



Chair's Summary of the Development Effectiveness Committee

14 June 2017

I. Country Assistance Program Evaluation: India, 2007-2015

1. The Development Effectiveness Committee (DEC) discussed the country assistance program evaluation (CAPE) for India which is the largest program of the Asian Development Bank with a \$22 billion portfolio approved during 2007-2015. The evaluation considers the performance of ADB's strategy and program in India successful overall because of the following: (i) ADB's appropriate move from a purely sectoral approach to a more thematic approach pursuing wider objectives; (ii) a relative focus done by ADB on lagging states to address inclusive economic growth (IEG); (iii) a large private sector investment in solar and renewable energy and iv) good commitment to the program by the government. DEC members agreed with the evaluation that ADB may need to: (i) develop a more systematic approach to major development challenges and (ii) improve project implementation efficiency. The CAPE recommendations are intended to feed into the design of the next country partnership strategy.

II. IED's Findings and Recommendations

2. **Sector program assessment.** ADB's support in infrastructure improved transport services and increased access to energy and water supply. However, there are several areas that could be improved: (i) ADB monitoring of the outcomes of sub-projects; (ii) reduction of the frequent nonsovereign project cancellations; (iii) disbursement ratio; (iv) project delays and cost overruns; (v) functioning of the multitranche financing facility (MFF).

3. **Thematic assessment.** The program evaluation found mixed results from a thematic perspective: (i) the inclusive economic growth agenda was satisfactorily addressed given the large infrastructure support to lagging states; (ii) the Environmentally Sustainable Growth (ESG) was satisfactorily addressed particularly by the non-sovereign energy program, however support for climate change has been limited; (iii) the Regional Cooperation and Integration (RCI) agenda led to relatively few actions over the period; (iv) ADB's knowledge management program did not meet expectations; and (v) there was more gender mainstreaming although not optimally results-oriented.

4. **Strategic recommendations.** The evaluation recommends that to achieve inclusive economic growth, ADB needs to ensure that the new CPS specifies the approach to the inclusive and sustainable growth agenda. To address climate change, ADB should increase environment and climate investment lending and technical assistance (TA) support, and strengthen ADB support for climate change adaptation. Regarding RCI, the evaluation recommends that ADB intensify operational support for India and South Asia synergy and scale up operations. Lastly, on knowledge and capacity development, ADB should strengthen knowledge needs identification and sharpen focus on cutting-edge global practices and innovation.

5. **Operational recommendations.** To improve process efficiency, the evaluation further recommends the review of bottlenecks to MFF programs and for ADB to consider increasing decentralization of decision making and creating a regional hub. ADB also needs to strengthen gender action plans' implementation as well as their monitoring. To catalyze public-private partnerships (PPPs), ADB needs to strengthen financial intermediaries' capacity for improved subprojects and address constraints to PPPs. Lastly on work quality, the evaluation recommends that ADB strengthen the measures to address the high cancellation rates in non-sovereign operations.

III. Comments and Questions

6. All DEC members generally agreed with and supported the recommendations with the following comments:
 - a. ADB needs to increase its climate finance to India, ADB's largest borrower, to achieve its commitment of doubling climate finance by 2020.
 - b. ADB should increase its operations in South Asia sub-regions in the next CPS
 - c. ADB needs to strengthen its knowledge program to continue being relevant. ADB needs to focus on improving its capacity - agility, swiftness, dynamism, financial product and/or instruments - amid growing competition in the market to continue being a leading player in development.
 - d. Management should share with DEC its review of bottlenecks preventing optimal performance of the MFF is strongly supported; findings should be shared with DEC
 - e. ADB can further improve the performance of private sector operations in India in areas such as front-end work.
7. Several DEC members appreciated the proposed strategic and operational recommendations. Some members sought clarification on how CPS results, -related targets, and progress will be monitored.
8. One DEC member was satisfied seeing the impacts by sector and theme, but cautioned that more efforts are expected to address inclusive economic growth considering the rising inequality in India. ADB also needs to pay more attention to some sectors (e.g. agribusiness) to further promote job creation for the poor. It would be helpful to specifically target slum development.
9. One DEC member pointed out that the new CPS should encourage and strengthen ADB's use of knowledge and TAs in India to make full use of existing and/or new trust funds as well as advanced partnerships with reputable knowledge partners. Although such partnerships already exist for gender, it could be further strengthened for other issues such as climate change adaptation and disaster risk reduction.
10. Some DEC members agreed with having a regional hub especially for the Private Sector Operations Department (PSOD) but others expressed their concern. DEC members asked PSOD how it would address the high cancellation rates in the future despite the experienced and matured Indian private sector. The director general of PSOD responded that PSOD would scale up its presence in India as part of a wider out-posting program. The director general explained that the cancellation rate was because of aggressive spring cleaning starting 2010. The Independent Evaluation Department also said there were four major reasons for the cancellations: (i) weak market assessment and business plan; (ii) optimistic assumptions in the financial and economic analysis; (iii) additional requirements of ADB such as corporate governance and safeguards, and; (iv) availability of other private sector financing. PSOD has instituted new screening measures from an earlier stage for all transactions and required term sheets to be signed earlier in the process. Early client engagement will help clients understand ADB's terms clearly. The director general of PSOD also mentioned that the numbers on returns are not representative of the reality of its equity book; it should be more positive than those in the report due to the timing and their own valuation. However, another DEC member mentioned that the focus should not be on the specific solution but on the issue. The issue is that the authorities find the ADB response not speedy enough. They feel that a more effective decision-making process should be instituted. The Independent Evaluation Department said it cannot assess the need for the creation of a hub in India that would support the surrounding countries.
11. The director general of PSOD elaborated that PSOD has been concentrating on energy projects across the region, and would continue to play a major role in supporting renewable energy in India. They are also supporting the market shift where many microfinance institutions are graduating to small banks. To diversify, PSOD plans to support agribusiness. That would serve gender and employment objectives. Support for manufacturing would not be a focus of PSOD in India.

12. Some DEC members encouraged management to increase the support for the South Asia Subregional Economic Cooperation (SASEC). Support could be scaled-up especially cross border connectivity with SASEC and South East Asian Countries. They also stressed that the lessons learned need to be documented and shared through the process of the other CPS formulation. The current Five-Year plan, the 12th Five-Year Plan of India specifically mentioned not only better connectivity to South East Asia, but also a strong partnership with ADB.

13. The director general of South Asia Department (SARD) mentioned that the success of RCI in the last five years needs to be recognized. He also explained that the disbursement ratio decreased over time due to the dynamic situation. Yet it is expected that the ratio would maintain its recent upward movement and that this would be done by continuously working with the client government. Approximately 60% of SARD's resources is allocated to resident missions and the delegation of projects, which is near the optimal level. ADB will use more country safeguard systems in accordance with the clients' demand. Lastly, the use of MFF is only for places where it is needed since it is just one of the modalities.

14. The Country Director of India mentioned that they would strengthen their partnerships with the middle low-income states and lower low-income states in the next CPS. Regarding climate change, all factors—renewable energy, energy efficiency, urban infrastructure and transport—will be considered for their impacts on climate change. Besides, more efforts will be made in the irrigation sector to improve the efficient use of water. He also pointed out that many of the suggested actions with respect to knowledge management have already been initiated during the CPS period. He made it clear that lower income states are given grants is not fully correct.

15. Director Regional Cooperation and Operations Coordination of SARD emphasized that ADB needs to assess the effectiveness of RCI operations to engender India's leadership role in RCI rather than basing it on the monetary value of ADB's RCI investments. He stressed that SARD's work has helped India play an important leadership role in RCI since 2011. Regarding the connectivity of South Asia, there is an organization called The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation that is conducting knowledge work on transport connectivity in cooperation with the RCI thematic group.

16. SARD Principal Social Development Specialist (GAD) mentioned that SARD is highly focused on maximizing the opportunities for gender mainstreaming in the design and implementation of its projects/programs. Gender equality and women's empowerment are addressed systematically with social inclusion considerations being brought in gradually, in light of their sensitivity. He emphasized the major progress -led by INRM- in ensuring the timely submission of quality Quarterly Progress Reports for all Gender Equity (GEN) and Effective Gender Mainstreaming (EGM) categorized projects. Innovative approaches for gender mainstreaming across sectors have been and will continue to be spearheaded in SARD lending portfolio through ongoing initiatives in infrastructure -including- but not limitedly to inclusive energy solutions and smart cities- and Grant/TA resources will be mobilized, as needed.