
Chair's Summary for the 22 November 2018 Meeting

Sector-Wide Evaluation: ADB Support for Agriculture, Natural Resources, and Rural Development

1. The Development Effectiveness Committee (DEC) discussed the sector-wide evaluation of the Independent Evaluation Department (IED) on ADB Support for Agriculture, Natural Resources, and Rural Development (ANRRD), which assessed ADB's ANRRD support amounting to around \$12.2 billion, representing 2-12% annually of total ADB support for 2005-2017 (evaluation period), including sovereign loans and grants (\$11.1 billion), non-sovereign operations (\$730 million), technical assistance (TA) (\$240 million), and regional TA (\$120 million).
2. **IED Findings and Recommendations.** IED found that ANRRD projects' success rate of 64.5% was at par with ADB average of 64.9%. During the evaluation period, ANRRD's major sectors performed as follows: (i) land-based and water-based natural resources management projects had success rates at 83% and 74%, respectively; while agriculture policy and production projects had 60% success rate; and (ii) irrigation projects (comprising 30% of ANRRD portfolio over the evaluation period) had the lowest success rate at 47%. IED also noted the steady decline in lending for agricultural policy and production subsector from 47% in 2005-2007 to 8% in 2014-2017, and an increase in support for the water-related subsector from 50% to 80% over the evaluation period.
3. IED reported mixed results in ANRRD projects: (i) Agriculture and water productivity projects had significant ADB support, with modest results; (ii) ANRRD projects improved smallholder livelihoods (and gender equity) on a small scale; (iii) ANR projects enhanced natural resource management and climate change resilience; and (iv) Few ANR projects were designed around an entire value chain of an agricultural product since the value chain approach was new to ADB.
4. The report recommended that ADB: (i) revise the sector frameworks for ANR and water, provide more detailed guidance and refine project classifications; (ii) promote more robust sector diagnostics, through increased TA, to strengthen country partnership strategies (CPS); (iii) increase focus on agriculture, agricultural policy and institutions; (iv) strengthen quality-at-entry processes and supervision for better performance; (v) enhance support for agricultural value chains through collaboration between sovereign and non-sovereign operations; (vi) improve performance of water infrastructure and expand focus on broader water resource management and climate actions; (vii) increase its expertise and strengthen ANRRD staff skills mix; and (viii) expand collaboration and partnership to complement current staff resources.
5. **Management Response.** Management welcomed IED's evaluation, with three takeaways: (i) success rate of ANRRD projects is on par with ADB average during the evaluation period; (ii) ANRRD projects' performance improved since 2010; and (iii) ADB's ANRRD performance is similar to other multilateral development banks (MDBs). Management clarified that the evaluation of irrigation projects with 47% success rate due to low allocation of operation and management (O&M) budget does not necessarily mean that the projects are not delivering the intended benefits, citing the Chasma Right Bank Irrigation project's impact on population, household income, and crop intensity. Management also cited the change in the current irrigation portfolio from an institutional and technical perspective (e.g. Performance-based contract for O&M, results based lending irrigation project, and use of remote sensing technology), which directly responds to sustainability issues mentioned in the report.

6. Management pointed out that the real challenge was not food security, but food safety and nutrition, which are at crisis levels. It also mentioned the challenge of helping smallholder farmers integrate to modern agriculture and agricultural value chains (without major social disruptions).
7. Management agrees with the recommendations of the evaluation, citing the following actions: (i) ADB is preparing a new Operational Plan (OP) for Rural Development and Food Security 2019-2024 to provide strategic guidance; (ii) ADB is refining project classification as part of a broader corporate initiative; (iii) ADB will further emphasize and leverage its experience and synergies on policy dialogues and reforms; (iv) ADB will further strengthen different aspects of the project cycle; and (v) Collaboration and partnerships will be highlighted in the new OP.
8. **DEC Discussion and Comments.** DEC thanked IED for the well-written report, noting the inclusion of a new section in the executive summary, i.e. Linkage between findings and recommendations, with the expectation that IED will make this section constant in future reports.
9. DEC members commented on the performance metrics used in the evaluation and asked IED to consider describing performance in neutral terms instead of using the current normative language (i.e. using ratings to measure success). IED explained that MDBs use a harmonized system to evaluate performance – relevance, effectiveness, efficiency, and sustainability for sovereign projects; and profitability, economic return, private sector contribution and environmental, and social implications for non-sovereign projects.
10. DEC strongly supports the report's recommendations and noted Management's agreement to the same, encouraging Management to provide sufficient detail in its response about how it will implement the recommendations to enable the DEC/Board to reach a judgement whether the agreed recommendations will be effectively addressed.
11. **Recommendation 1.** DEC encouraged Management to consider recommendation 1 in preparing its new OP for the rural development and food security priority area, with relevant indicators and carefully considered action plans. Management will incorporate into the OP policy support work for members to create dynamic policy and regulatory environment, and seek to encourage more interest/employment in the sector by enabling members to make farming profitable. As a concrete example, Management cited ADB's support for China's rural vitalization strategy until 2022 (a holistic strategy that will support rural wastewater, sanitation, energy, health, education and adoption of high-level technologies for rural development) that involves collaborating with the World Bank and other development partners, including the private sector.
12. DEC noted the structural transformation of developing members in the region (e.g. China) and the decreasing contribution of agriculture to member's growth, and asked Management to consider a strategic shift in using the annual \$2 billion ANRRD investment target towards making ANRRD a source of growth, not just livelihood.
13. **Recommendation 2.** DEC noted the need for both robust sector diagnostics and increase in TA support (especially with the sharp decline in average annual TA support for ANRRD from 2010-2013 to 2014-2107 due to the decrease in bilateral support). DEC reminded that inclusion of ANRRD in CPSs should be selectively exercised in light of the country-specific approach of Strategy 2030. IED clarified that ANRRD sector diagnostics will need to be made prior to the CPS process in countries where ADB will work in the sector, and require staff resource (from PSOD and sector divisions) and/or TA support.
14. **Recommendation 4.** DEC noted Management's commitment to further strengthen different aspects of the project cycle. As example of its efforts to enhance project readiness and quality-at-entry processes, Management cited SERD's Project Readiness Improvement Trust Fund, which

provides grant support for project readiness activities such as detailed engineering designs and other related activities.

15. DEC also noted the report's finding on the irrigation subsector's performance. IED welcomed Management's proposal to conduct project performance evaluation of irrigation projects to develop robust mechanisms for assessing O&M costs and their funding, delve into the financial, technical/environmental and institutional dimensions of sustainability, and derive better lessons to inform operations.
16. **Recommendations 3 and 5.** DEC recognizes that ANRRD's end users are smaller-scale, private sector businesses, and noted the need to take into account related sectors to agribusiness and crowd in private sector investment to optimize the use of public funds. As concrete example, Management pointed that EARD will have several meetings with PSOD to develop the CPS for China and further expand operation in rural development. Further, ADB has been assisting Greater Mekong Sub-region countries to develop agriculture value chain strategies, with ongoing climate-friendly agribusiness value chain projects in Cambodia, Myanmar and Laos PDR.
17. DEC noted the update from Management on its work to establish mechanisms and incentives to support inter-departmental collaboration (particularly between sovereign and non-sovereign operations). For example, SERD and PSOD are preparing a collaboration framework with discussions to jointly work on agribusiness projects. The collaboration, facilitated by identified focal persons, will be reflected in their performance review. Similar collaboration with PSOD is being undertaken by CWRD on wholesale markets in Kazakhstan and Kyrgyzstan under the CAREC 2030 Strategy.
18. **Recommendation 6.** DEC noted that ANR is the leading sector contributing to climate change adaptation. Linked with recommendation 8, ADB is partnered with the International Rice Research Institute to test climate-resilient (submergence and drought resilient) rice varieties in four member countries.
19. **Recommendation 7.** DEC noted Management's efforts to assess the need for more ANRRD staff (specifically citing agribusiness value chain and agricultural trade as needs areas) with the appropriate skills mix as it prepares the new OP. In pursuing this recommendation, DEC encouraged Management to consider striking a balance with other priority areas that require additional staff resources and its budget implications.
20. **Recommendation 8.** DEC noted ADB's need to partner with institutions that have the skills and academic capacities that will allow ADB to complement its limited TA for research. It also encouraged Management to consider the nature of proposed partnerships and how ADB will support them. As examples of existing partnership, ADB is working with International Food Policy Research Institute to conduct two food security studies for China and Indonesia.
21. DEC and other Board members also welcomed the use of high-level and digital technology (e.g. remote sensing as project management and monitoring tool, drones, AI, big data, etc.) in ANRRD projects to improve productivity.
22. **Other Business.** DEC postponed the discussion of the DEC Work Program for 2019 due to time constraints.