



Chair's Summary of the Development Effectiveness Committee

7 April 2017

I. 2017 Annual Evaluation Review - Chapters on Learning from Documented Lessons from Project Evaluation, and Update on Implementation of IED Recommendations

1. The Development Effectiveness Committee (DEC) discussed the 2017 Annual Evaluation Review specifically, the chapters on Learning from Documented Lessons from Project Evaluation and Update on Implementation of Independent Evaluation Department (IED) Recommendations.

II. Findings and Recommendations by IED

2. **Update on Implementation of IED Recommendations.** Director General (DG), IED expressed his appreciation to management who has agreed with their recommendations. He also assured the DEC members that they will continue to strengthen the formulation of their recommendations, make them more actionable and monitor the actions taken. More importantly, he recommended that the management action plan be shared with IED to ensure that management will implement the actual intent of the recommendations. This is to ensure that there will be no perceived dilution of the intent of the recommendation when the time comes for IED's validation.

3. **Learning from Documented Lessons from Project Evaluation.** DG, IED reiterated the critical role of learning from documented lessons from project evaluation for the future of ADB and recommended strengthening ADB's learning culture as well as the learning systems. He also shared IED's plans to conduct a phased study of their evaluations' actual impact on the organization and to launch another initiative to understand failed projects and specifically identify issues that led to their failure. IED will work with management on these initiatives.

III. Comments by DEC Members

4. **Implementation of IED Recommendations.** DEC members commended the close communication between IED and management prior to finalization of report and sharp reduction of unacceptance of recommendations by making recommendation more actionable. But they encouraged IED and management to challenge each other when there is a disagreement or recommendation is not actionable for healthy relationship. DEC members also noted (i) the improvement in project design as ADB reached 77% on a 3-year rolling average success on the projects, (ii) successful performance in Ordinary Capital Resource (OCR) only and Asian Development Fund (ADF) only countries and lagging in blend countries, and (iii) importance of Technical Assistance (TA) to strengthen the OCR and ADF blend countries and need of scaling up TA. They urged IED to do more evaluation of TAs and it will be considered when DEC reviews work plan for 2018. And they mentioned that ADB strategic and thematic priorities must be met, better mainstreamed into country operation and asked for Private Sector Operations Department (PSOD) to be better aligned with initiatives by regional departments to improve the general conditions for private sector development.

5. **Learning from Documented Lessons.** DEC members noted that there is lagging in implementation and instruments in promoting learning culture and acknowledged the importance of learning culture as ADB is pursuing to be a knowledge bank. DEC members suggested (i) introduction of incentive system to encourage learning activities, (ii) including learning activities as parameter of annual performance review, (iii) enhancing IT supporting system to make it more user friendly and better connect with staff in Resident Missions (RM), (iv) utilizing knowledge from failed projects and launching an initiative, (v) strengthened training program to enhance understanding of importance of lessons and documenting the

lessons, (vi) varied cooperation between IED and Sustainable Development and Climate Change Department (SDCC), (vii) knowledge sharing between departments, external and knowledge institution. And DEC members asked IED and management to work together to develop an action plan and roadmap to strengthen learning from documented lessons. A DEC member favorably mentioned PSOD's and the Office of Risk Management's (ORM) learning from failures.

IV. **Comments from IED and Management**

6. **Implementation of IED Recommendations.** IED stressed that the purpose of communication between IED and management is to improve the clarity, actionability and substantiation and it does not aim to reach an agreement. DG, Strategy, Policy and Review Department (SPD) mentioned that Management Action Record System (MARS) can be improved and be more flexible and organic because some of the recommendations become irrelevant or redundant as time goes on.

7. **Learning from Documented Lessons.** IED noted the need of (i) introducing incentives, (ii) strong initiative from the Board, (iii) improving IT system, (iv) engaging RM, (v) launching an initiative to learn from failure, and (vi) enhancing the quality of lesson to improve learning environment while acknowledging there are already various efforts from management. With regards to training, IED is closely engaged with Budget, Personnel and Management System Department (BPMSD) on the content of Project Completion Report (PCR) training and this training is under continuous evaluation. To further enhance quality of PCRs at executing agencies level, IED conducts in-country training as well as regional training.

8. DG, SPD agreed to the need of improvement of learning culture and explained efforts that are put in place: (i) establishment of sector and thematic groups to tap both explicit and tacit knowledge, (ii) designating country directors of RM as a focal point for knowledge management, (iii) TA reforms to improve learning and knowledge management, (iv) moving to Office 365 and use of cloud, and (iv) knowledge sharing center with a plan to improve knowledge sharing across the bank. And he also agreed that quality of PCRs needs to be improved and wide dissemination of lessons needs to be ensured. The performance management system for staff is currently being reviewed and efforts will be made to strengthen incentives for supporting knowledge management. However, he pointed out that including knowledge sharing in performance management is not easy as it is intangible and difficult to quantify.

9. With regards to ADB's efforts to enhance the learning environment, DG, SDCC mentioned that the enabling environment appears in place and is manifested in the following: (i) more focus was given to knowledge in the draft framework of Strategy 2030 and in the Planning Directions, including the related memo from the President to improve the quality of operations by involving the sector and thematic groups in early project development; (ii) a rigorous peer review system is already in place at the project design stage and continuing through the Board document review stage, (iii) midterm reviews of sector and thematic operational plans examine how ADB could perform better across its sectors and themes based on emerging lessons from operations; (iv) flagship knowledge events consider how to address emerging issues across our sectors and themes while promoting pilot testing of new approaches; (v) SPD is developing a mechanism to incentivize cross departmental collaboration for learning lessons, and (vi) Knowledge Sharing and Service Center (KSSC) has launched the Development Asia website which extracts lessons from operations in digital format and which is well received by clients. She also suggested that IED look at our comparators experience on Knowledge Management to facilitate continued learning from their experience.

10. DG, PSOD explained that they review their failure and seek feedback from Office of Risk Management (ORM) and furthermore created a central portfolio management team so that all portfolio lessons on existing deals are centralized. More related work will be included in PSOD's operational framework which will be shared in the 2nd quarter of 2017.

V. **Others**

11. With regards to the Chapter 2, section D of the 2017 Annual Evaluation Review (AER) report, Deputy Director General (DDG), East Asia Department (EARD) expressed concern on the recommendation

that CPS frameworks must clearly establish a rigorous monitoring mechanism to enable ADB to demonstrate how operations are supporting national macro-economic targets. She explained that ADB's contribution to development is very difficult to measure at a national level and mentioned that the AER seems to have overlooked the principles of ADB's contribution when discussing impact, which ADB is not solely responsible for. While individual interventions in a particular country might be effective in achieving their specific objectives, this does not guarantee that broader sector or country outcomes will be achieved. She reiterated that many factors are beyond ADB's control and ADB performance cannot be criticized if national level development indicators are not fully realized. ADB's contribution would be very difficult to measure in these cases.

12. DG IED clarified that the report is already final and could no longer be revised. He added that they were not expecting to see all dimensions of the strategic framework of the institution reflected in all the countries. What they were trying to emphasize in the report was the need to understand the contribution of the program to the Bank's own agenda. DEC Chair took note of the point of DDG, EARD.