

Chair's Summary of the 22 October 2020 Meeting

1. Two topics were discussed during the Development Effectiveness Committee (DEC) meeting held on 22 October 2020; IED's Thematic Evaluation of *ADB support for Public-Private Partnerships, 2009-2019* and the *Management Response (MR)* to this, and *IED's Proposed Work Program 2021-2023 and Budget 2021*. The DEC discussion refers to mentioned documents (attached). The meeting was held virtually through MS Teams.

ADB Support for Public-Private Partnerships, 2009-2019

2. DEC considers the report a useful and important, high quality evaluation, which is relevant and timely in the context of Strategy 2030 (S2030) and budgetary constraints coming from the global economic downturn. Management commended it as having constructive recommendations which will shape the preparation of the Private-Public Partnership (PPP) directional guidance paper, as well as further sharpen succeeding PPP operations, with the angle of better aligning ADB support with S2030's operational priorities. A member specifically acknowledged chapter 2 of the report and suggested making more aware of this chapter and getting its message out.

3. Management agreed with four (recommendation 1-4) out of the six recommendations put forth by IED in the report and partially agreed with two (recommendation 5 and 6). To the latter IED explained that management in the MR agrees on the substance of the recommendations but have chosen a different way of solving the issue.

Strategic and Operational recommendations

4. DEC members generally supported all IED's strategic and operational recommendations (recommendations 1-4).

5. The committee members discussed IED's recommendation to focus more on upstream work (pillars 1 and 2), especially strengthening of advocacy and policy work and stressed that for PPP to be effective, proper cost-benefit analyses, proper enabling environments, as well as proper value for money analyses are needed. Members were keen to learn what management plan to do in order to obtain this strengthening. Management agreed that work on pillars 1 and 2 should receive focus, e.g. through technical assistance, policy reform work, or more risk mitigation.

6. A member pointed out that the report highlights how the World Bank and other MDBs have recently shifted their focus on the upstream policy framework, and it was suggested as the way to go in order to create an enabling environment within DMCs. DEC requested information on collaboration of ADB with other MDBs and how the institution compares with its peers. Management assured that there is a lot of collaboration taking place in regard to co-financing, upstream, policy-enabling environments and communication with International Finance Corporation (IFC) advisory services.

7. In regard to proactively supporting DMCs in identifying and screening projects, a member expressed concern about the capacity and ability to resource the work properly, pointing out the reliance on consultants in the area. A member also pointed out that it is not clear where the responsibility for this will lie when ADB will assist governments in assessing whether projects are best processed through PPPs and whether this represents better value for money. The lack of value for money analyses, mentioned in the report, was pointed out as troublesome.

8. The impact of Covid-19 on development outcomes and operational plans was brought up for discussion, including the possible reorientation/adjustment of PPP operational plans and selection of projects in line with S2030. Management expressed concern that the health and economic crisis could lead to an infrastructure crisis, that the private sector is facing challenges and they will be looking to ADB for more support on creating a better enabling environment.

9. Management spoke of digital technologies as an area to be prioritized and mentioned possible impairments and rehabilitation in the transport sector as well as the need for ramping up social sector infrastructure. DEC Chair opinionated the possibility of the Covid-19 impact on transportation being temporary and stressed the short-term Covid-19 impact versus highlighting the continuous relevance of the seven priorities in Strategy 2030, especially climate change and climate financing.

10. It was discussed and agreed that ADB should improve its monitoring and evaluation (M&E) systems for PPP transactions across the entire project cycle and introduce consistent and coherent monitoring and tracking criteria and methodologies. Any proposed improvement in M&E for PPP should carefully consider the specific nature of PPP operations within the Bank, i.e. work across departments and that PPPs are long duration contracts. This work will be holistically coordinated by the PPP Thematic Group Secretariat (TGS) based upon the One ADB approach.

11. How to deliver and maximize the knowledge work at the DMC government counterpart level was discussed in the context of value add, pointing to the quality of knowledge work in upstream work, advocacy and policy, needing to be attractive to clients. KMAP and the pros of embedding knowledge work into operations was pointed out. Management stated that the institution's knowledge activities/products needs to be more demand driven and fully aligned with the country partnership strategies (CPS). Efforts are ongoing to address this under the new CPS policy.

Organizational recommendations

12. On the organizational recommendations, when discussing recommendation 5 on separating the PPP TGS from the Office of Public-Private Partnership (OPPP), a member expressed his surprise of management only partially agreeing and urged for reconsideration. Several members expressed their welcome of the promise of more resources and capacity to the TGS in MR, as well as further enhancing the independence of it, but seeking more of a mechanism for efficiency in general as well as in areas such as decision-making in case of disputes between the dual reporting lines.

13. A member sought a more thorough analysis on what would be the costs in terms of a functional separation as well as advantages of such. He expressed seeing a flaw in the recommendation as IED deviates from the approach of presenting the findings and evidence and abstaining from saying how it should be addressed by management. He felt lack of alternative solutions presented in the report.

14. Although it was acknowledged by members that ADB is making progress in terms of the One ADB approach, some members expressed that they would like OPPP to strengthen its efforts in this area, as it was not applied consistently when it came to coordinating upstream and downstream, and also to address the issue pointed out in the report, such as concerns about conflict of interest.

15. The importance of ADB's role in PPP was discussed, touching on trust and accountability. Knowledge sharing was also highlighted, pointing to the importance of transparency when sharing information and a strong validation system. Management mentioned the new corporate results framework for S2030 and the new CPS as a mechanism to strengthen departmental accountability.

16. On recommendation 6, a member, supported by some others, strongly stated that management should first have discussed with the AP3F donors and secured their consent before stating support for reassigning the funds to the PPP TGS. Management assured that the Management Action Record System (MARS) would clarify the actions that need to take place before shifting the management of AP3F funds. Another member mentioned that he wished to consult his capital, and another said he would wait for the outcome of consultations with financing partners before commenting further.

17. One of the DEC members expressed surprise to find that the Transaction Advisory Services (TAS) is a cost center and that only 25 % of expenses are recovered. He opinionated that more transparency is required and that a much clearer articulation of objectives in this as part of the overall strategy is needed. Management clarified that making OPPP a profit center would compromise on its ability to create development impact given high project preparation costs, hence, OPPP is structured as a partial cost recovery model.

Proposed IED Work Program 2021-2023 and Budget 2021

18. The Board of Directors of the ADB is responsible for approving the annual work program of the IED. The discussion in this meeting refers to the proposed work program 2021-2023 and budget 2021 paper distributed to the Board. Prior to the meeting, IED had provided DEC with the proposed Work Program and Budget for their initial review and interested parties had met beforehand.

19. The work program and budget were supported by DEC, and specifically the thematic evaluation on climate change and the corporate evaluation on response to covid-19 were highlighted. It was stated that IEDs budget should be well aligned with ADB's overall budget based on the Covid-19 situation.

20. In the light of the Covid-19 pandemic, DEC members agreed on the need for flexibility, both in regard to the work program and the budget.
 21. There was discussion on the timing of some of the planned high-level evaluations, considering both relevance and workload balance, suggesting that nine high level evaluations in 2023 could be reconsidered.
 22. The human resource priorities were valued, as was knowledge sharing and evaluation capacity development, the latter in the form of a combination of e-learning and interactive virtual classroom and face-to-face delivery. Chair commended on EVA as being a very innovative initiative, which can be shared with other departments.
 23. On the budget, the Miscellaneous Administrative Expenses was highlighted by the committee members, who requested further explanations and a break down. IED explained that the line in question, includes the annual membership under ADB's partnership agreement with the International Initiative for Impact Evaluation (3ie).
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Meeting Attendees:

DEC: ED Zhijun Cheng (Chair), ED Warotai Kosolpisitkul, ED Roger Fischer, AED Scott Dawson, AED Shahid Mahmood, AED Kenzo Ohe

IED: M. Taylor-Dormond, DG; V. Salze-Lozac'h, DDG; N. Subramaniam, Director; W. Kolkma, Director; B. Graham, Principal Evaluation Specialist; A. Wellsted, Principal Evaluation Specialist; P. Obias, Principal Evaluation Specialist

Management: C. Locsin, Special Senior Advisor to the President, OPR; T. Kimura, DG SPD; R. Subramaniam, DG SERD; C. Thieme, DDG PSOD; Y. Morishita, Head OPPP

Secretariat: S. Arias, OSEC

Links to the Attachments:

1. Evaluation Document: Thematic Evaluation: ADB Support for Public–Private Partnerships, 2009–2019

Website: <https://www.adb.org/documents/adb-support-public-private-partnerships-2009-2019>

2. Management Response to IED's Thematic Evaluation of ADB Support for Public–Private Partnerships, 2009–2019

Website: <https://www.adb.org/sites/default/files/evaluation-document/509691/files/mr-ppp.pdf>