

EVALUATION RECOMMENDATIONS, MANAGEMENT RESPONSES AND ACTIONS IN 2014; AND VALIDATION OF ACTIONS DUE IN JANUARY–SEPTEMBER 2014

Table 1. Summary of Major Evaluation Recommendations, and Management Responses and Actions in 2014^a

No.	Recommendation	Management response	Action plan
CAPE Tajikistan: Responding to the Changing Development Conditions			
1.	<p>ADB needs to provide more options for fostering inclusive growth by financing projects that employ inclusion-oriented project designs. Most of the Japan Fund for Poverty Reduction grants has been linked to large-scale infrastructure development and evidence suggests these projects are providing an important link to the needs of local communities. Such successful experiences should be internalized in future project designs. ADB needs to also pay attention to migration, remittances, and gender concerns in Tajikistan, as these parameters are closely linked. Gender considerations need to be explicitly integrated into the main design of infrastructure projects.</p>	<p>Management acknowledges the recommendation but does not support the prescribed approach. This recommendation should be interpreted in a holistic and organic perspective in that ADB's program should promote inclusive growth in both direct and indirect manners. ADB's road projects in Tajikistan have helped rehabilitate regional and national artery roads as well as access roads linking rural communities to the main roads. ADB has also supported projects specifically targeting the poor to improve maternal and child health through connectivity (such as rehabilitation of roads and bridges washed-away by floods), and construct and equip rural clinics. However, this does not mean that every project must have components that directly promote "inclusiveness", as too many of them may increase the project's complexity and reduce its effectiveness. ADB should avoid artificially adding these components to demonstrate "inclusiveness". If this is done indiscriminately, ADB runs the risk of ending up with unimplementable projects. A proper balance is needed.</p>	<p>Not required.</p>
2.	<p>To improve the business and investment climate, ADB needs to step up its dialogue with the government and strengthen support for governance that is monitored by suitable indicators. Good governance is essential to establishing a policy and regulatory environment that enables the private sector to flourish as an engine of growth. To strengthen governance, capacity needs to be strengthened in areas such as public financial management systems, procurement, and the judiciary to create a sustainable, strong governance framework. To be results-based, performance should be tracked through sector, project, and governance indicators and technical support.</p>	<p>Management notes that private sector development is a priority theme under the current Tajikistan country partnership strategy (CPS) and is likely to remain so in the next CPS. ADB has approved several technical assistance (TA) to improve the investment climate, improve anti-money laundering systems, and support public-private partnership and World Trade Organization-mandated reforms. ADB is processing a project to rebuild the country's primary technical and vocational education system, a key constraint for Tajikistan's private sector development. A policy-based lending program cluster is now being designed to improve the business and investment climate, beginning in 2015. The Private Sector Operations Department (PSOD) is also preparing an intervention to support the banking sector. As poor power supply particularly during winter has severely hampered business operations and investments, ADB will continue to lead development partners (DPs) in supporting the restructuring of the sector. ADB will also step up its support for governance improvement and anti-corruption programs through policy dialogue and financial assistance in coordination with other DPs under the Development Coordination Council.</p>	<p>The CPS 2016-2020 will continue to support improving-governance and anti-corruption initiatives through policy dialogue and planned projects, including policy-based lending (PBL) program cluster to improve the business and investment climate, reforming the power sector, and creating enabling environment for PPP development. ADB will also coordinate efforts with other development partners, through Development Coordination Council, to maximize results.</p>

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3.	For effective regional cooperation, ADB needs to explicitly acknowledge the risks and take appropriate mitigation measures. Conflicts and tensions on the borders reduce the benefits of the investments in infrastructure. While maintaining political neutrality in disputes, ADB should assess the underlying project risks if it decides to provide support and, if possible, take steps to mitigate them.	ADB is already implementing this recommendation. Management notes that ADB has been efficient and effective and has taken note of both risks and mitigation actions under its regional cooperation and integration projects in the country. Further, Central Asia is characterized by complex political disputes and ADB needs to maintain its political neutrality to maximize its effectiveness as a trusted development partner by all countries. ADB will continue to use the Central Asia Regional Economic Cooperation (CAREC) platform to facilitate dialogue and promote collaboration among neighboring countries.	Not required.
4.	ADB needs to enhance the integration of climate change and disaster risk activities and resilience into the country development agenda, ensure consistency and synergy over sectors and organizations, and support capacity building in and dissemination of climate change science. Disaster and risk management operations should be highlighted in the new country partnership strategy (CPS). All identified issues and lessons on the climate change adaptation should be carefully addressed in the next CPS and in project design.	ADB is already doing this recommendation and intends to do more. Tajikistan is one of the most vulnerable countries in the world to climate changes, with its energy supply and agriculture heavily dependent on glacier water. Tajikistan also has limited institutions and economic capacity to meet climate change challenges. In 2013, ADB approved a grant financed by the Pilot Program for Climate Resilience to build climate resilience in Pyanj River Basin. The next CPS will include climate change resilience as a thematic priority, and more resources will be allocated to this area. Two projects on water resources management and improving food security have been programmed for 2015-2017 to mitigate climate-related increases in frequency and severity of floods and droughts and their negative consequences on food supply and people's welfare. Management will also help build institutional capacities for planning for climate change and incorporating climate risks in all development projects.	Not required.
5.	ADB needs to prioritize sustainability when designing future development support. The strategy to improve sustainability has to be addressed at the CPS level. ADB should raise the government's awareness of sustainability risks and help mitigate them through future support. This will require detailed financing plans that include cost estimates and financing projections for operations and maintenance, based on government strategies. ADB's future investment in economic infrastructure should be closely linked to progress made in ensuring that asset management systems and financing are in place to meet the recurrent costs of operating, maintaining, and rehabilitating or replacing parts of the transport network and the power	Management agrees in principle and notes that ADB is already working towards this. Sustainability will continue to be emphasized in the forthcoming CPS 2015-2019. As the country assistance program evaluation acknowledges, ADB has made substantial progress in the transport sector by supporting the government in adopting a performance-based maintenance (PBM) approach. With ADB assistance, the government has signed two PBM contracts with private road maintenance firms, financed from the government's budget. The government is committed to increasing the budget for road maintenance, however, given that Tajikistan's low per capita gross domestic product and many competing resource needs across the board, allocation of resources from the government's budget for ensuring sustainability will continue to be a challenge. Therefore, ADB will continue to support innovative and cost-effective methods for better maintenance of projects. In the area of water resources management, ADB will continue to support the community-based	Not required.

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	system when this is necessary. Members of the development coordination council (DCC) and other DPs should support the central and local governments in making the necessary reforms.	maintenance programs, which have been widely practiced in the country. In the power sector, ADB has been supporting the improvement of the performance of Barki Tojik through sector restructuring, increased tariffs, and improved collection.	
Corporate Evaluation Study on ADB's Trade Finance Program (TFP)			
6.	The gap between supply and demand for trade finance in Asia and Pacific region is large and there is a clear need to maintain TFP program. Given the actually unused program limit amounts of some 40% in the last four years, and declining revenues and profitability of TFP program over the same period, it pays to improve utilization. Providing contingent funding support for TFP could be considered so it can be expanded in response to a financial crisis, and scaled-back thereafter.	<p>Management disagrees with the recommendation to lower the program's limit and introduce a contingency buffer to cope with crises. Given the unique nature of the trade finance business, it is important to ensure that imputed capital is maintained at an appropriate level, commensurate with the risk and exposure levels of the program. Lowering the limit would significantly reduce the results generated by the program. Conscious of the need to better leverage ADB's finite capital resources, ADB 'risk weighted' the program at 55% in 2011. This is considered reasonable, although management will continue to evaluate alternatives to further reduce such risk weighting as the program's operational results and credit profile mature.</p> <p>Management disagrees with the characterization of TFP's utilization rate as 'low.' In fact, TFP's utilization rate is relatively high compared to private sector and multilateral comparators. Further, adding commitments to exposures in determining utilization (which is a standard practice in all financial institutions) indicates that TFP's actual utilization (commitments + outstanding) averages 70%, with peaks at over 90%. As such, any reduction in the limit may: (i) impede overall TFP activity, including for SMEs; and (ii) lower co-financing performance.</p>	Not required.

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7.	<p>There is a need to prepare a business plan that can be used as the basis for a new program document to be approved by ADB's Board of Directors. The new business plan could provide details and targets, including details on value of transactions for possible incremental expansion of TFP into poorer countries, and strategies to increase share of banks in the program that have the most difficulty in accessing trade finance. Incrementally, the plan could target sectors for support that are conducive to SMEs and reduce its reliance on oil, specify graduation criteria (for issuing banks), outline cooperation-arrangements with MDBs, and define strategies for better linking ADB trade finance with other ADB financial products. Consideration should be given to adopting a more pro-active approach that seeks to also include smaller private issuing banks focusing on SMEs.</p>	<p>The program does not lack strategic direction. In 2012 the program underwent a major change in scope. At the time it was also agreed that PSOD would report to the Board every three years, and that as part of this report, TFP will set out its three year strategy, along with appropriate targets. In the meantime, TFP's "five-phased expansion strategy", "market based strategy", and "distribution (co-financing) strategy" were articulated in the 2009 and 2012 Board submissions. In Management's view, the less market-focused, more prescriptive strategic approach recommended by the CES would undermine the program's relevance and effectiveness. It should also be duly noted that TFP has many smaller participating banks. These banks are also selected based on market demand and following ADB's rigorous risk assessments.</p> <p>TFP's strategy with respect to graduation will continue to be market focused and gap driven. This will be covered under the 2015 report to the Board.</p>	<p>Not required.</p>
8.	<p>Operate the TFP as a line-of-business with sufficient staff to operate as a routine program. Technical assistance can be used to finance capacity development and not be used to finance routine program implementation. It would be useful to invest in technology to support automation of TFP and ensure that it allows the program to provide timely reports on development results and profitability.</p>	<p>Management agrees with the recommendation to increase human and budgetary resources to support the program. Management also agrees with the need for stronger information technology (IT) support. In 2012, TFP designed a comprehensive IT system to administer transactions, manage exposures and provide detailed reporting. TFP is now working closely with the Office of Information Systems and Technology (OIST) to roll out and implement the new system in 2015.</p>	<p>(a) Additional human and budgetary resources are being provided to support TFP. In 2015, one international staff and one national staff positions were provided for the program. Remaining requirements will be met through 2016 and 2017 budget.</p> <p>(b) The IT design has been completed in 2012, and is expected to be rolled out and implemented by a dedicated TFP/OIST team. Extensive testing and bug cleaning is underway. OIST and TFP management will ensure implementation is on track.</p>

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9.a.	Profitability needs to be improved by reducing exposure to low-fee transactions, improving utilization, and strengthening the linkages between TFP and other PSOD lines of business.	<p>Management disagrees with the recommendation. TFP's profitability compares favorably to other comparators being quoted in the report. While TFP seeks to maximize profit, this aim should also be balanced against having to operate in high-cost/low-return regions and countries, as well as the need to develop and deliver effective knowledge products. Reducing TFP's support for oil transactions would reduce profitability, instead of increasing it. Energy imports are critical to development, especially in DMCs such as Pakistan, and the TFP should respond to such imperatives.</p> <p>In terms of business spin-offs, TFP works closely with other sections within PSOD and other departments. TFP's credit information and contacts on some 100 banks is PSOD's first stop for information in originating and assessing new financial institution businesses. Further, Management notes that over 80% of PSOD's Board-approved transactions for direct financial support to such institutions between 2009 and 2013 were for TFP banks. TFP's credit information has been widely used by CWRD and SERD, and TFP has also worked closely with OREI, TD and Regional and Sustainable Development Department (RSDD) to deliver knowledge products.</p> <p>TFP is coordinating extensively its work with other multilateral development banks (MDBs). TFP played a key role in the start-up of the African Development Bank's trade finance program, as stated in the CES. TFP also coordinates monthly with IFC to share market and pricing information and has closed several co-financing transactions with IFC's trade finance program. TFP continues to work closely with Inter-American Development Bank to promote South-South trade.</p> <p>Relying on credit decisions by other MDBs is not believed to be a prudent way of undertaking risk management. For the TFP banks rated by rating agencies – many are not – TFP uses the available information along with its own assessments. However, private sector information on TFP banks is scant, reflecting existing market gaps and pointing to ADB's important role in this space. ADB's TFP team has developed expert knowledge of its banks through a rigorous due diligence process. This process and the ensuing information acquired underpin TFP's ability to provide knowledge products that are valuable to the private sector. TFP's record of zero defaults and losses, built on its rigorous due diligence process, helps attract co-financing and protects ADB's capital base.</p>	Not required.

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9.b.	<p>There is a need to rationalize due diligence costs by sharing information with other international finance institutions. The Office of Risk Management (ORM) can be involved in validation of TFP pricing.</p>	<p>Management disagrees with the recommendation. TFP distributes risk to the private sector at the margin TFP earns, less a commission fee. In this context, the market plays a fundamental role in determining if TFP products are priced properly by choosing whether or not to pay for such services. This, in addition to the fact that TFP conducts monthly market assessments of its pricing suggests that TFP is priced within appropriate market ranges. ORM does not have the market access or presence to independently verify such market pricing. Furthermore, verification of appropriate pricing is done against Risk Participation Agreement monthly reports which include independent pricing.</p> <p>On the issue of trade loan guarantees, Management does not recognize such a need for additional sub-limits. Sub-limits for TFP's revolving credit facilities delineate TFP's funding business from its guarantee business. Guarantees, whether they support loans for trade or confirmation of payments for trade, carry a similar risk profile and do not require additional sub-limits. Such sub-limits will lower TFP's flexibility to support transactions, add costs to operations, and decrease utilization.</p>	Not required.
10.	<p>TFP should continue to build on its support for knowledge products, including the International Chamber of Commerce Trade Finance Default Register and TFP - Office of Regional Economic Integration trade finance survey. While efforts are made to publicize issuing banks when they join the program, more can be done to publicize the program's the day-to-day results in terms of facilitating trade and building business-to-business links through appropriate media channels.</p>	<p>Management acknowledges the CES's assessment that the impact of TFP support for knowledge products has been substantial. TFP's knowledge initiatives have been transformative, especially with respect to changes to Basel guidelines (resulting from TFP's Trade Register initiative), which freed billions of dollars to support trade in emerging markets globally. There are measurable impacts of TFP 'knowledge dissemination' that led private financial institutions to enter the trade finance business and move into DMCs for the first time. In this regard, Management would like to point out that the CES falls short of adequately highlighting these aspects. TFP publishes a variety of documents annually, which include information on performance against a number of DMF targets. TFP also maintains an up-to-date website and its visibility in the media is substantial.</p>	Not required.
Corporate Evaluation Study on Safeguards Operational Review: ADB Processes, Portfolio, Country Systems, and Financial Intermediaries (FI)			
11.a.	<p>Improve the quality and efficiency of regular investment projects, whether public or private sector, by giving more attention to projects with potentially more substantial or unknown risks at approval stage. Others with modest risks could benefit from standard or framework-like approaches. Quickly identifying these cases</p>	<p>This is a directional recommendation in nature and Management agrees broadly with it. However, ADB is already delivering on these fronts. All projects are subjected to a rigorous screening and classification process, beginning at the earliest stages of the cycle. Higher risk projects (category A) are subjected to detailed, multi-stage technical reviews by project teams and RSDD. This due diligence is carried out before Board approval. For all projects, including category</p>	Not required.

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	<p>and giving some further guidance on this would be helpful, as a large number of projects are currently in environmental category B. This review suggests that operations departments should pay close attention to having the category B projects peer reviewed well within their departments and perhaps outside, as some quality problems have surfaced that could lead to problems later. This applies especially to the more substantial or unknown risk projects. Institutional arrangements may need to be further worked out.</p>	<p>B projects, safeguard assessments and planning involves a detailed scoping of issues so that safeguard plans are prepared in proportion to the nature of risks. Management cautions against suggesting changes to the current safeguard classification system, especially in the absence of evidence that this arrangement is not working.</p>	
11.b.	<p>Improve the quality and efficiency of category B and FI projects by training ADB staff training in biodiversity conservation safeguards, greenhouse gas emission quantification and a diverse range of other safeguard areas. ADB's work on the design of safeguard measures and their quality control for category B investment projects and category FI for FI projects is adequate from a procedural compliance perspective but needs to (for higher risk projects) improve in quality, and become more efficient. There is a lot of variation in the quality of outputs on safeguard consultants, and better performance evaluation of such consultants and creating a pool of accredited safeguard consultants would help.</p>	<p>Management partly agrees with this subrecommendation. Operations departments have put in place arrangements for the review of safeguard plans that are tailored to their operational needs, portfolio characteristics, and country circumstances. Nevertheless, Management agrees that the quality of safeguard documentation for category B projects has been variable. In this regard, RSDD will continue to work with all operational departments to ensure that appropriate reviews of category B projects are carried out in all cases. In addition, both teams will continue to execute regular training programs for safeguard specialists, mission leaders and other staff, including consultants. The Environment Community of Practice and the Social Safeguards Network are already active in this area and will continue to hold regular training sessions covering technical and quality issues. Either alone or through joint activities with other multilateral financing institutions (MFIs) and bilateral agencies, more training and capacity development will be provided to executing agencies and their consultants in this area.</p> <p>Training FI staff in the implementation of ESMSs is good practice. ADB due diligence in support of FI projects will continue to cover ESMS screening procedures for sub loans.</p>	<p>Action plan not yet uploaded in the MARS.</p>
11.c.	<p>Improve the quality and efficiency of category B and FI projects by reviewing the training required for FI safeguard staff in more detail and working with FIs to include more information on training in the ESMS. FI training in ESMS procedures and documentation should be an element of ADB safeguard supervision. Operations departments need to improve their</p>	<p>Management agrees with this subrecommendation. Training FI staff in the implementation of ESMSs is good practice. ADB due diligence in support of FI projects will continue to cover ESMS screening procedures for sub loans.</p>	<p>Action plan not yet uploaded in the MARS.</p>

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	review of the capacity of FIs to apply the subloan screening checklists and prohibited investment activities list, and on how they are applied in the course of project implementation, in the absence of a periodic reporting requirement.		
11.d.	Improve the quality and efficiency of FI projects by allowing ESMSs for category C subprojects or subloans. Some FIs are engaged in providing many hundreds or thousands of subloans to micro, small and medium-sized enterprises, some of which (e.g., tanneries and paint shops) may have environmental impacts. Pollution control and occupational health and safety issues relevant to small clients of the FIs need to be watched, but are unlikely to receive the proper attention if the project as a whole is treated as category C. Capacity to implement the prohibited investment activities list, with its attention on core labor standards and many other safety aspects, also needs to be ensured even for category C subprojects.	While Management agrees on the need to build up the capacity of FI safeguards teams, Management disagrees that there should be closer supervision of FI sub-projects classified as category C. Once the due diligence process has established that the FI will be providing subloans only for activities with zero or minimal impacts, such projects can be treated in the same way as all category C projects.	Not required.
12.a.	Improve Operation departments' supervision of the implementation of safeguard measures and/or plans by reviewing the frequency of safeguard missions, particularly for category A investment projects, as for some projects it seems low (particularly environmental category A projects). Whether this has adverse consequences could not be verified without field missions, which this review has not carried out.	Management does not support specifying upfront a given number of project-specific supervision missions in reports and recommendations of the president (RRPs). Projects differ from one another and circumstances can change during the implementation phase. Project teams must undertake as many missions as necessary, first to support safeguard implementation, and secondly, and as required, to put projects back into compliance if they are not so. Being prescriptive with respect to the number of missions does not help. But taking safeguards compliance issues seriously does. Operations Manual J1 on loan administration and Project Administration Instruction 6 on project administration already state that review missions should take place at least twice a year and that these should review safeguards implementation.	Not required.

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12.b.	<p>Improve PSOD's supervision of the implementation of safeguard measures and/or plans by integrating reviews of the working of the environmental and social management system (ESMS) during FI project administration missions, and follow up closely on safeguards monitoring reports submitted. ADB needs to ensure more timely submission of FI safeguard monitoring reports, and the ADB responses to the reports, as their quality is variable.</p>	<p>Management agrees that appropriate supervision of safeguards plans is essential. This work is often supported by supervision consultants, and where relevant by external experts or qualified NGOs. With regard to the recommendations on FI projects, Management agrees it is appropriate to review the ESMS during FI project administration missions, as is already being done by PSOD, and that timely submission of implementation reports should be ensured.</p>	<p>Action plan not yet uploaded in the MARS.</p>
13.a.	<p>Improve ADB's reporting and disclosure of progress and results of safeguard measures for category A and B projects. Operations departments (ODs) can improve the safeguard sections of RRP for all category A and B projects by briefly stating the expected minimum frequency of ADB-led safeguards monitoring and supervision missions that will take place during project administration, with specific details documented in their respective project administration manuals. ADB should be clearer about its safeguards reporting requirements and develop specialized reporting guidelines relevant to the different types of projects it commonly finances, with its staff ensuring that these are part of the project administration manual and consultants' terms of reference. For all completed category A projects, the departments should discuss the safeguard planning, implementation and results in the main text of their project completion report (PCR), supported by one or more appendixes. ADB should consider elaborating the instructions given in the OM FI/OP in its Project Administration Instructions for PCRs. A safeguard discussion also needs to be included in PCRs for category B projects.</p>	<p>Management does not support specifying upfront a given number of project-specific supervision missions in RRP. Projects differ from one another and circumstances can change during the implementation phase. Project teams must undertake as many missions as necessary, first to support safeguard implementation, and secondly, and as required, to put projects back into compliance if they are not so. Being prescriptive with respect to the number of missions does not help. But taking safeguards compliance issues seriously does. OM J1 on loan administration and PAI 6 on project administration already state that review missions should take place at least twice a year and that these should review safeguards implementation.</p> <p>For the recommendation on PCRs of category A projects, OM Section F1 and PAI 6.07, already state that PCRs of both category A and B projects should provide a general assessment of the project's safeguard related impacts, including number of affected persons, and a general evaluation of the effectiveness of safeguard measures, lessons learned for future projects, and other key information. The status of each covenant is also reported, and the inclusion of a supplementary appendix may complement the summary provided in the main text.</p>	<p>Not required.</p>
13.b.	<p>Improve ADB's reporting and disclosure of progress and results of safeguard measures by directing Operations departments to intensify current efforts to improve the timely disclosure</p>	<p>Management agrees that safeguard reporting requirements should be clear and consistently included in project administration manuals and consultants' terms of reference. Efforts have been made to improve the timely disclosure of monitoring reports since the Safeguard Policy</p>	<p>Action plan not yet uploaded in the MARS.</p>

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	of environmental and social monitoring reports, with the development of stronger reporting guidelines.	Statement (SPS) became effective, and further efforts will be made to ensure this.	
13.c.	Improve ADB's reporting and disclosure of progress and results of safeguard measures for FI projects by summarizing in the RRP due diligence work on portfolio risks and the FI's capacity to address these needs. Support for ESMS design for new FIs or FI projects can improve, as many documents studied were not clear about several elements that the SPS indicates as essential. The review acknowledges that the ESMS for long-standing FIs with well-established procedures cannot be fully rewritten or reorganized for ADB purposes.	Management partly agrees with this subrecommendation. The summaries of FI due diligence presented in RRP are compiled to meet the requirements of OM F1. The summary in the RRP is necessarily succinct, but it is the linked documents that contain more detailed information on the ESMS and the due diligence process.	Action plan not yet uploaded in the MARS.
14.a.	<p>ADB to promote more systematic and phased use of country safeguard systems (CSS) by continuing its useful work to strengthen CSS, particularly in the development of legislation and systems, and build up implementation capacity, mainly through its flexible TA instrument, which can respond to needs and windows of opportunity.</p> <p>Mapping the equivalence of CSS across Asia should continue and intensify and lead to a second phase in ADB's promotion of the use of CSS in ADB projects. Almost 5 years have passed since the SPS was approved; testing for equivalence and acceptability has been carried out for over 8 years.</p>	Further support to strengthen CSS will be subject to developing member country (DMC) demand and the availability of resources. Management agrees that the mapping of CSS equivalence across Asia and the Pacific could be useful. Regional workshops on CSS have also proven useful for exchanging lessons and experiences. ADB has established the Joint Safeguards Practitioners Community of Practice, with Department of Foreign Affairs and Trade - Australia, Japan International Cooperation Agency, and the World Bank, which provides a platform for coordination across development partners. With regard to the use of CSS in ADB projects, ADB is bound by the provisions of the SPS. Where SPS criteria are met, then the Board may approve the use of CSS for a particular project. Inclusion of discussions on strengthening and use of CSS in the CPS process would be helpful to ensure that these provisions are understood and acted upon where DMCs so wish.	Action plan not yet uploaded in the MARS.
14.b.	ADB to promote more systematic and phased use of CSS by taking stock, building on its experience so far, putting in place a more systematic and iterative process and sticking to the concepts of best practice and capacity. It should synthesize the lessons that have been learned and produce an overview. Agencies and sectors that can provide potential support should be identified.	Management disagrees with this subrecommendation. Details of Management's response is similar to Recommendation 14.a.	Not required.

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14.c.	ADB to promote more systematic and phased use of CSS by focusing on those agencies with the best track record and actively encouraging countries with suitable agencies to ask for the use of CSS. ADB could begin with agencies with good environmental records. After a review, if equivalence and capacity are found to be adequate, the Board of Directors could decide to grant use of the CSS in a project. If successful, the agencies could become the models for the next group, and give other agencies incentives to also upgrade their practices and capacity. Operations departments should also discuss a country safeguard review in one or more areas with the government during the preparation of a country partnership strategy.	Management partly agrees with this subrecommendation. Details of Management's response is similar to Recommendation 14.a.	Action plan not yet uploaded in the MARS.
14.d.	ADB to promote more systematic and phased use of CSS by reviewing the function of the safeguard system for that agency as a whole, to check its continuing compliance with the highest safeguard standards. Monitoring of the functioning of the CSS in the particular sector or for the particular agency needs to be regular and include credible and appropriate third-party verification, and full disclosure of results.	Management disagrees with this subrecommendation. Details of Management's response is similar to Recommendation 14.a.	Not required.
14.e.	ADB to promote more systematic and phased use of CSS by coordinating with development partners in promoting the use of country systems, including on efforts to develop safeguard capacity. This is particularly important for co-financed projects. The recent commitment to the Joint Safeguards Practitioners Community of Practice to prepare a CSS mapping exercise for all countries in the region is welcome, and may be part of the move to a second phase.	Management agrees with this subrecommendation. Details of Management's response is similar to Recommendation 14.a.	Action plan not yet uploaded in the MARS.
15.	ADB needs to explore the adequacy of guidance notes to staff and executing agencies for its many requirements, and to make improvements where needed. For investment projects there is	Management partly agrees with this recommendation and notes that this is already being done. A large amount of guidance notes and training materials already exists for FI projects, both from ADB and other MFIs. Consultation on joint training of FIs and guidance material	Action plan not yet uploaded in the MARS.

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	<p>a need for more and clearer guidance on the preparation and review of monitoring reports. For financial intermediary (FI) projects, there is a need for guidance notes for the different categories of such projects, first of all for ADB staff, on the due diligence needed, and its reporting in project documents in a structured and explicit fashion. These guidance notes should also elaborate on the types of FIs and the ESMSs or framework documents needed for them. They should elaborate the supervision needed, both of ESMS performance and of category A subprojects. Guidance notes are also needed for FIs and FI safeguard consultants on ESMS preparation and monitoring of FI safeguard performance. These notes should distinguish between different requirements and details for the major groups of FIs: commercial banks, investment funds, leasing companies, insurance companies, and corporates that invest in subprojects by establishing subsidiary companies or acquiring equity of companies.</p>	<p>is being pursued through the MFI Working Group on Environment and Social Standards. Additional guidance on the contents of monitoring reports will be circulated, as will links to online material on ESMS.</p>	
Corporate Evaluation Study on the Role of Technical Assistance in ADB Operations			
16.a.	<p>The strategic use of TA can be improved by relying on a fixed senior management committee rather than an open strategic forum or bilateral Strategy and Policy Department consultations with other departments, to establish annual priorities for corporate TA.</p>	<p>Management agrees that allocation of TA can be improved through the establishment of a senior management committee to examine specific requests in the context of corporate priorities. Management is currently looking into this option, including the composition of the committee.</p>	<p>The spirit and intention of the recommendation has been captured in the Medium-Term Review of Strategy 2020 (MTR) Action Plan completed item: Develop a prioritization mechanism to allocate TA resources.</p> <ul style="list-style-type: none"> • The President has endorsed the new TA resource allocation mechanism. The 2015 TA allocation memorandum, issued on 6 February, provides the allocations under the new scheme. • The new allocation process: <ul style="list-style-type: none"> - enables greater flexibility

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			in deploying TA resources; <ul style="list-style-type: none"> - links incentives and performance; and - enables a more transparent allocation system.
16.b.	<p>The strategic use of TA can be improved by requiring from operations departments a mandatory and more explicit presentation of country TA needs (capacity constraints, knowledge needs, opportunities for innovation) within country partnership strategies (CPSs) and country operations business plans (COBPs), to inform the TA program including regional TA (RETA) projects.</p>	<p>Management disagrees that CPSs and COBPs should report on country capacity constraints and knowledge needs as a means to determine a TA program, including the regional TA (R-TA). This is a good idea but it is already largely being executed during ADB's planning cycle with DMCs. The centrality of the CPS and the COBP process for allocating and planning all ADB resources (including TA), is embedded in the business model. Thus, the assertion of the evaluation that proper consultations are not taking place is totally misleading. Consultations are taking place through high level and sector level discussions. Management also believes that the CPS needs to better demonstrate how knowledge, capacity development TAs are integrated with ADB's other operational activities. In this regard, the Mid-Term Review Action Plan proposes that (i) CPSs include a knowledge management plan; (ii) ADB updates the business process to ensure non-operations departments plan regional TA with the active engagement and support of the regional departments to ensure operational relevance; and (iii) ADB appoints country directors of resident missions as "Knowledge Custodians", authorized to coordinate the design and implementation of country knowledge management plans.</p>	Not required.
16.c.	<p>The strategic use of TA can be improved by mainstreaming a dialogue with development partners about priorities for TA cofinancing during CPS preparation.</p>	<p>Management disagrees in mainstreaming ADB's dialogue with DPs. While CPSs and roadmaps are always discussed with DPs, not all TA needs can be determined when the CPS is prepared. The need evolves over time. In this sense, Management thinks that COBPs may be a much better platform for such consultations. ADB's work with nontraditional sources of external financing (such as foundations and philanthropic corporations and the private sector), is important but still relatively small. Nonetheless, moving forward, ADB will target these and other potential partnerships much more systematically. The Corporate Evaluation Study suggests that ADB should strengthen incentives to encourage staff to raise external TA financing. All forms of cofinancing are important and all teams are encouraged to work on this. One recent measure introduced by management includes the reallocation of administration fees accruing from trust funds and other partnerships. It is hoped that this will provide an additional</p>	Not required.

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		incentive for staff to work harder and better at fund raising.	
16.d.	The strategic use of TA can be improved by providing more tags, such as for piloting and innovation to classify TA operations so that directions can be set and better monitoring can take place.	Management has already addressed the sub-recommendation to tag TA operations to enable better monitoring. Since the launch of the revised Project Classification System (PCS) in April 2014, TA is classified for innovation under the knowledge solution driver of change. This classification identifies all operations with pilot testing, innovation, and learning elements.	Not required.
17.	ADB should move towards more programmatic TA, use more TA clusters and TA facilities, introduce more innovative TA, and continue pursuing reimbursable options to fund TA, such as project design advances. The earlier discussed tags for TA could help set targets and monitor progress.	Management agrees that ADB should gradually move towards more programmatic TA, use more TA clusters and facilities, introduce more innovative TA, and continue pursuing reimbursable options to fund TA such as project design advances (PDA). In terms of funding options, project preparatory TAs (PPTAs) in low income countries are expected to remain grant based. PPTAs in middle income countries are likely to be extended more and more on a cost recovery basis. Upper middle income countries may not even require TA support in the first place. At the same time, ADB may commit more grant-based capacity development TAs to help all of its developing member countries to strengthen local project design and administration capacities. In response to the implied concern that ADB's TA portfolio is too large, Management has already re-introduced a "cap" on active non-PPTAs. This will reduce the number of TAs across ADB and increase the staff to TA ratio. The active non-PPTA portfolio has already declined in number within 2014.	<ul style="list-style-type: none"> (a) Cap the number of active non-PPTA with the objective to increase staff -TA ratio and increase the size of individual TAs. (b) Introduce a more rigorous TA portfolio monitoring system at ORM level. (c) Pilot-test TA facilities in six larger DMCs over the period 2015-2017. (d) Monitor the number and volume of "innovative" TA through the new PCS. (e) RSDD's Knowledge Sharing and Service Center to establish a long-term mechanism at ADB to mainstream pilot-testing, replication, and scaling up innovative knowledge solutions in ADB-supported projects.
18.	ADB processes need to increase developing member country involvement at all stages of the TA project cycle from planning and preparation to implementation and evaluation. Intended counterparts for TA need to be included in TA, including relevant regional TA, conceptualization, preparation of terms of reference, consultant selection, and obtain an opportunity to formally comment on TA drafts,	Management concurs in principle but views that demand should first be accurately assessed before expanding the scope of delegating TA administration. A good TA design and good interaction with the executing agencies (EA) and implementing agencies (IA) during TA preparation are key success factors. Government involvement in the recruitment of consultants which increase ownership is already being done. The delegation of TA to the Resident Missions (RMs) is appropriate in the case of research undertaken by the RM, or in the case of other priorities such as the country partnership strategy	Not required.

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	TA completion reports, and consultant performance. ADB needs to enhance the role of resident missions in TA design and administration. ADB should also consider tailoring systems and procedures to be more user-friendly (such as ADB's consultant management system), if delegated TA is to be pursued. If ADB and countries wishes to pursue TA delegation, the People's Republic of China experience can provide lessons.	preparation, outreach, thematic issues and portfolio management. However, in project preparation work, the responsibility is primarily with sector directors. The front offices in the respective regional departments are best placed to manage such TA allocations. TA delegation to the developing member countries (DMCs) is a sound proposal on paper, but it can only be done if the countries have high enough capacity and familiarity with ADB procurement rules and procedures. Most executing agencies (EA) and implementing agencies (IA) do not have such capacity. The low uptake of delegated TA is a clear sign that many DMCs are actually not interested in TA administration. On the other hand, DMCs already manage the engagement of advisors financed under loans.	
19.a.	Improve the business processes related to TA design, processing, evaluation, and learning by adding technical experts (ADB staff, if available, and external experts) to peer review the design of complex TA projects that are not project preparatory TA (PPTA).	Management disagrees with this sub-recommendation and notes that OM Section D12/OP already requires the review of a technical expert, either ADB staff or an external expert, for the purposes of TA processing. Management also highlights that under the MTR Action Plan, the talent management program will institute a cadre of eminent staff as knowledge leaders, who can be called on to contribute to the innovation and knowledge agendas. These can apply to TAs and projects.	Not required.
19.b.	Improve the business processes related to TA design, processing, evaluation, and learning by relying more on stand-alone fact finding for large or complex TA projects, whether PPTA or other.	Management notes that this is already a common practice. OM Section D12/OP states that fact-finding mission is required for complex TAs that are considered as category A whereas for other TAs, fact-finding mission may be fielded or the TA team will identify other ways to conduct due-diligence. For PPTAs, the recommendation to have stand-alone fact-finding missions outside of the ensuing project reconnaissance goes against the principles of the streamlined business processes (SBP). The CES makes a case for condensed process of SBP as a possible cause for "quality of PPTA projects" without giving empirical evidence that this is indeed the case. The recommendation to reintroduce fact-finding for large TAs and PPTA also gives the impression that fact-finding is currently not done. This is not accurate. Combining PPTA with detailed engineering is not feasible given the TA resource envelope. Detailed engineering represents 2-4% of the investment project value and this is far too large for a TA. With TA loans, project development advance (PDA) and reimbursable TA, ADB already has instruments to strengthen project readiness.	Not required.
19.c.	Improve the business processes related to TA design, processing, evaluation, and learning by specifying the main purpose of PPTA (funding a feasibility study, ADB's due diligence,	Management notes that with TA loans, project development advance (PDA) and reimbursable TA, ADB already has instruments to strengthen project readiness.	Not required.

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	or detailed design), and relating it better to the individual country's capacity, project needs, and funding options available such as project design advances.		
19.d.	Improve the business processes related to TA design, processing, evaluation, and learning by more institutional attention and adequate time for preparing terms of reference for consultants.	Same as response to Recommendation 19.c.	Not required.
19.e.	Improve the business processes related to TA design, processing, evaluation, and learning by revising TA completion report guidelines and developing the management information system for tracking all aspects of TA.	Management agrees with the need to revise TA completion report (TCR) guidelines and to develop a management information system to track all aspects of TA. Management appreciates the Independent Evaluation Department's offer to work with ADB management to revise the TCR format and work towards an improved evaluation approach of high value and complex TA projects. Management agrees that ADB needs to strengthen its capacity to learn more from TA. ADB must emphasize that it is indeed moving in this direction. The Mid-Term review (MTR) Action Plan proposes measures to better capture knowledge and lessons generated by TAs, including knowledge embedded in ADB projects.	<ul style="list-style-type: none"> (a) Revise TCR guidelines (Project Administration Instructions (PAI) section 6.08) (b) Establish management information system under MTR action plan items: <ul style="list-style-type: none"> i. Develop data warehouses and business intelligence tools for financial and operational data ii. Develop a common ICT-based knowledge platform and provide easy to use knowledge sharing tool; and Knowledge portal and KPS Database
20.a.	To improve the use of consultants for TA needs, ADB can ensure that the proposed consultant review under Strategy 2020's midterm review action plan is comprehensive and investigates budgets for TA and the consultant fee structure and its handling. The proposed consultant review under Strategy 2020's midterm review action plan needs to be an end-to-end review of consultant processes- exploring further the issues highlighted in the evaluation, taking into account the views and experiences of other departments on constraints, and having its results discussed at a sufficiently senior level.	Management agrees that the use of consultants and consultant engagement processes and systems need to be more responsive and efficient. Management also agrees that the present system is complex and calls for a comprehensive review of the use of consultants, as well as experimenting with further modalities such as long term consultant or ADB staff on fixed term contract. Under the Mid-Term Review Action Plan, ADB will streamline the recruitment of consulting services.	<p>The spirit and intention of the recommendation is captured in the Medium-Term Review of Strategy 2020 (MTR) Action Plan item: Enhance quality of consulting services.</p> <ul style="list-style-type: none"> • Encourage use of 90:10 (technical quality: price) ratio for evaluation of proposals <ul style="list-style-type: none"> - OSFMD issued a memo dated 30 September 2014 to encourage the use of 90:10 ratio • Use more output-based contracts for consulting

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			<p>services and adjust. Currently, allowed and used as appropriate.</p> <ul style="list-style-type: none"> • Undertake a review of procurement and consultant policy and guidelines, including single-source selection and use of country systems and processes • In addition to ongoing reforms, modify most PAs following the batch of procurement reforms envisaged by World Bank in 2015.
20.b.	<p>To improve the use of consultants for TA needs, ADB can experiment with different modalities using cofinancing to finance fixed term staff or provide long term consultants. The current model of outsourcing most of TA implementation to consultants with limited involvement of ADB staff may not be the best to deliver large and complex TA projects. The costs are high, knowledge losses after consultants leave are significant, and consultants are often taken less seriously by clients than ADB staff.</p>	<p>Management does not support the proposal to use long term staff consultants for TA implementation. The use of staff consultants should be for short term assignments to address the issues related to work load fluctuations and to fill temporary skill shortages.</p>	<p>Not required.</p>
20.c.	<p>To improve the use of consultants for TA needs, ADB can improve staff capacity related to consultant recruitment and management. ADB needs to develop pools of certified or well-regarded consultants for particular assignments (e.g., project due diligence and safeguards).</p>	<p>Same as response to subrecommendation 20.a.</p>	<p>(a) OSFMD conducts trainings on consultant recruitment for regional departments on a regular basis.</p> <p>(b) ADB has a database reflecting the consultants' qualification and performance. Users can use this database to identify well-regarded consultants.</p>

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20.d.	To improve the use of consultants for TA needs, ADB can improve the consultant performance assessment system and its analysis. The consultant performance assessment system needs to be improved so that more candid assessments are drawn out, and better analysis can take place. The system should also provide links to written consultant outputs.	Same as response to subrecommendation 20.a.	An end-to-end review of consultant selection is already proposed in a DRAFT report. This will be implemented in 2015. The report also includes elements in improving the consultant performance assessment system.
Real-Time Evaluation of ADB's Initiatives to Support Access to Climate Finance			
21.	ADB can create new knowledge that is (i) founded on science, economics, and practice; and (ii) focused on transformative areas that multiple countries consider as high-priority areas. For this purpose, ADB could develop and nurture partnerships that provide technical knowledge to support countries in high-priority transformative areas. New knowledge in high-priority areas can be created from a synthesis of relevant past ADB experience. ADB could also harness the expertise of its knowledge partners to design programs and projects in high-priority transformative areas and lay the foundation to create new knowledge. Energy efficiency of buildings and appliances is poised to be one such high-priority area for many countries of developing Asia, given the rapid urbanization rates projected to 2030 and beyond. In many other areas that require transformative intervention, ADB can create outreach mechanisms and partnerships, and broker knowledge across the Asia and Pacific region and beyond.	Management recognizes the need to focus on projects that are more strategic and innovative. On the other hand, Management must also recognize what DMCs demand and expect from ADB in the short term. To strengthen capacity at strategic levels in our DMCs, it is important to create new partnerships with institutions which have expertise and knowledge on climate change and development issues, and to build a network of Centers of Excellence. Management will keep pursuing this agenda more closely under the framework of the Knowledge Management Action Plan.	Efforts along this line have been initiated. ADB to continue/expand knowledge work in high priority areas, tapping the potential of knowledge partnerships. Other activities on knowledge in line with MTR Action Plan

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22.	<p>ADB needs to innovate with financial products that can facilitate governments' efforts to achieve transformational objectives. Most likely a range of products is required to meet the viability gap at different stages of the transformation cycle. A programmatic approach in the design of adaptation and mitigation interventions would enable ADB to participate in a dialogue with other entities that are better positioned to design and introduce certain financial products. In this way, ADB can focus on its core competencies, while it facilitates countries' efforts to achieve transformative outcomes. One way ADB can raise finance to support climate change adaptation and mitigation interventions is to build on its limited experience issuing thematic bonds related to clean energy and water. ADB can explore bond issuances that are dedicated to a wide variety of specific types of adaptation and mitigation solutions subject to investor demand, the availability of an eligible loan pipeline, and a robust project classification system to enable tracking and to meet internal and external reporting requirements on performance. ADB can increase the leverage of the Green Climate Fund's public sources of funds with private capital by strengthening private sector operations and the use of public-private partnerships.</p>	<p>ADB is already employing innovative financing approaches to leverage public and private finance, such as the issuances of clean energy and water bonds. ADB is also tapping non-traditional sources such as pension funds, sovereign wealth funds, and other institutional investors as exemplified in the case of the Climate Public Private Partnership Fund (CP3), an investment vehicle co-managed by ADB and another global financial institution. ADB's Treasury Department is also assessing the possibility of issuance of green bonds. Management have reiterated the role of innovative financing in the midterm review, and will examine ways to further expand this frontier.</p>	<p>(a) Continue employing innovative financing such as: issuance of green bonds; use of concessional financing to leverage private finance through various funds, e.g., Canadian Climate Fund for Private Sector in Asia; and Climate Investment Funds Operationalization of Climate Public Private Partnership Fund (CP3)</p> <p>(b) Provide capacity building support to enhance DMCs' readiness to access international climate finance mechanisms such as the Green Climate Fund and new carbon mechanisms, including assistance in building pipeline of projects.</p>
23.	<p>Efforts to improve coordination at the management and operational levels to facilitate the scaling up and mainstreaming of support for adaptation and mitigation (beyond clean energy), and to increase access to, and leveraging of, climate finance can begin along the following lines: (a) Align processes, reporting relationships, and incentive systems that encourage (i) a comprehensive and cross-sectoral perspective in the design of intervention strategies and projects; (ii)</p>	<p>Management appreciates these recommendations, however, it needs to take into account factors and constraints in their feasibility. ADB is already implementing several ideas suggested by the study, including creation of opportunities to share knowledge and experience across knowledge and operations departments, and assessment of climate risks and vulnerabilities of projects, among others. The current arrangement of a centralized climate change focal team in the Regional and Sustainable Development Department - Climate Change Coordination and Disaster Risk Management Unit for bank-wide activities and coordination, and a network of designated climate change focal points in regional departments with technical expertise</p>	<p>(a) Examine arrangements under the Communities of Practice to deal with climate change issues including the integration of climate change in projects, greenhouse gas accounting, and climate finance tracking.</p> <p>(b) Align with relevant measures under the MTR action plan including staffing and</p>

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	<p>knowledge and experience sharing across knowledge and operations departments; (iii) a credible assessment of climate risks and vulnerabilities of proposed investment projects, and mitigation measures; (iv) close working with partner organizations, preparation of detailed documentation to obtain climate finance support early in the project cycle, proper greenhouse gas accounting, and consistency among all project documents; and (v) transparent tracking and reporting using relevant indicators that are provided on a timely basis. Guidance on project documentation requirements can be refined in consultation with partner organizations. (b) Attract and retain staff with expertise relevant to transformational adaptation and mitigation programs. A complement of skill sets will be required to develop innovative solutions (such as structuring of affordable disaster risk-financing programs) and to advise governments (for instance, on policy, regulatory and institutional matters). Such staffing priorities will increase ADB's capacity to access climate funds, and to leverage climate finance from public and private sources.</p>	<p>in sectors and themes, allows for a flexible approach towards achieving operational outcomes within a limited resource envelope. Much of the substantive coordination around individual themes is centered on dedicated working groups. Management will keep examining the effectiveness of the current mechanism and explore ways for enhancement as necessary. Meanwhile, the recommendation to establish a Community of Practice (COP) dedicated to climate change may not be an option to adopt at this stage. Given that climate change is a cross-cutting theme/issue, the existing COPs should be encouraged to further integrate climate considerations into their work. A good example is the Transport COP, which has established a committee to deal with climate and environment issues in deliberating transport projects. On the issue of staffing priorities, Management emphasizes potential budgetary implications of the recommendation and reiterates the point that such needs should be carefully assessed against other competing demands in implementing strategic priorities under Strategy 2020.</p>	<p>knowledge management.</p>
<p>Thematic Evaluation Study of ADB Support for Enhancing Governance in its Public Sector Operations</p>			
24.	<p>Clarify direction and strengthen guidance on public sector management (PSM) operations at the corporate level. The PSM portfolio would benefit from a clearer sense of direction and priorities, elements that are not highlighted in existing corporate-level plans such as Second Governance and Anticorruption Action Plan. A concise directional document is needed to better guide PSM operations. This would serve the overarching purpose of articulating how ADB intends to improve the effectiveness of PSM operations within existing resource constraints. More specifically, it could: (a)</p>	<p>Management partly agrees with the recommendation. Management does not believe that such document would help given the complex and multi-dimensional character of the sector, which requires diversity, flexibility and cross-fertilization in terms of operational approaches. Instead, Management proposes that the RSDD and the Community of Practice (CoP) review existing guidelines and strategy documents to determine if there are any significant gaps that warrant clarification. Further, recognizing the transformative impact of PSM operations, RSDD and the CoP will further strengthen the peer review mechanism, and intensify efforts to identify and disseminate lessons distilled from operations. RSDD and the CoP will also carry out a training and capacity development program for staff working on PSM operations.</p>	<p>(a) Prepare operational plan for capacity development to provide direction to operations for public sector capacity development. (b) Review existing policies, operational plans, and guidelines to determine any significant gaps in corporate direction and guidance for PSM operations. Governance</p>

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	<p>articulate how PSM operations can support and align with Strategy 2020's agendas on inclusive and environmentally sustainable growth; (b) signal ADB's forward positioning on PSM for the benefit of staff, member countries, and other development partners; (c) set clearer directions and priorities for PSM subsector operations; (d) provide better guidance on PSM in the formulation of CPSs and their component assessments; (e) highlight important lessons and good practices to be incorporated into programs and projects; and (f) provide a basis for monitoring progress and achievements in PSM operations. Elaborating the direction and guidance at the corporate level would also require a review of organizational arrangements and staffing strength for PSM operations and for sector and project governance to maximize use of resources under existing constraints. It could also clarify ADB's position in terms of support for governance dimensions.</p>		<p>technical group will affirm the adequacy of existing documents, or issue clarifications/ additional guidance.</p>
25.	<p>Improve governance and capacity-development analytics in country and sector programs. CPSs should identify those governance issues that are most likely to have an impact on development effectiveness in the main sector programs and propose achievable risk mitigation and capacity development measures. The risk section in CPSs should reflect risks in the Second Governance and Anticorruption Action Plan (GACAP II) focus areas of public finance management, procurement and anticorruption, as well as risks to sustainability, with references made to the linked sector road map documents. The targets for the sector programs set in the sector road maps need to be reflected in the sector results frameworks, as do key risk mitigation actions of the sector risk assessment and management plans (RAMPs). Where good governance is a main objective or pillar of the CPS, the country results framework needs to reflect key</p>	<p>Management notes that this recommendation is also consistent with the recently approved revisions to ADB's procurement governance framework that shifts fiduciary risk management from controlling inputs to supporting outcomes. Country-level analysis of public management systems will continue to set the context for sector and project-level interventions. Regional departments are responsible for preparing country and sector governance risk assessment and management plans (RAMPs) and for assessing institutional and organizational capacity at country and sector level as part of the preparation of country partnership strategies and operations. Assessments from other development agencies can also be used to inform ADB's own country RAMPs. Sector RAMPs are undertaken where there is a sector program in a particular country's financing pipeline. Regional and Sustainable Development Department (RSDD) is reviewing RAMPs and will provide technical and financial assistance to support regional departments in the preparation of selected RAMPs and capacity assessments. Staff guidance for the implementation of the GACAP II review recommendations will include measures to strengthen quality of RAMPs. Currently, RSDD, under the guidance of the Community of Practice, is reviewing ADB's approach to capacity</p>	<p>(a) Prepare revised staff guidance for implementing GACAP II including measures to strengthen the quality of institutional analysis in governance risk assessments (GRAs). (b) Provide technical and financial support to regional departments on a selective basis to undertake governance and capacity assessments, with stronger oversight and monitoring in countries or sectors where risks are higher. Support will include staff guidance/ tools for undertaking institutional governance and capacity diagnostics in priority sectors.</p>

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	<p>indicators and targets. The country results framework needs an explicit link to the country RAMP. This may require a revision of the guidelines for the frameworks. In addition, sector diagnostics and capacity needs assessments require more rigor, resources and systematic application, with sharper focus on how TA and capacity development support can strengthen sustainability in infrastructure sectors.</p>	<p>development, as highlighted in the Strategy 2020 mid-term review action plan. The review will result in a capacity development operational plan for 2015-2020.</p>	<p>(c) CPS and priority sector GRAs will be systematically peer reviewed by regional departments, with support of the Governance technical group.</p> <p>(d) Conduct an annual staff training program on integrating governance and institutional development in ADB operations. The training will incorporate elements of governance and capacity development, and equip ADB staff with practical tools and techniques.</p> <p>(e) Introduce 10-point procurement reform plan, through which diagnostic methodologies and tools have been developed to assess country, sector and agency procurement risks. The procurement risk assessments will form the procurement portion of the GACAP II GRA. ADB's procurement supervision will be guided by risk assessments, with heavier oversight and monitoring in those countries and sectors where risk is considered higher.</p>
26.	<p>Strengthen Second Governance and Anticorruption Action Plan implementation at the project level. Better-quality project RAMPs will require stronger guidance and inputs, including improved financial management and procurement assessments, particularly in high-risk sectors and countries. Greater oversight of RAMPs by non-operations entities, such as</p>	<p>Management notes the need for greater quality control and oversight of risk assessment and management plans (RAMPs). A lot of efforts are being made in this direction. The quality of project-level RAMPs prepared by regional departments is being reviewed by Operations Services and Financial Management Department (OSFMD). Methodologies and tools for assessing project level procurement risks have been issued by OSFMD, and the financial management assessment methodology is being updated. OSFMD is also reviewing</p>	<p>(a) Provide quality control of risk assessments and management plans at the project level, and provide guidance and technical support for procurement and project financial management risks.</p> <p>(b) Prepare revised staff guidance</p>

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	<p>Office of Anticorruption and Integrity (OAI) and the Operations Services and Financial Management Department, warrants consideration. The integration of risk-mitigating actions identified in RAMPs into project administration manuals need to be checked, and ideally indicators for these actions reflected in log frames. Finally, ADB would want to closely monitor the results and trends of OAI project procurement-related reviews (PPRRs) to gauge the effectiveness of ongoing risk assessment and mitigation efforts. Regional department implementation of PPRR actions and recommendations need monitoring and follow-up by OAI. More resources should be allocated to broaden the sample of PPRRs to ensure a more representative mix.</p>	<p>core project documents (including procurement plans, and financial management arrangement), and providing input to project administration manuals. In addition, Office of Anticorruption and Integrity (OAI) is currently preparing methodologies and tools for assessing project level integrity and corruption risks. In order to implement Second Governance and Anticorruption Action Plan (GACAP II) review recommendations, the Regional and Sustainable Development Department (RSDD) is updating staff guidance to assist regional departments with the preparation of country, sector RAMPs and for developing risk mitigation measures that flow from RAMP findings. RSDD and the Community of Practice are also exploring ways to strengthen staff capacity for implementing GACAP II as well as for improving multi-stakeholder engagement processes, including increased citizenry engagement at project level. In addition, OAI plans to refine the scope of the Project Procurement-Related Reviews (PPRRs) to assess RAMPs at the project level through this vehicle as recommended by the TES. The number of PPRRs will also increase to the extent possible. PPRR findings on the adequacy of the RAMPs of ongoing projects will provide an opportunity to introduce improvements during project implementation. We find merit in the recommendation that OAI should monitor and follow up regional departments' implementation of PPRR actions, and will explore possibilities to expand tasks in this area under the consideration of resource implications for such additional work.</p>	<p>for implementing GACAP II to improve the quality of GRAs. The guidance will clarify processes for GACAP II implementation at the project level, consistent with project financial management and procurement procedures, as recommended by the 2013 GACAP II review.</p> <ul style="list-style-type: none"> (c) Ensure that audit requirements, including indicative terms of reference for external auditors, and related PAI and OM sections, are approved. The requirements will call for external auditor's review of internal controls over procurement. (d) Update the financial management assessment methodology to improve the risk assessment framework for financial management. Specific focus will be given to reviewing executing agency contract management and documentation practices, and internal control over procurement and vulnerability to corruption at the project level. (e) Prepare methodologies and tools for assessing project-level integrity and corruption risks. (f) Refine the scope of the Project Procurement-Related Reviews (PPRRs) to assess more risk assessments and management plans at the project level.

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Thematic Evaluation Study on ADB Support for Strengthening the Enabling Environment for Private Sector Development (PSD)			
27.	Create an ADB-wide focal point to provide operational support on investment climate and business regulatory issues, promote information exchange, coordinate work of existing sector and thematic communities of practice on private sector issues, and organize staff training.	Management will consider various options to enhance coordination for PSD, including expansion of the mandate of the existing public-private partnership Community of Practice. On the issue of staff training, Management notes that a skills audit is planned in 2014, which should provide more information on PSD skills among operational staff and will help to better target such training.	Consider various options to enhance coordination for PSD. These include: introduction of a new framework of PSOD-Regional Department collaboration. Conduct skills audit and identify necessary learning needs to prepare for staff training.
28.	Strengthen the quality and use of private sector assessments by (a) using standardized templates; (b) prioritizing private sector assessment recommendations according to a transparent methodology; (c) supporting key recommendations with economic cost-benefit analysis to enhance buy in and development effectiveness; and (d) identifying areas for private sector development-related ADB support considering country priorities and needs, the activities of other development partners and complementarities with other ADB operations.	Management supports the suggestion that all CPSs are required to include private sector assessment (PSA) as a mandatory linked document. Management will develop detailed guidance on the PSA format to improve its quality and usefulness by helping to ensure that key information is provided. In addition, guidelines will be prepared to ensure that sector assessments highlight the role of such sectors in enabling private sector development as well as reflect opportunities for private sector investment, including through public-private partnership.	The following actions will be undertaken: (i) develop a standardized template and guidelines for private sector assessments (PSAs); and (ii) update the guidelines to ensure that other sector assessments highlight the role of such sectors in enabling PSD as well as reflect opportunities for private sector investment, including through public-private partnership (PPP).
29.	Increase the inclusiveness of PSD enabling environment support through (a) consideration of specific constraints to entrepreneurship and business operations for informal, small, rural, or female entrepreneurs in private sector assessment analysis and recommendations; (b) an operational focus on alleviating business constraints for such groups; and (c) the inclusion of relevant benchmarks for projects seeking to strengthen the enabling business environment for these groups in design and monitoring frameworks.	ADB is currently providing support in DMCs in line with the respective government's overall agenda to improve the investment climate. While targeted support for informal, small, rural and female entrepreneurs would have positive impact on inclusiveness, ADB should recognize that many DMCs are still lagging behind in terms of overall business environment and basic legal and policy framework to foster private sector development. Management agrees that in case of targeted projects, relevant benchmarks should be included.	Support more inclusive private sector development. Develop an action plan for inclusive business project.
30.	Strengthen ADB support for business regulatory and governance reforms by (a) increasing ADB contributions to advocacy efforts; (b) increasing levels of advisory and investment support for reforms that lower private business regulatory and transaction costs, reduce the scope for corruption, improve competition, and	Management notes that the study's suggestions require significant resources and expertise, along with mobilization of government support to achieve tangible results. These broad tasks and associated challenges cannot be effectively dealt with by ADB alone. ADB's support for PSD should be considered based on our comparative advantage vis-a-vis other donors'.	Support for private sector development should be considered based on ADB's comparative advantage and what other development partners are providing to the country.

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	strengthen property rights; (c) following good practice approaches attuned to local conditions, using appropriate institutional incentives; (d) focusing project design and monitoring on the achievement of meaningful reform outcomes and ensuring the collection of relevant data; (e) providing adequate support to facilitate reform implementation; (f) promoting the use of e-governance systems and regulatory impact assessments; and (g) providing implementation support for private sector development-relevant mitigation measures identified in governance risk assessments.		
31.	Address underlying issues that affect private sector financing access and costs through (a) continued policy dialogue on financial sector reform including rectifying causes of interest rate distortions, strengthening financial market competition and regulation, strengthening financial market supervision and regulatory enforcement, improving frameworks for financial and corporate governance, and developing functioning secured transaction and bankruptcy regimes; and (b) more support for improving credit information and credit risk management systems, and financial literacy programs.	Management agrees that ADB should explore support in PSD's key constraints. In fact, ADB support in mobile banking and the use of information and communication technology (ICT) are greatly contributing to expanding private sector access to finance as well as to markets. Moreover, the private sector assessment guideline will highlight key issues that affect private sector financing and identify actions that can be supported by ADB.	Develop guidelines for private sector assessments to highlight key constraints for private sector financing.
32.	Mainstream private sector development (PSD) in ADB's core operations through (a) systematic consideration in CPS and sector road maps of actual and potential private business contributions to sector development, sector-specific PSD issues including those related to the enabling environment, and sector contributions to PSD; (b) an increase in the share of infrastructure, finance, and education support that seeks to enhance private sector contributions and impact; (c) systematic identification of any private sector impacts in project approval documents; and (d) inclusion of meaningful PSD-related outcome and impact	Management notes ADB's efforts (enumerated in Management's response to recommendation #28) to improve the quality of private sector assessment in country partnership strategy and to ensure that sector assessments highlight private sector development issues and related opportunities.	Develop a standardized template and guidelines for PSAs, and Update the guidelines to ensure that other sector assessments highlight the role of such sectors in enabling PSD as well as reflect opportunities for private sector investment, including through public-private partnership.

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	indicators in the design and monitoring frameworks for all projects with PSD classification, together with the identification of complementary efforts required by ADB or others to achieve the stated private sector impacts.		
33.	Help improve the enabling environment for ADB's private infrastructure and public-private partnership programs through (a) adequate support for underlying sector reforms and other relevant investment climate reforms; (b) appropriate sequencing of such interventions and private participation in infrastructure (PPI) support in sector strategies and road maps; (c) the provision of long-term support to build regulatory capacity and facilitate enforcement and the promotion of value for money analysis to help improve economic returns of PPI.	As specified under pillar 2 of Public-Private Partnership (PPP) Operational Plan, Management will continue to support an improved enabling environment for PPP to leverage greater private sector investment. Management agrees that ADB's efforts for sector reforms should also be conducive to promoting enabling environment for PPP and private infrastructure investment. In this regard, Management would like to highlight that ADB's ongoing support for public sector management, including tax reform, modernization of regulatory environments, and state owned enterprise reforms also support these goals. ADB's public sector reform programs are largely built on the recognition that achieving greater efficiency in public sector is needed to promote private sector-led economic growth.	Efforts for sector reforms should also be conducive to promoting enabling environment for PPP and private infrastructure investment, and note that ongoing support for public sector management already supports these goals.
34.	Improve synergies between enabling environment support and private sector operations through the provision of adequate enabling environment support for key areas of private sector operations.	Whenever and wherever feasible, Management will provide enabling environment support for private sector operations (PSO) through public sector lending, policy dialogue and technical assistance. It notes that a majority of PSOs currently focus on the energy and financial sectors, where ADB continues to provide support to improve the enabling business environment.	Introduce a new framework of PSOD-RD collaboration.
Thematic Evaluation Study on ADB's Support for Inclusive Growth			
35.	ADB needs to gear its support to particular country needs and pay special attention to trends in inequality. A simultaneous focus on poverty and inequality in ADB's inclusive growth framework has become increasingly necessary due to the region's changing socioeconomic landscape. Strategy 2020 was formulated at a time of optimism about the region's progress on poverty reduction. However, growth and poverty trends in Asia could be affected by the lingering effects of the global financial crisis, and more recently the repercussions of the tapering of quantity easing measures in the United States and gloomy growth prospects of European economies following the Eurozone	ADB needs to base its support on particular country needs and have special attention to inequality trends. This is reiterated in the ongoing midterm review (MTR). Management also agrees that inclusive economic growth diagnostics in the country partnership strategy (CPS) should cover measures the government is taking to address both poverty and inequality. The MTR also proposes ADB's approach at the country level, articulated in the CPS, be built on, among others, a rigorous analysis of inequalities and underlying causes.	(a) Already included in the Strategy 2020 midterm review is a stronger focus on reducing inequalities by strengthening support to inclusive economic growth and inclusiveness of ADB operations. (b) To strengthen inclusiveness and reduce inequality, under the MTR, the share of education in ADB's total financing will be increased to 6-10%; share of health to 3-5%; and increased support will be provided for social

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	<p>crisis of 2009. Inequality is also rising in many countries, leaving the poor and other marginalized groups more vulnerable.</p>		<p>protection, financial inclusion, and inclusive business. This will be achieved by (i) revising the CPS template to allow flexibility in the country program to exceed five operational areas where necessary (ii) Updating the health and financial sector operational plans (iii) Preparing a social protection operational plan (iv) Preparing an inclusive business action plan</p>
36.	<p>Each pillar should promote inclusive growth by paying special attention to benefiting lower-income groups relatively more. Pillar 1 projects can contribute to inclusive growth if their benefits reach lower-income groups. This does not imply that every project under pillar 1 should focus on lower-income groups. Pillar 2 projects should incorporate an analysis of the equality of opportunities available to promote access to and distribution of opportunities. Proper targeting of beneficiaries is important for pillar 3 projects to maximize the resources intended for safety nets provision. A stronger transition from strategic objectives to project design and implementation in this respect is called for.</p>	<p>While it does not agree that projects need to be poverty targeted to achieve inclusive growth, Management does agree that design of infrastructure projects could be more inclusive. Conscious efforts are being made in this regard. When rural development projects are designed, the need to link project areas to national and provincial artery roads and the size and profile of beneficiaries are carefully reviewed and reflected in the project scope. In working on development of secondary cities which often directly contributes to inclusiveness through hosting rural migrants and serving as growth centers with better opportunities for employment and income, attention is also paid to the risk of exposing the poor/near poor migrants to the adverse impacts of urbanization.</p>	<p>Not required.</p>

No.	Recommendation	Management response	Action plan
37.	<p>Stronger inclusive growth diagnostics are needed in country partnership strategies (CPSs). The relative emphasis between the three pillars and in the selection of priority sectors should be based on a strengthened rationale and analysis presented in CPSs that incorporate adequate analysis of inequality, poverty and productive employment issues, as well as properly reflect the findings of risk, vulnerability, and gender profiles.</p>	<p>Stronger inclusive economic growth diagnostics are needed in country partnership strategy (CPS) to properly assess inclusive economic growth needs at the country level. Management agrees that the relative emphasis among the three pillars of inclusive economic growth and selection of priority sectors should be based on a strengthened rationale and analysis presented in the CPS. As to the point raised in the thematic evaluation study that often CPSs lack appropriate responses to human development and social protection support needs identified, Management reiterates its view that support to countries should lie at the crossroads of the country's development needs, the government's own program, revealed demands for external assistance and our comparative advantage, under the consideration of what other partners are providing to support.</p>	<p>(a) Formulated staff guidelines on inclusive economic growth in the CPS already direct country teams to strengthen country diagnostics related to inclusive economic growth in the economic analysis, poverty analysis, and gender analysis that are part of the background documentation for CPSs. Additional diagnostic work to determine binding constraints to inclusive economic growth could be undertaken with support from the Economic and Research Department.</p> <p>(b) Quality-at-entry exercise assesses the effectiveness of CPSs in addressing inclusive economic growth. In the next QAE cycle (2016), the effectiveness of CPSs in addressing inclusive growth will be based on the criteria laid down in the Staff Guidelines on Inclusive Economic Growth in the CPS. The target year of 2018 signifies that at least 2 QAE exercises undertake this assessment of effectiveness of CPSs in addressing inclusive growth.</p> <p>(c) Continue to monitor the quality, content and presentation of CPSs from an inclusive economic growth perspective based on the revised Guidelines on Inclusive Economic Growth in the CPS</p>

No.	Recommendation	Management response	Action plan
			<p>(d) The selection of priority sectors, however, cannot be based only on the diagnostics related to poverty, inequality, and gender etc. While these are important concerns, the sector selection is also very much dependent on aligning with government and development partner programs and on ADB's own comparative strengths and advantages.</p>
38.	<p>Country teams should pay more attention to synergizing ADB's country programs with government programs and the programs of development partners. Selectivity in areas of operations, while valuable in some respects, weakens the impact of these operations if the complementary areas that ADB leaves to others are not filled. Further strengthening of ADB's capacity for developing, facilitating, and monitoring synergies with complementary programs and projects of other donors is imperative.</p>	<p>Country teams should play a bigger role in synergizing ADB's country programs with government programs and the programs of development partners. Management also agrees that ADB's capacity for developing, facilitating and monitoring synergies with complementary programs and projects of other donors should be strengthened.</p>	<p>(a) Aligned and synergized ADB's country programs with government programs and development partners.</p> <p>(b) Mid-term review supports the building of complementarities between infrastructure projects and investments in education, finance, health, and agriculture sectors to increase the impact on inclusive economic growth and other development objectives.</p> <p>(c) Focus on strengthening staff awareness and capacity on developing and monitoring complementarities and synergies with other donors at both country program and project levels.</p>

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39.	ADB needs to improve the quality of its tracking of the performance of its inclusive growth interventions. Although staff guidelines incorporate a set of indicators to monitor inclusive growth, these do not include targets at the country level. Country teams must be encouraged to adopt country-level targets for inclusive growth indicators to help improve outcomes. Country portfolio reviews should show the progress on inclusive growth indicators in the form of a scorecard.	ADB needs to improve the quality of its tracking of the performance in its inclusive economic growth interventions. Under the inclusive growth guidelines, the CPS is required to follow the inclusive economic growth framework, which includes a suggested list of inclusive economic growth indicators to monitor performance in this area. Management supports the inclusion of national targets for the inclusive growth indicators, where available, in the CPS. Monitoring of progress on these targets could be undertaken as part of the annual country operations business plan updating exercise. Management does not support a scorecard for inclusive economic growth indicators as part of the country portfolio review.	<p>(a) Revise staff guidelines on inclusive economic growth in the CPS to clarify the need to reflect national targets for inclusive economic growth indicators, where available, for inclusion in CPS results frameworks.</p> <p>(b) Revised the corporate results framework and the project classification system to capture alignment of operations with specific inclusive economic growth pillars.</p>

^a Includes eight suggestions from the 2013 Thematic Evaluation on ADB's Support for Strengthening the Enabling Environment for Private Sector Development not listed in Appendix 4 of the 2014 AER.

Table 2. Validation of Actions on Recommendations Due in January-September 2014^a

Report/Recommendation	Management Response and Actions Taken	Independent Validation
Special evaluation on ADB's support to promoting good governance in Pacific DMCs		
<p>Explore and apply nontraditional approaches to enhance transparency and participation in Pacific developing member countries (DMCs) to sustain improvements in governance efforts and their impact on development effectiveness. It further offered that ADB (i) support university-based research and policy study institutions to generate local knowledge in support of good governance; (ii) work with civil society groups to build expertise to monitor public service delivery; (iii) promote the institutionalization of policy forums and dialogue; and (iv) continue Pacific-focused studies on important issues but improve visibility and use of this knowledge in policy arenas.</p>	<p>Management agreed with the recommendation and MARS reports on actions taken indicate that: (i) development coordination offices have been set up; (ii) the Pacific Department (PARD) is further refining ways to continue its support for improving public policy making; (iii) ADB approved subprogram II of the Republic of Marshall Islands (RMI) Public Sector Reform Program (PSRP) and several TA projects supporting public administration in the North Pacific; and (iv) the Fragile and Conflict-Afflicted Situation (FCAS) handbook was published.</p>	<p>Self-evaluation rating downgraded to <i>largely implemented</i>. There is some incongruence between the original recommendation (and its suggestions), the action plan, and the final actions taken. While the four actions listed are important achievements on their own, some lingering questions remain, such as: <i>Has PARD worked closer with university-based research and policy study institutions to generate local knowledge in support of good governance (beyond the 2010 pilot policy study, which took place before this evaluation)? Has it considered working with civil society groups to build expertise in areas such as monitoring public service delivery? Has it sought to promote the institutionalization of policy forums and dialogue? Has it improved the visibility and use of its Pacific knowledge studies in policy arenas?</i></p> <p>Moreover, the action plan statements that (1) PARD is <u>already</u> applying innovative and non-traditional approaches in a range of its projects, and that (2) PARD <u>has opened</u> development coordination offices in some countries, are actually not action plans, since these steps have already occurred or were in motion before the evaluation. Furthermore, it is not entirely clear how the RMI PSRP subprogram II and several TA projects for public administration in the Northern Pacific serve as examples of innovative or non-traditional approaches.</p>
Special evaluation on ADB's response to natural disasters and disaster risks		
<p>Apply an integrated approach to its disaster recovery operations that goes beyond infrastructure restoration.</p>	<p>Management agreed with the recommendation and MARS reports indicated that ADB has an Operational Plan that promotes an integrated approach, and, for example, post-Yolanda support includes community level intervention, but it is yet to see tangible ADB support</p>	<p>Self-evaluation rating downgraded to <i>largely implemented</i>. Independent evaluation confirms that the Integrated Disaster Risk Management (IDRM) Operational Plan sets out a good framework. For very large-scale disasters, such as the Indonesia Tsunami 2004, India Gujarat, and Philippines Yolanda, along with infrastructure restoration, ADB responded with major livelihood restoration support projects or components. In the case of Yolanda, although the Philippines \$372 million loan for the KALAHI-CIDSS National</p>

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	that has actually resulted in an integrated intervention, both hard (structural) and soft (non-structural) components in real sense. ^b	Community-Driven Development Project was a re-cast of pre-Yolanda processed initiative, it is a good mix. Progress on the implementation of the KALAH-CIDSS is slow and results cannot yet be seen. Based on the Operational Plan, more strategic or proactive mix of livelihood restoration in smaller disaster intervention can be made.
Coordinate more regularly with other development partners, take more of a leading role in countries where it does a lot, and undertake more technical assistance jointly.	Management agreed with the recommendation and MARS reports indicated that ADB has developed a strategic approach for engagement with partners, including the private sector, as part of the new IDRM Operational Plan that superseded the 2008 Disaster and Emergency Assistance Policy (DEAP) Action Plan.	Self-evaluation rating downgraded to <i>largely implemented</i>. The IDRM Operational Plan laid out a good platform for ADB to pursue a strong and proactive role in donor coordination. One of the three pillars under the framework, "developing disaster risk financing capabilities" did not see a major breakthrough or revival at the launch of the Pacific Catastrophe Risk Assessment and Financing Initiative, and that is an area where ADB should do more.
Update and refine ADB's 2008 action plan and follow up with an annual progress report to feed appropriate Management decisions.	Management agreed with the recommendation and MARS reports indicated that ADB has developed a results-based IDRM Operational Plan, taking into consideration the IED recommendations. ADB will produce annual progress reports based on this framework.	Self-evaluation rating downgraded to <i>largely implemented</i>. Tangible results and detail progress, frank assessment of some background for challenges and ways to improve on the implementation of the Operational Plan can only be expected when the first Accomplishment report is prepared during the first quarter of 2015.
Thematic evaluation on ADB's support for achieving the millennium development goals		
Review ADB's strategy of developing partnerships to support noncore sectors to see whether these are providing sufficient support, especially where off-track or slow millennium development goals (MDGs) are concerned.	Management agreed with the recommendation and MARS reports indicated that ADB had reviewed its strategies for partnerships on Strategy 2020's core and other areas of operations to increase their effectiveness.	Self-evaluation rating downgraded to <i>largely implemented</i>. Independent evaluation confirms that ADB's approach to partnerships was indeed reviewed during the Midterm Review of ADB, and it was acknowledged that Strategy 2020's intention to expand partnerships in noncore areas had not worked out so far. Hence, the narrow action identified in the MARS action plan—to review the strategies for partnerships—could be held to have been implemented, if somewhat cursorily. However, the Management response points to a wider agreement with the earlier conclusion drawn from the MDG evaluation that the partnerships in noncore areas, including some MDG areas, had not worked out well, and a resolution to strengthen the partnerships on MDGs in

Report/Recommendation	Management Response and Actions Taken	Independent Validation
		<p>response. This part of the management response was not well addressed in the action plan and in the status of progress, and it is not evident from the status that much has been done to strengthen the partnerships on MDGs in the meantime.</p> <p>ADB's Midterm Review Action Plan also does not point to a particular action to strengthen the partnerships on MDGs or any other partnerships, although Action 3.6 points to some work intended to improve the efficiency of knowledge partnerships. In ADB's defense, the focus of the action plan was on the review of partnership strategies and this has been conducted, if in a somewhat limited fashion compared with the wording of the Management response. By April 2014, the targeted completion date of the action, little could have been humanly achieved to strengthen actual partnerships, or to create new ones in the substantive areas of the MDGs. IED expects that ADB will vigorously strengthen partnerships in noncore and MDG related areas, as it indicated it would do.</p>

^a Completed actions on recommendations due from October to December 2013 were covered in the 2014 AER.

^b For example, post-Yolanda ADB chose to mix program loan budget support and community-level intervention. As of January 2015, ADB support for long-term major infrastructure (e.g., roads and bridges) had not happened.