Chair’s Summary for the 16 March 2022 Meeting

1. The Development Effectiveness Committee of the Board of Directors (DEC) met on 16 March 2022 to discuss the Independent Evaluation Department’s (IED’s) thematic evaluation on *Additionality of the Asian Development Bank’s (ADB) Nonsovereign Operations* and the Management Response hereto. The meeting was held virtually.

2. DEC members commended the relevance, timeliness, and the quality of the evaluation and noted the criticality of additionality in ADB’s nonsovereign operations and the need to be value-adding while not crowding out the private sector.

3. Committee members emphasized the usefulness of concrete actions to ensure and improve additionality going forward, and made a call to Management for specific, timely, and clear actions to address the issues identified in the evaluation. Several initiatives have already been initiated by PSOD to improve additionality and there was a request for Management to keep DEC and the Board informed on the status of their action plan. PSOD committed to submitting a concrete action plan demonstrating and tracking steps taken, steps in progress and steps to be taken as part of tracking undertaken in the Management Action Record System.

4. DEC members stated the urgent need to improve the articulation of additionality in approval documents, i.e., RRP’s. It was suggested to create a special section in the RRP incorporating information on additionality from the ex-ante development impact framework.

5. The recommendation to require financial additionality as a pre-condition for approval in all projects was discussed extensively. While management felt that non-financial additionality could be sufficient, IED argued that non-financial benefits are too hard to measure to safely compensate for the risk of displacing private finance created by the absence of financial additionality. There was broad consensus among the DEC members that all ADB projects must bring some kind of additionality and that the nature of additionality must be calibrated to the relevant market, including country and sector context as well as environment, and that this is dynamic over time. One DEC member noted that it is not the type of additionality that a private sector client values that is most relevant or important, what is acceptable needs to be assessed against its contribution to ADB’s development objectives. Management clarified that its current test of financial additionality is asking whether the deal would have been done without ADB engaging. One DEC member remarked that a better test might be asking whether the envisaged development impact would have occurred without a financial or non-financial ADB contribution. There were a range of views on whether a binary pre-condition of financial additionality should be required. Most members disagreed with it being a pre-condition in every situation. Some members considered that significant non-financial additionality would be adequate; other members considered that projects without financial additionality should only be approved on an exceptional basis.
6. DEC supported the report’s recommendations on better diagnostics to inform additionality as part of the CPS process in a One-ADB approach, to strengthen the systems and processes to record, track, and report on additionality, and for capacity building through training.

7. A member of the committee mentioned the lack of portfolio mechanisms, highlighting that the institution’s tools and processes are mainly centered around projects and not structured at the portfolio level. This affects the assessment of a project’s portfolio fit. It also affects how risk is approached, taking on safer projects, incentivize taking on projects with sufficient commercial returns, at the expense of possible, strong additionality benefits. Several members requested portfolio tools be developed to assess nonsovereign additionality (as well as sovereign additionality), and PSOD was asked to provide details on the portfolio approach to tackle additionality to provide better clarity on value-addition and to enable better decision making. A member also emphasized that any sovereign funding provided to non-sovereign clients should be subject to the same standards around additionality as non-sovereign funding.

Meeting Attendees:

**DEC:**
- ED Weihua Liu (Chair); ED Roger Fischer; ED Samer Kumar Khare;
- AED Karen Murray; AED Kenzo Ohe; AED David Cavanough

**IED:**
- Emmanuel Jimenez, Director General; Nathan Subramaniam, Director;
- Paolo Obias, Principal Evaluation Specialist

**Management:**
- Suzanne C. Gaboury, Director General, PSOD; Tomoyuki Kimura, Director General, SPD; Craig Roberts, Senior Advisor, PSOD

**Secretariat:**
- Sisse Arias, OSEC

Attachments:

1. **IED’s Thematic Evaluation: Additionality of the Asian Development Bank’s Nonsovereign Operations**