

August 2020

Annual Report of the Development Effectiveness Committee 2019

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Access to Information Policy.

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
CODE	–	Committee of Development Effectiveness
CPS	–	country partnership strategy
CRF	–	corporate results framework
DEC	–	Development Effectiveness Committee
DEfR	–	Development Effectiveness Review
DMC	–	developing member country
IED	–	Independent Evaluation Department
IFI	–	international financial institution
MFF	–	multitranches financing facility
PEF	–	private equity fund
PSOD	–	Private Sector Operations Department
S2030	–	Strategy 2030
SAPE	–	sector assistance program evaluation
TA	–	technical assistance

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.

CONTENTS

	Page
I. INTRODUCTION	1
II. DEVELOPMENT EFFECTIVENESS COMMITTEE'S REVIEW OF SELECTED EVALUATIONS	1
III. ANNUAL REPORTS	3
IV. OTHER MATTERS	5
APPENDIXES	
1. Development Effectiveness Committee Meeting Program, 2019	7
2. Links to the Reports, Management Responses, and Chair's Summaries	8

I. INTRODUCTION

1. In accordance with its terms of reference,¹ the Development Effectiveness Committee (DEC) submits this annual report to the Board of Directors of the Asian Development Bank (ADB). The report covers the DEC discussions on evaluation studies conducted by the Independent Evaluation Department (IED) pertaining to ADB policies, strategies, and completed operations. It covers discussions from the meetings held from 1 January to 31 December 2019.² The chair and members during this period were as follows:

Director Syurkani Kasim (chair)
Director Zhijun Cheng (from 1 July 2019)
Director Helmut Fischer (from 1 July 2019)
Director Anuar bin Ariffin (until 30 June 2019)
Alternate Director Scott Dawson
Alternate Director Philip Rose (until 30 June 2019)
Alternate Director Shahid Mahmood
Alternated Director Masashi Tanabe (until 30 June 2019)
Alternate Director Kenzo Ohe (from 1 July 2019)

II. DEVELOPMENT EFFECTIVENESS COMMITTEE'S REVIEW OF SELECTED EVALUATIONS

2. The DEC reviewed IED's findings and recommendations on ADB's institutional and development effectiveness, and provided feedback to IED and ADB Management. It reviewed seven IED evaluations in 2019: (i) two sector assistance program evaluations (SAPEs) on the energy program in Pakistan and the finance program in Indonesia; (ii) two country assistance program evaluations (CAPEs) on the Azerbaijan and Indonesia country partnership strategies (CPSs); and (iii) three corporate evaluations conducted by IED: (a) Private Sector Equity Investments, (b) the Asian Development Fund (ADF) XI and 12, and (c) Multitranche Financing Facility, 2005–2018: Performance and Results Delivered.

3. IED briefed the DEC on the progress of the Evaluation Knowledge Management Strategy, developed in 2018. As part of the strategy, IED has made its evaluation products more reader-friendly, something also sought after by the DEC, including a one-page evaluation in brief and an executive summary at the beginning of its reports. The DEC discussed the importance of stronger analytical work and a more systematic approach to capturing knowledge and incorporating this aspect in documents such as CPSs.

4. The ADB Board of Directors is responsible for approving the IED annual work program. The DEC reviewed IED's proposed Work Program, 2020–2022 and Budget 2020; and guided the Board before approval in December 2019.

5. The DEC welcomed continued strong collaboration between IED and Management in the planning and conduct of independent evaluation reports, and the Management response to them. The DEC members also expressed an interest in more attention to the follow-up of IED reports, and more engagement with Management on proposed responses.

¹ ADB. 2011. [Terms of Reference of the Development Effectiveness Committee of the Board of Directors](#). Manila.

² DEC 2019 Meeting Program (Appendix 1).

A. Country Assistance Program Evaluations

6. The DEC reviewed and discussed two CAPEs on Azerbaijan and Indonesia. For both, the DEC agreed with IED's findings and recommendations and encouraged Management to consider them seriously. The committee's input will contribute to Management's preparations of CPSs for these two countries. Additionally, the DEC suggested that the CPSs include documentation highlighting the CAPE recommendations, Management views, and how the recommendations have been incorporated into the strategy, as well as the future action plan. In both countries, continued engagement and support was encouraged.

7. The DEC supports the CAPEs' recommendation to deploy a wider range of instruments and modalities, including the use of policy-based loans, which are particularly useful in supporting countries undertaking reforms.

8. The DEC underscored the importance of CAPEs, which enable Board members to see how ADB has been operating in developing member countries (DMCs), and pointed out that lessons and recommendations from the Indonesia CAPE are applicable to other DMCs and could be shared with these where relevant. The DEC put forth a request to IED that such evaluations not only focus on areas for improvement, but also highlight what has worked well with the purpose of replication and sharing with other DMCs. For Indonesia, the committee welcomed Management's proposed response to improve knowledge products from its operation experience in the country.

9. The DEC suggested presenting future CAPEs in the context of Strategy 2030 (S2030) and the committee discussed if that requires the assessment methodology to be changed.³ IED responded that Management is reviewing the need for reform of the CPS and that assessment methodologies could change if such reform took place. Other areas where the committee suggested putting more focus in future CAPEs were gender issues and staffing at headquarters and in resident missions.

B. Sector Assistance Program Evaluations

10. The DEC discussed two SAPEs on Indonesia and Pakistan for the finance and energy sectors.

11. It focused on the lessons, issues, and recommendations from the Pakistan SAPE, including supporting reform in a difficult operating context, the modalities used, and the conclusions drawn. While it noted that these lessons would be incorporated into the formulation of Pakistan's country business operations plan, 2019–2021 and the preparation of Pakistan's CPS, 2020–2024, the DEC pointed out that the SAPE on Pakistan's energy sector highlighted challenges for ADB projects being implemented in conflict areas. It stated that these lessons learned could be used in other DMCs facing similar issues, including the need for ADB to accept a higher rate of failure in difficult contexts, the need to prepare for setbacks, and the need to maintain continuity.

12. The SAPE for the Indonesian finance sector will also provide input for the preparation of Indonesia's CPS, 2020–2024. The DEC cites the creation of stability and a regulatory framework as one of the main achievements of the SAPE. The committee requested this to be reflected in

³ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

the next CPS, as well as reducing the risks of investments in the sector and hence promoting financing from institutional investors for large infrastructure assets, thus contributing to financial deepening. It also stressed the importance of support to improve financial inclusion in the upcoming CPS.

C. Evaluations

13. **Private sector equity investments.** The DEC discussed the IED corporate evaluation of ADB's private sector equity investments from 2006 to 2017, examining direct equity investment and private equity funds (PEFs). Despite the marked difference in performance between direct equity and PEF investments, the DEC urged ADB's Private Sector Operations Department (PSOD) to continue all types of equity investments in a measured fashion, while managing the risks. It encouraged PSOD to take equity risks, including targeted investments in PEFs, but to focus on improved financial and development performance. The DEC welcomed the creation of a new equity investment unit in PSOD and noted that the most fundamental issue is to change the organizational mindset to one more suitable for equity investment.

14. **Multitranche financing facility.** The committee discussed IED's report on ADB's multitranche financing facility (MFF), 2005–2018. Members agreed with and supported having a thorough review and update of the MFF modality policy. Part of the purpose of the review and policy update, as recommended in the report, is to ensure the modality is aligned with S2030, deliver integrated solutions, and realize its transformational development potential. The DEC requested Board oversight of the follow-up plan and on updates on the implementation after approval, i.e., Board oversight of the modality on a regular basis.

15. The committee members believed that MFF designs need to be improved to ensure that timetables are realistic and can be completed within a reasonable timeframe, thereby avoiding cancelations.

16. **Relevance and results of concessional finance: Asian Development Fund XI and 12.** The committee discussed the corporate evaluation of the Relevance and Results of Concessional Finance: Asian Development Fund XI and 12 and found it relevant and timely in relation to the upcoming ADF 13 discussions and replenishment negotiations. It was pointed out that the Sustainable Development Goals will not be achieved in Asia by 2030 without funding. This was of concern to the DEC members who strongly suggested that Management give greater attention to this subject and interact with donors and other multilateral development banks, to achieve their common goal. They also discussed the report's lack of consideration of the ADF procedures, the need to streamline the replenishment processes, suggested follow-up by Management on ADF procedures and making this be part of the next ADF discussions.

17. The DEC discussed the sustainability and continuity of the ADF. It questioned how long ADF support will be needed and whether demand would change, e.g., whether a trust fund should be considered and if the focus should be more thematic than is currently the case.

III. ANNUAL REPORTS

18. Three corporate annual reports were discussed by the DEC and subsequently at Board level: the Development Effectiveness Review (DEfR), the Annual Portfolio Performance Report (APPR), and the Annual Evaluation Review (AER). This was the first year all three annual reports were presented to both the DEC and the Board, and the DEC appreciated efforts to enable it to

review and discuss the reports back-to-back for a comprehensive understanding of ADB's performance.

19. The committee members noted the interrelationship between these reports, the different roles of each report, and the perspectives they take in making their assessments. At the same time, the DEC found some overlaps between the DEfR and the AER because the short interval between the release of the two reports and the discussions in the DEC and the Board. The DEC urged Management and IED to consider how the overlaps could be minimized or to combine the discussion of both reports in one session.

A. Development Effectiveness Review

20. The DEC discussed the Strategy, Policy and Review Department's 2018 DEfR, which assesses ADB's performance from a development perspective for the past 12 months. Performance was evaluated against the transitional results framework, which was to be replaced in September 2019 by the new S2030 aligned corporate results framework (CRF). The DEC offered suggestions on the structure and content of the new CRF under development.

21. The committee discussed factors impeding better performance in areas where ADB scored lower than targeted, and actions ADB is taking to address these challenges, noting the importance of ADB taking timely actions designed to address areas of lower performance. The DEC also recognized the importance of continuing to strengthen results-based management systems and processes ADB has in place to ensure these actions are implemented.

B. Annual Evaluation Review

22. The DEC discussed two chapters of the AER on the CRF and scorecard and on the implementation of IED recommendations. The committee welcomed the in-depth review and comparative analysis of the CRF and the scorecards of multilateral development banks, noting their timeliness in informing the ongoing discussions between the Board and Management on the new CRF, which is aligned with S2030. It also urged Management to take the findings and recommendations of the AER into account in preparing the new CRF.

23. To strengthen the actionability of the IED recommendations, the DEC encouraged the continuation of technical meetings and consultations between IED and Management for evaluation reports as they are being finalized.

24. Regarding the reporting timeframe of action plans, the DEC agreed that the 60-day timeframe for Management to report action plans might be too short and agreed that it could reasonably be extended to a period such as 90 days.

C. Annual Portfolio Performance Report

25. The DEC discussed the Procurement, Portfolio and Financial Management Department's 2018 APPR, which provides a strategic overview of the size, composition, and quality of ADB's active portfolio. It recognized the APPR as a value-added report that offers a strategic overview and understanding of the composition and performance of ADB's active sovereign and nonsovereign portfolios. Further, it identifies actions and lessons for future ADB interventions.

26. The DEC commended the report, welcoming the new format and style that made the information accessible and understandable, as well as the improved strength of the content. In particular, it noted enhancements, such as the increased use of charts, summary boxes, and new portfolio analysis to communicate the key messages clearly.

27. The committee members noted that the APPR usefully directed attention to key indicators at each stage of the project cycle, and recommended measures to enhance project implementation and portfolio performance. The DEC highlighted the importance of taking early action and improving operational efficiency, as recommended in the APPR, to improve overall portfolio quality in 2019 and beyond. Selected key actions discussed, which are expected to strengthen ADB's portfolio performance, included (i) considering lessons learned from a sector and country context and assessing the capacity of the borrower to decide on a realistic project implementation period; (ii) increasing the number of ready projects before Board consideration, with greater usage of the project readiness financing and small expenditure financing facility modalities to increase contract awards and disbursements in the early years of the project's age; (iii) maintaining close and frequent policy dialogue with executing and implementing agencies to preempt project implementation; and (iv) continuing to invest in pre-initial public offering projects to bolster developing countries' capital markets.

IV. OTHER MATTERS

A. Technical Assistance Completion Report Validation

28. The DEC discussed the IED proposal to establish a new technical assistance (TA) completion report system. The committee welcomed this initiative, noting that the volume of TA support provided by ADB had increased significantly from 2002 to 2018. The DEC welcomed the proposal to adopt new guidelines that are harmonized with the Project Administration Instructions and to train staff under the new system. It commended the process used as a good example of the "One ADB" approach. The DEC endorsed the new TA completion report system, including the proposal to recruit additional staff to support the new unit. The new system was mainstreamed January 2020.

B. Meeting of Chairs of the International Financial Institution Committees on Development Effectiveness

29. The second meeting of the chairs and vice chairs of the Committees on Development Effectiveness (CODEs) of international financial institutions (IFIs) was held April 11, 2019 in Washington, DC. ADB hosted the meeting, which was chaired by the chair of ADB's DEC. Representatives from various IFIs attended the meeting, including the heads and staff of evaluation departments from these IFIs.⁴

30. The objective of the meeting was to provide a venue for continued dialogue among CODE chairs to increase coherence and enhance collaboration across IFIs in development effectiveness. The meeting discussed (i) the current trends, key strategic challenges faced by IFIs, and issues and challenges faced by IFI CODEs; (ii) the findings, implications, and

⁴ Including the Asian Infrastructure Investment Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Fund for Agricultural Development, the Islamic Development Bank, the International Monetary Fund, the New Development Bank, and the World Bank.

recommendations of the 2018 G20 Eminent Persons Group Report on Global Financial Governance on IFIs;⁵ and (iii) the experiences of IFIs, current challenges in, and solutions for independent evaluation for development effectiveness.

31. Both the CODE chairs of IFIs and heads of the IFIs' independent evaluation groups agreed to continue this important dialogue and to build better synergy and collaboration on the effectiveness of IFIs in delivering their mandates.

C. Development Effectiveness Committee Recommendation

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

⁵ G20 Eminent Persons Group on Global Financial Governance. 2018. [*Making the Global Financial System Work for All.*](#)

DEVELOPMENT EFFECTIVENESS COMMITTEE MEETING PROGRAM, 2019

DATE	TOPIC
24 January	Country Assistance Program Evaluation for Azerbaijan, 2011–2017
8 February	Sector Assistance Program Evaluation: ADB's Support to Pakistan Energy Sector (2005–2017)
25 February	ADB's Private Sector Equity Investments
26 March	Retrospective with DEC
28 March	ADB's New Technical Assistance Completion Report System
5 April	2018 Development Effectiveness Report
8 April	2019 Annual Evaluation Review: Performance and Scorecards
15 April	2018 Annual Performance Portfolio Report
24 May	Update on IED's Evaluation Knowledge Management
30 September	Relevance and Results of Concessional Finance: Asian Development Fund XI and 12 IED 2020–2022 Work Program and 2020 Budget
30 October	Country Assistance Program Evaluation for Indonesia, 2005–2018 ADB's Support to Indonesia Finance Sector (2005–2018)
21 November	ADB's Multitranches Financing Facility, 2005–2018: Performance and Results Delivered

ADB = Asian Development Bank, DEC = Development Effectiveness Committee, IED = Independent Evaluation Department.

Source: Asian Development Bank.

LINKS TO THE REPORTS, MANAGEMENT RESPONSES, AND CHAIR'S SUMMARIES

1. Country Assistance Program Evaluation for Azerbaijan, 2011–2017

Report: Independent Evaluation Department. 2018. [Country Assistance Program Evaluation: Azerbaijan, 2011–2017](#). Manila: Asian Development Bank (ADB).

Management response: ADB. 2019. [Management Response to IED's Country Assistance Program Evaluation: Azerbaijan, 2011–2017](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary for the 24 January 2019 Meeting](#). Manila.

2. Sector Assistance Program Evaluation: ADB's Support to Pakistan Energy Sector, 2005–2017

Report: Independent Evaluation Department. 2019. [Sector Assistance Program Evaluation: Pakistan—ADB's Support to Pakistan Energy Sector \(2005–2017\)](#). Manila: ADB.

Management response: ADB. 2019. [Management Response to IED's Sector Assistance Program Evaluation: ADB's Support to Pakistan Energy Sector \(2005–2017\)](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 8 February 2019 Meeting](#). Manila.

3. ADB's Private Sector Equity Investments

Report: Independent Evaluation Department. 2019. [Corporate Evaluation: ADB Private Sector Equity Investments](#). Manila: ADB.

Management response: ADB. 2019. [Management Response to IED's Corporate Evaluation of ADB Private Sector Equity Investments](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 25 February 2019 Meeting](#). Manila.

4. 2018 Development Effectiveness Report

Report: ADB. 2019. [Development Effectiveness Report 2018: Private Sector Operations](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 15 April 2019 Meeting](#). Manila.

5. 2019 Annual Evaluation Review: Performance and Scorecards

Report: Independent Evaluation Department. 2019. [2019 Annual Evaluation Review Performance and Scorecards](#). Manila: ADB.

Management response: ADB. 2019. [Management Response to the 2019 Annual Evaluation Review: Performance and Scorecards](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 08 April 2019 Meeting](#). Manila.

6. 2018 Annual Performance Portfolio Report

Report: ADB. 2019. [2018 Annual Portfolio Performance Report](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 15 April 2019 Meeting](#). Manila.

7. Relevance and Results of Concessional Finance: Asian Development Fund XI and 12

Report: Independent Evaluation Department. 2019. [Corporate Evaluation: Relevance and Results of Concessional Finance: Asian Development Fund XI and 12](#). Manila: ADB.

Management response: ADB. 2019. [Management Response to Corporate Evaluation on Relevance and Results of Concessional Finance: Asian Development Fund XI and 12](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 30 September 2019 Meeting](#). Manila.

8. IED 2020–2022 Work Program and 2020 Budget

Report: ADB. [Work Program: Independent Evaluation Department](#).

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 30 September 2019 Meeting](#). Manila.

9. Country Assistance Program Evaluation for Indonesia, 2005–2018

Report: Independent Evaluation Department. 2019. [Country Assistance Program Evaluation: Indonesia, 2005–2018](#). Manila: ADB.

Management response: ADB. 2019. [Management Response to IED's Country Assistance Program Evaluation: Indonesia, 2005–2018](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 30 October 2019 Meeting](#).

10. ADB's Support to Indonesia Finance Sector, 2005–2018

Report: Independent Evaluation Department. 2019. [Sector Assistance Program Evaluation: ADB Support to the Indonesia Finance Sector \(2005–2018\)](#). Manila.

Management response: ADB. 2019. [Management Response to IED's Sector Assistance Program Evaluation: ADB Support to the Indonesia Finance Sector, 2005–2018](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 30 October 2019 Meeting](#). Manila.

11. ADB's Multitranche Financing Facility, 2005–2018: Performance and Results Delivered

Report: Independent Evaluation Department. 2019. [Corporate Evaluation: ADB's Multitranche Financing Facility, 2005–2018: Performance and Results Delivered](#). Manila: ADB.

Management response: ADB. 2019. [Management Response to Corporate Evaluation on ADB's Multitranche Financing Facility, 2005–2018: Performance and Results Delivered](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 21 November 2019 Meeting](#). Manila.