

Chair’s Summary for the 30 September 2019 Meeting

1. The Chair welcomed new Development Effectiveness Committee (DEC) members.
2. One committee member was not present at the meeting but delivered written comments, which are reflected in the summary.
3. Two topics were discussed during the meeting; *Relevance and Results of Concessional Finance: Asian Development Fund (ADF) XI and 12*, and *IED’s Proposed Work Program 2020-2022 and Budget 2020*.

Relevance and Results of Concessional Finance: Asian Development Fund XI and 12

4. The DEC discussion refers to the Independent Evaluation Department’s (IED) “Corporate Evaluation of Relevance and Results of Concessional Finance: Asian Development Fund XI and 12” and the Management response¹ to the six recommendations put forth herein. Both Management and committee members commended the importance, relevance and timeliness of the report in relation to upcoming ADF13 discussions and replenishment negotiations. Management agrees with all recommendations save one sub-recommendation to which they partially agree.² All recommendations have been included in the initial proposals for donors to support.
5. With general reference to the report, some DEC members stated that, after IED having effectively identified an issue, they would like to see more clearly and with further elaboration how to act on or take forward the recommendations.
6. One main finding of the report states that if the Multilateral Development Banks (MDBs) do not bring changes into the concessional finance architecture, achievements of Sustainable Development Goals (SDGs) by 2030 may not be possible. It was pointed out that without funding the SDGs will not be achieved in Asia by 2030 and hence resources from ADF would continue to be needed. This is of concern to DEC members and it was strongly suggested that Management give greater attention to this subject as well as interact with the donors and with other MDBs, keeping the end goal in view. Management verified that collaboration is ongoing with other MDBs and that ADBs Strategy 2030 (S2030) is aligned with the SDGs, while at the same time the Corporate Results Framework instrument is in place to ensure that concessional assistance is aligned with SDGs.
7. Committee members discussed the lack of considerations in the report for the ADF procedures and the need to streamline the replenishment processes. After ADF and Ordinary Capital Resources (OCR) were merged, business processes have not changed. IED agreed that the ADF of today is not the same as the one that was originally created and cannot continue to be treated the same way and that this should be reconsidered by the Board, Management and

¹ Executive Summary and Evaluation in Brief including Recommendations as well as Management Response attached for reference.

² Recommendation 3 (ii): the set-up of a focal for private sector development. Management agrees on the need for such a function. The reason for partial agreement is that further discussions are needed on how to do this considering the broadness of the sector.

the Deputies. DEC members suggested incorporating this topic in the next ADF discussions and pointed out that some areas for consideration can be delegated to the Board.

8. DEC discussed the continuity and sustainability of ADF. The question of how long ADF support will be needed was raised, as was the question of whether demand would change, e.g. whether a trust fund should be considered and how the focus will be more thematic rather than country based. With reference to the ADB Annual Meeting 2019, the projections are that ADF14 will be covered and will likely also cover the S2030 period.

9. When discussing **recommendation one** on separating the allocation of grants from the allocation of Concessional OCR Lending (COL) and reconsidering the use of performance-based allocation (PBA), members requested more information on how this separation could be managed, taking into consideration the change in country compositions and whether the base allocation would remain. One DEC member emphasized that it would be desirable to maintain the base allocation for each of the ADF recipient countries and add the vulnerability premium to SIDS and to ensure that no ADF recipient would miss out.

10. Management stated that separating COL from ADF is one of the main proposals under ADF13, while proposing to streamline the COL allocation with the regular OCR allocation, as is having a premium for ADF-eligible small island developing states (SIDS).

11. On **recommendation two** there is general agreement that to streamline the grant set-asides and to reduce the number, would be useful and should be done. Members also supported the establishment of a crisis response window extended to include non-natural hazards. Regarding the revision of the definitions of crisis response, members inquired further what the eligibility criteria would be, to which the response was that a paper with these details will be circulated soon. As to the recommendations on regional health security and gender set-asides the views of ADF deputies were described by a member as being mixed,³ e.g. on whether gender should be mainstreamed or financed through a set-aside.

12. Committee members supported **recommendation three** and agreed on the need for an institutional focal point but also stressed that coordination between the Private Sector Operations Department (PSOD) and other departments would not be sufficient and a higher level (VP and advisor to President) should be considered. At the same time, there was agreement that a private sector window to subsidize private sector operations with grant money would be controversial and that care should be taken on how to use such resources. Members considered blended financing important in in ADF countries but emphasized that a mechanism to avoid market distortion and conflict of interest within the organization is essential. This facility would need to be placed outside PSOD and there would be a need for strong coordination between sovereign and non-sovereign operations.

13. Discussions on **recommendations four and five** complemented each other. In the area of climate adaptation, Management assured that this is a priority. The SIDS, especially in the Pacific, share challenges and the sharing of a common Pacific Country Partnership Strategy (CPS) also raises challenges for monitoring and evaluation. Committee members agree with the report's finding that ADB is not applying a comprehensive approach to conflict as a development problem and OCR countries are consequently not recognized as having fragile situations. They agree that ADB lacks a Bank-wide fragile and conflict-affected situations (FCAS) approach aligned with S2030 as well as a system for evaluating performance and results in FCAS and

³ Based on ADF Midterm Review and meetings at sidelines at latest ADB Annual Meeting.

SIDS. DEC put weight on the need for a changed approach to better monitor and evaluate FCAS and SIDS and thus better match the needs of FCAS and SIDS support.

14. With regards to **recommendation six**, DEC members referred to previous ADF meetings at which support had been shown for a continuation of the special assistance to Afghanistan. Absorption capacity and the uniqueness of the development challenge in Afghanistan was elaborated.

IED's proposed Work Program 2020-2022 and Budget 2020

15. The Board of Directors of the ADB is responsible for approving the annual work program of the IED. The discussion in this meeting refers to the proposed work program 2020-2022 and budget 2020 paper distributed to the Board. Prior to the meeting, the interested parties had met twice to discuss the topic in question.⁴ Both IED and Management expressed their satisfaction with the cooperation and communication between the parties and stressed the importance of such.

16. DEC members agreed on the work program presented with one member voicing their doubt on the necessity of carrying out 100% of project completion reports (PCR) and extended annual review report (XARR) Validations. Management expressed the importance of 100% Validations.

17. The budget was supported by majority of DEC members, with one member not supporting the proposed increases, arguing that anything going beyond compensation for inflation would not be supported by them or their represented constituency members. IED explained that increase represented three new positions in three years and that those resources are determined by the Budget, Personnel and Management Systems Department (BPMSD).

Follow up

18. Members suggested follow up by Management on procedures for **ADF** and to have this be part of the next ADF discussions.

19. DEC Chair inquired about the possibility of carrying out reviews or updates of evaluations.

Meeting Attendees:

DEC: ED Zhijun Cheng, ED Helmut Fischer, ED Syurkani Ishak Kasim (Chair), AED Shahid Mahmood, AED Kenzo Ohe

IED: J. Asquith, IETC; M. Taylor Dormond, DG; B. Graham, Advisor; V. Salze-Lozac'h; N. Subramaniam, Director

⁴ An informal DEC meeting on the topic took place on 18 September and a Pre-DEC meeting on 23 September 2019.

Management: L. Gutierrez, DDG, SPD; X. Jia, Director SPOP; T. Kimura, DG SPD; E. Veve, Director, PARD; X. Yao, Special Senior Advisor to the President, OPR.

Secretariat: S. Arias, OSEC