

August 2021

Annual Report of the Development Effectiveness Committee 2020

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
AER	–	Annual Evaluation Review
APPR	–	Annual Portfolio Performance Report
COVID-19	–	coronavirus disease
COP26	–	26th UN Climate Change Conference of the Parties
DEC	–	Development Effectiveness Committee
DEfR	–	Development Effectiveness Review
DMC	–	developing member country
GIS	–	geographic information system
IED	–	Independent Evaluation Department
M&E	–	monitoring and evaluation
PPFD	–	Procurement, Portfolio, and Financial Management Department
PPP	–	public–private partnership
S2030	–	Strategy 2030
SPS	–	safeguard policy statement
STI-OP	–	Sustainable Transport Initiative Operational Plan

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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 2020.² The chair and members during this period were as follows:

Director Syurkani Kasim (chair until 5 January 2020)
Director Zhijun Cheng (chair from 6 January 2020)
Director Warotai Kosolpisitkul (from 1 July 2020)
Director Helmut Fischer (until 30 June 2020)
Director Roger Fischer (from 1 July 2020)
Alternate Director Scott Dawson
Alternate Director Bayrammuhammet Garayev (until 30 June 2020)
Alternate Director Shahid Mahmood
Alternate Director Kenzo Ohe

2. The DEC met nine times in 2020 to review IED's findings and recommendations on ADB's institutional and development effectiveness and provide feedback to IED and ADB management (Appendix 1). It reviewed five IED evaluations: (i) two sector-wide evaluations on transport and energy; (ii) a corporate evaluation on safeguards; and (iii) two thematic evaluations on public-private partnerships and knowledge solutions for development, with the latter being discussed in an informal meeting.

3. This annual report summarizes key points raised by the DEC from its review of IED reports, including the 2019 Annual Portfolio Performance Report (APPR), the 2019 Development Effectiveness Review (DEfR), and the 2020 Annual Evaluation Review (AER), and its discussions with IED and management.

4. The ADB Board of Directors is responsible for approving the IED annual work program. The DEC reviewed IED's proposed Work Program, 2021–2023 and Budget 2021, and guided the Board before approval in December 2020.

5. The DEC commended IED for its performance in 2020, including its evaluations of knowledge products and services as well as of ADB policies, programs, and projects. The DEC welcomed the improved strong collaboration between IED and management; and expressed an interest in DEC engaging more with management on proposed responses and giving increased attention to following up on IED reports.

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

6. The DEC discussions highlighted issues specific to projects and countries, as well as systemic factors affecting the development effectiveness of ADB operations. The following

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

² DEC 2020 Meeting Program (Appendix 1), including links to all reports (Appendix 2).

paragraphs highlight the DEC's views as documented in the chair's summaries of each DEC meeting.³

A. Corporate Evaluation

Effectiveness of the 2009 Safeguard Policy Statement

7. The DEC discussed the corporate evaluation of the Effectiveness of the 2009 Safeguard Policy Statement (SPS). The evaluation considered the extent to which the intended reforms in the SPS had been successful in achieving ADB's safeguard objectives and whether the SPS was still fit-for-purpose to continue to guide operations.

8. The evaluation recommended that ADB should modernize the SPS and develop a new approach to strengthening and using borrower systems. ADB should then develop a range of guidance documents and good practice notes, develop the skills of staff responsible for safeguard risk management, and assess and increase staffing as needed. DEC agreed with these recommendations.

9. The DEC stressed the need for ADB to align the SPS with the safeguard policies and practices of other multilateral financial institutions to provide greater clarity to executing and implementing agencies. The need to make the process as inclusive as possible, with close consultation with the Board, was highlighted.

10. The DEC emphasized that the policy update can be used as a driver for change. The current practice, which favors upfront compliance checking, can lead to missed opportunities. The focus needs to be more results- and outcomes-based, which would involve looking at value addition and considering more difficult issues as an opportunity to engage with policy and regulatory agencies and partners. The DEC also highlighted the need to rebalance the efforts between preparation and implementation, including the frontloading of the procedural requirements.

11. The report's recommendation to strengthen country safeguard systems (CSS) was welcomed by the DEC, which emphasized that more must be done to enhance country systems at national and sector levels.

12. The DEC generally supported a review of the overly fragmented safeguard institutional structure. It also highlighted the importance of staff accountability, as well as the need to encourage more risk taking through staff incentives and to build this into the corporate culture, so that projects will produce longer-term sustainable impact. The DEC also endorsed the recommendation to strengthen the oversight structure and make reporting lines across the institution more consistent.

³ Appendix 2: Links to Chair's Summaries

B. Sector-wide Evaluations

13. The DEC discussed two sector-wide evaluations on the transport and energy sectors.

1. ADB Support for Transport, 2010–2018

14. The DEC discussed the sector-wide evaluation on ADB Support for Transport, 2010–2018. In 2010, the ADB adopted its first operational plan for the transport sector, the Sustainable Transport Initiative Operational Plan (STI-OP), and the evaluation assessed the role and contributions of ADB in strengthening transport operations in its developing member countries (DMCs).

15. The evaluation concluded that ADB had made progress in supporting sustainable transport in the region and toward achieving the STI-OP's development outcomes during 2010–2018. In doing so, ADB strategy, including the STI-OP, was relevant and added value to ADB support, but was not well integrated with country partnership strategies. The STI-OP was also consistent with the G20 principles on high-quality infrastructure.

16. The DEC recognized that transport is an important part of ADB's portfolio, critical to the achievement of almost all the Strategy 2030 (S2030) operational priorities. The committee agreed with the recommendation in the report to develop a sector directional guidance paper and mainstream this guidance through the country partnership strategies. The DEC suggested that it might be advisable to mainstream the guidance immediately through country operations business plans and to focus on project design, given that the report identified weak project design as a factor affecting sustainability.

17. The committee called for more policy dialogue with the DMCs to better inform the choice of modality, and mentioned sector programs, results-based lending, and policy-based lending to be considered as the appropriate modalities. Committee members stressed the importance of local job creation, building ownership and sustainability, and improving direct community level economic impact from a project.

18. The DEC agreed on the need to crowd-in the private sector and incorporate sustainability at the inception of projects. It also commended the use of geospatial platforms and geographic information systems (GIS), as recommended in the report, and requested management to use GIS to promote implementation of the G20 principles.

2. ADB Energy Policy and Program 2009–2019

19. The DEC discussed the sector-wide evaluation report on the ADB Energy Policy and Program 2009–2019 and considered it timely, given the ongoing energy policy review and update.

20. The evaluation recommended revisiting and updating the energy policy by emphasizing climate change mitigation and adaptation as a core priority; and formally withdrawing from financing new added capacity of coal-fired power and heat generation plants. The DEC agreed with this and emphasized that they would like the new energy policy to accommodate sector transformation and innovation, given that the energy sector is evolving fast and needs to be considered over the long term. The DEC proposed that ADB examine where it can best target its limited resources long term, so that it can add more value than just in generation, transmission, and distribution. ADB should also look closer at additionality with regard to financing and at what is needed for ADB to maintain its edge in both technology and financing, particularly in private sector financing.

21. When discussing the COVID-19 pandemic and whether the economic recovery from its impact would change the energy portfolio to lessen the focus on climate change, the DEC highlighted the importance and urgency of climate change and stressed that the discussion of the energy policy must be conducted in that context. The energy policy should not deviate from the long-term strategic direction of climate change as presented in S2030.

22. The DEC agreed with the recommendation on the need for a more active and longer-term high-level engagement with DMCs. The discussions with DMCs were urgent and should focus on green recovery, how DMCs can best implement and improve their nationally determined contributions under the Paris Agreement, and on making national stimulus measures consistent with the need to have sustainable mid- to long-term development paths.

23. The disconnect between what the current policy formally allowed and ADB's de facto ban on the financing of coal-fired power generation since 2013 was discussed extensively. Phasing out coal and other fossil fuels was on the agenda of the 26th United Nations Climate Change Conference of the Parties (COP26), and the DEC firmly suggested that ADB should have its energy policy updated by the time of COP26.

C. Thematic Evaluation

ADB Support for Public–Private Partnerships, 2009–2019

24. The DEC discussed the thematic evaluation on ADB Support for Public–Private Partnerships, 2009–2019, which covered the extent, nature, and development results of ADB's support for public–private partnerships (PPPs) during 2009–2019. The evaluation's overarching question was: "To what extent has ADB's facilitation of private sector participation in the provision of quality infrastructure and social services through PPPs in Asia and the Pacific delivered the intended results?"

25. The DEC commended the report as having constructive recommendations for shaping the preparation of the PPP directional guidance paper and further sharpening succeeding PPP operations, while also aligning ADB support more closely with S2030's operational priorities.

26. The DEC suggested following the strategic focus at the World Bank and other multilateral development banks, which had recently emphasized the importance of an upstream policy framework to create an enabling environment within DMCs.

27. It discussed the impact of COVID-19 on development outcomes and operational plans, including the possible adjustment to PPP operational plans and the selection of projects in line with S2030. The committee still considered the seven priorities in S2030, especially climate change and climate financing, to be highly relevant.

28. The committee agreed with the recommendation 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. Committee members suggested that any proposed improvement in M&E for PPP should carefully consider the specific nature of PPP operations within ADB, i.e., they involve cross-departmental collaboration, and the fact that PPPs are long duration contracts.

III. ANNUAL REPORTS

29. Three corporate annual reports were discussed by the DEC: the Development Effectiveness Review (DEfR), the Annual Portfolio Performance Report (APPR), and the Annual Evaluation Review (AER). The three reports are synchronized and discussed annually in close succession, both in DEC meetings and by the Board. However, they were not discussed by the Board this year because of COVID-19. At the Board's request, this was the first time the DEfR and APPR were discussed together at a DEC meeting. The DEfR is also aligned with the ADB Annual Report through the mutual review of datapoints, messaging, and presentation.

30. The DEC commended all three reports and appreciated the improvements based on the comments and recommendations made by the Board last year.

A. Development Effectiveness Review

31. The DEfR is aligned to S2030 and based on the corporate results framework approved by the Board in September 2019. The DEC appreciated the integration of indicators that reflect the Sustainable Development Goals.

32. Committee members raised concerns regarding the quality of completed operations, both for sovereign and non-sovereign operations, the success rates being off-track to meet their 2024 targets, and the low sustainability of completed operations. The DEC suggested taking a more systematic approach through policy dialogue with DMCs, looking at what other MDBs are doing, and involving central government agencies, including ministries of finance and line ministries. ADB could also use modalities, such as policy-based lending and multitranche financing facilities, to push for more transformative change. Other areas highlighted by the DEC for continued attention by management included increasing social sector financing and establishing a well-functioning mechanism to support the One ADB approach.

B. Annual Portfolio Performance Report

33. The APPR is also aligned to S2030. Committee members encouraged regional departments to continuously maintain high-level dialogue with DMC counterparts to minimize project cancellations and strengthen project implementation. Furthermore, project readiness must remain a priority agenda for regional departments and resident missions.

34. The DEC pointed out that the lessons learned and recommendations on sovereign operations suggest that regional departments should continue to take a systematic and strategic approach to project readiness, uncontracted and undisbursed balances, implementation of value for money, and increased sustainability. It suggested that reports be regularly prepared on the actions and recommendations proposed in the APPR. The committee also suggested that the Procurement, Portfolio and Finance Management Department (PPFD) consider publishing an annual procurement report.

35. ADB's response to COVID-19, and how operations will be impacted by the pandemic, was also discussed, and the DEC requested PPFD, together with regional departments, to analyze the main factors and what possible support ADB could provide. At the same time, the impact of the pandemic is anticipated to put pressure on achieving the S2030 target of one-third of ADB operations being from non-sovereign operations by 2024, because of the high demand for

sovereign operations expected in 2020. The DEC urged management not to lose sight of the non-sovereign operations, to use streamlined business processes under the COVID-19 pandemic, and to analyze what kind of actions ADB can undertake to support private-sector clients during the crisis.

C. 2020 Annual Evaluation Review

36. This year's AER points to several areas where ADB operations and performance require more attention and improvement. DEC members took note of the key issues raised in the IED report and expressed interest and concern, especially over the declining performance of ADB's sovereign and non-sovereign operations, weak performance in the Pacific, and persistent challenges with the sustainability of project outcomes.

37. On the decline in performance and low success rates of operations, DEC suggested strengthening the working relationship with clients and having a mechanism to build incentives.

38. On the weak performance of operations in the Pacific, the DEC expected to see the causes of poor performance analyzed and addressed in the next Pacific Approach paper and in the evaluation of the regional program, particularly regarding implementation support.

39. The DEC questioned whether low sustainability is a higher-level, systemic issue rather than a project level issue and whether it needs a series of systemic policy responses. It suggested that a point has been reached where the Board needs to see a more comprehensive and regular reporting on actions taken.

40. The DEC discussed the theme chapter on ADB's project self-evaluation system. Given the variance between the results of self-evaluation for project completion reports and IED's validation, the DEC expressed the need to improve the quality of self-evaluation and a desire for the ongoing review of the evaluation policy to be completed quickly, and for it to deal substantially with the role of self-evaluation.

IV. OTHER MATTERS

A. Corporate Evaluation on Knowledge Solutions for Development: An Evaluation of ADB's Readiness for Strategy 2030

41. The DEC met informally with management and staff from IED to discuss IED's Corporate Evaluation on Knowledge Solutions for Development: An Evaluation of ADB's Readiness for Strategy 2030.

42. The committee discussed the models and reforms to follow in the continuous process of making ADB a knowledge bank that systematically delivers knowledge solutions to the region, complemented by financial services.

43. The DEC members asserted that Board members should be engaged in the process of developing the Knowledge Management Action Plan. The IED report's recommendations should be taken into consideration in developing the plan and a system to enhance the delivery of knowledge solutions should be articulated.

B. Development Effectiveness Committee Recommendation

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

DEVELOPMENT EFFECTIVENESS COMMITTEE MEETING PROGRAM, 2020

DATE	TOPIC
7 February	Special Meeting: Evaluation Capacity Development in Asia and the Pacific: Taking Stock, Looking Forward
25 March	Sector-wide Evaluation of ADB's Support for Transport, 2010–2018
14 April	2019 Development Effectiveness Report
	2019 Annual Performance Portfolio Report
16 April	2020 Annual Evaluation Review
21 May	Effectiveness of the 2009 Safeguard Policy Statement
4 August	Knowledge Solutions for Development: An Evaluation of ADB's Readiness for Strategy 2030 (Informal Meeting)
27 August	Sector-wide Evaluation of ADB's Energy Policy and Program, 2009–2019
22 October	Thematic Evaluation on ADB Support for Public–Private Partnerships, 2009–2019 and IED Work Program and Budget

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. Sector-wide Evaluation of ADB's Support for Transport, 2010–2018

Report: Independent Evaluation Department. 2020. [Sector-wide Evaluation: ADB Support for Transport](#). Manila: ADB).

Management response: ADB. 2020. [Management Response to IED's Sector-wide Evaluation on ADB's Support for Transport](#). Manila.

Chair's summary: ADB. 2020. [Chair's Summary for the 25 March 2020 Meeting](#). Manila.

2. 2019 Development Effectiveness Report

Report: ADB. 2020. [Development Effectiveness Review](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 14 April 2020 Meeting](#). Manila.

3. 2019 Annual Performance Portfolio Report

Report: ADB. 2020. [2019 Annual Portfolio Performance Report](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 14 April 2020 Meeting](#). Manila.

4. 2020 Annual Evaluation Review

Report: Independent Evaluation Department. 2020. [2020 Annual Evaluation Review: ADB's Project Level Self-Evaluation System](#). Manila: ADB.

Management response: ADB. 2020. [Management Response to the 2020 Annual Evaluation Review: ADB's Project Level Self-Evaluation System](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 16 April 2020 Meeting](#). Manila.

5. Effectiveness of the 2009 Safeguard Policy Statement

Report: Independent Evaluation Department. 2020. [Effectiveness of the 2009 Safeguard Policy Statement](#). Manila: ADB.

Management response: ADB. 2020. [Management Response to IED's Corporate Evaluation of the Effectiveness of the 2009 Safeguard Policy Statement](#). Manila.

Chair's summary: ADB. 2020. [Chair's Summary of the Development Effectiveness Committee for the 21 May 2020 Meeting](#). Manila.

6. Knowledge Solutions for Development: An Evaluation of ADB's Readiness for Strategy 2030

Report: Independent Evaluation Department. 2020. [Knowledge Solutions for Development: An Evaluation of ADB's Readiness for Strategy 2030](#). Manila: ADB.

Management response: ADB. 2020. [Management Response to IED's Thematic Evaluation on Knowledge Solutions for Development: An Evaluation of ADB's Readiness for Strategy 2030](#). Manila.

7. Sector-wide Evaluation of ADB's Energy Policy and Program, 2009–2019

Report: Independent Evaluation Department. 2020. [Sector-wide Evaluation: ADB Energy Policy and Program, 2009–2019](#). Manila: ADB.

Management response: ADB. 2020. [Management Response to IED's Sector-wide Evaluation: ADB Energy Policy and Program, 2009–2019](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 27 August 2020 Meeting](#). Manila.

8. Thematic Evaluation on ADB Support for Public–Private Partnerships, 2009–2019

Report: Independent Evaluation Department. 2020. [Thematic Evaluation on ADB Support for Public–Private Partnerships, 2009–2019](#). Manila: ADB.

Management response: ADB. 2020. [Management Response to IED's Thematic Evaluation on ADB Support for Public–Private Partnerships, 2009–2019](#). Manila.

Chair's summary: ADB. 2019. [Chair's Summary of the Development Effectiveness Committee for the 22 October 2020 Meeting](#). Manila.

9. IED 2021–2023 Work Program and 2021 Budget

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

Chair's summary: ADB. 2020. [Chair's Summary of the Development Effectiveness Committee for the 22 October 2020 Meeting](#). Manila.