from 3 countries in the Greater Mekong Subregion (Cambodia, Lao People’s Democratic Republic, and Viet Nam) and 4 countries in Central Asia (Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan).

14. Training in PCR preparation for government officials on a pilot basis were initiated in six locations: Bishkek (hub event for seven DMCs), Islamabad (hub event for Pakistan and Afghanistan), Ha Noi, Jakarta, Phnom Penh, and Vientiane. A total of 125 officials from 12 countries attended the training.

15. Since 2011, IED has also been providing on-the-job training in evaluation methods and practices, and every year, four DMC officials come to IED to gain insights into evaluation by being part of evaluation teams. In 2014, one participant each from Kyrgyz Republic, Papua New Guinea, People's Republic of China, and the Philippines have been actively learning under the guidance of IED's international staff leading evaluation studies.

16. **Capacity development in ADB.** As part of the staff development program in the preparation of PCRs and technical assistance completion reports, IED trained 110 ADB staff through 6 sessions: 3 in Manila, and 1 each in Bishkek, Islamabad, and Jakarta. IED also trained 30 staff in a half-day session on evaluation during ADB's regular staff development training on project design and management. To encourage better self-evaluations, and as a part of the Innovation and Learning in a Changing Asia event, IED recognized seven well-prepared PCRs and XARRs.

17. **Capacity development in IED.** Two IED staff attended the International Program for Development Evaluation Training in Ottawa from 22 June to 4 July. Another six staff attended a one-week training program in Shanghai in October on case study approaches and cost-benefit analysis. IED also organized two training workshops for its staff: (i) thematic and corporate evaluation methods (February), and (ii) three modules on planning and designing data collection for evaluation (February–March). Several IED staff attended in-house learning events organized by the Budget, Personnel and Management Systems Department, and communities of practice at ADB.

#### **D. International Networking**

18. IED is an active partner of international evaluation organizations like the Evaluation Cooperation Group (ECG). In 2014, IED staff participated in the spring (Johannesburg) and fall (Washington, D.C) meetings of the ECG. It also continued to support ECG secretariat operations (e.g., cost-sharing arrangements) and share information through its revamped ECGnet. IED led the preparation of a synthesis paper on *Knowledge Management in International Financial Institutions* for the ECG, and this was completed and posted in December.