

## MANAGEMENT RESPONSE: THEMATIC EVALUATION STUDY: ADB'S SUPPORT FOR ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS

On 15 May 2013, the Director General, Independent Evaluation department, received the following response from the Managing Director General on behalf of the Management :

### I. General Comment

1. We welcome this opportunity to comment on the Thematic Evaluation Study (the study) on ADB's Support for Achieving the Millennium Development Goals (MDGs). We find that the study takes on board a number of our earlier comments provided during the interdepartmental review process. The study now presents a clearer understanding of ADB's corporate strategic framework, better comprehension of the basis on which sector and thematic choices were made in this framework, and suggested measures in a concise manner. However, we continue to have a number of comments and reservations on the evaluation study.

### II. Specific Comments

2. ***Incomplete Estimation of ADB's Support for the MDGs.*** We reiterate that the study discounts the indirect impacts of infrastructure development on growth, poverty, and the MDGs as envisaged under Strategy 2020 and ADB's previous corporate strategies. For instance, the study estimates that only less than half of ADB's interventions in the transport and ICT sector and just a little over half of the interventions in the energy sector supported MDG1 on poverty and the other non-income MDGs. Following this logic, the study concludes that large parts of ADB's assistance in its two biggest operational sectors have had little bearing on poverty in the Asia and Pacific region. Given that the benefits of infrastructure development on economic growth and ultimately on poverty reduction are well established, the study's estimation of ADB's support for MDGs is partial, and we disagree with the finding that large parts of ADB's portfolio may not have been relevant to poverty reduction and the other MDGs in the region.

3. The indirect impacts, although recognized by the study, are excluded from its estimation of ADB's support for MDGs as otherwise "all operations would have had to count towards MDG 1" (para.74 of the study). But this is precisely our point from the perspective of ADB's strategic framework. ADB considers all its operations to either directly or indirectly contribute to poverty reduction. The study's inability to fully account for the impacts of infrastructure projects on poverty reduction and the other MDGs results in an incomplete capture of ADB's support for achieving the MDGs.

4. ***The "Demand" Dimension for MDGs Support Underplayed.*** The study's findings are mainly on the supply side, pertaining to what and where ADB can do more to assist developing member countries (DMCs) achieve the MDGs. The discussion in the study on the demand side, by comparison, is meager. But it still shows, based on interviews with the 29 resident missions, that while demand from DMCs to ADB for support for several non-income MDGs has been relatively limited, ADB has been highly responsive to such demand. For example, only 28% resident missions interviewed reported that the governments had requested

substantial support from ADB for MDG2 (education). When asked about the degree to which ADB had actually responded to the governments' request, 32% resident missions reported that ADB's response had been substantial on MDG2. Likewise, only 27% resident missions reported that the governments had requested substantial assistance for MDGs 4 and 5 (health), while the same 27% resident missions reported that ADB's response had been substantial on MDGs 4 and 5.

5. The study, in our view, should have also better articulated the demand-led region-wise diversity in ADB's support for the MDGs. For example, in several SERD DMCs, agriculture (which is not a core area under Strategy 2020) together with rural infrastructure has remained a priority in country partnership strategies (CPSs) at the request of client DMCs and has directly supported MDG1 on poverty and hunger. Likewise, in SARD, assistance for education and human development has remained significant and is being scaled up. It would also have been useful for the study to articulate the specific challenges faced by fragile and conflict affected situations (FCAS) countries in relation to the MDGs and the differentiated approaches required in those countries for the achievement of their development goals.

6. **Selectivity and Focus.** Even with its partial estimations, the study finds that ADB's support for MDGs has actually increased significantly over time. The share of ADB operations supporting MDGs is estimated to have increased from 63% in 2002 to 73% in 2011, while the approved amounts of operations supporting MDGs more than doubled over this period. This increase has come hand-in-hand with the growing selectivity and focus of ADB's strategy over the 2002–2011 period. The study also finds that the operations supporting MDGs had “slightly higher success rates” compared to operations deemed not supporting MDGs. Taken together, these findings suggest that greater selectivity and focus has allowed ADB to provide progressively increasing support to MDGs while ensuring that such support has been more successful than other operations. This supports ADB's approach to target only a subset of the MDGs directly but with greater impact, while ensuring that indirect impacts of ADB's overall operations support the MDG agenda more broadly.

7. The study follows an approach of reviewing performance of individual MDGs and simply suggesting ADB's increased priority for those that are not performing well. The study, in this regard, does not dwell on the counterfactual: this is to examine what would have happened if ADB had spread the same resources over 2002–2011 to more sectors and areas to directly support more MDGs. Would this not have resulted in a thinner spread of resources leading to dilution of efficiency, effectiveness, and development impact?

8. **Role of Other Development Partners on MDGs.** We reiterate that the study findings and conclusions are incomplete in the absence of any substantive discussion on the role and contribution of other development partners to the achievement of the MDGs in the region. This is on account of at least three reasons. First, Strategy 2020 has partnerships as a key driver of change. A deeper analysis on partnerships in the study would bring out the space and the scope for division of labor between ADB and its development partners on the various MDGs. Second, it might be revealing to put ADB's contribution to the

MDGs in a comparative development partner context and establish some best-practice industry benchmarks against which to measure its performance. And, third, the analysis might lead to a better understanding of why Asia and the Pacific countries have systematically underperformed on some MDGs, such as those pertaining to health outcomes: is this so because development partners taken together have underinvested in the health sector?

9. **Use of ADF for MDGs.** The study expresses concern that only 40% of ADB's support to ADF-only countries is directed toward MDGs, given "the comparatively low status of MDG attainment in these countries, and given that support for MDGs is a perennial theme in ADF replenishment meetings" (para.87 of the study). This statement gives a misleading picture of the purpose and use of ADF. ADB and ADF donors agreed to fully mainstream ADF as an integral financing modality in support of the overall objectives of Strategy 2020. Selective direct support to MDGs is part of the development framework of Strategy 2020. We also would note that ADF resources are already being used to support education, health, and basic infrastructure in support of MDGs.

10. **Specific Country Context Matters.** ADF and other financial allocations alone are not sufficient to achieve progress on the MDGs; often governance and political economy related constraints, and limitations of implementation capacity and service delivery equally hold progress back on the MDGs. The country cases in Chapter 6 of the study provide examples of DMCs where governance challenges and implementation capacity constraints, and not just lack of financing, have impeded progress on the MDGs. The study findings, in this context, would indicate that broader assistance from ADB in such countries for improving public sector management, governance, and implementation capacities might be more relevant than dedicated support for one or the other MDG. Given this, the instruments by which ADB supports the attainment of MDGs should vary across countries, and may not necessarily be focused only on concessional funds for direct support to MDGs.

### III. Comments on Suggestions

11. **Stretching the Current Priorities.** We agree to the extent that this does not stretch ADB's resources too thinly. We would note in this regard that ADB is already strengthening the links between its infrastructure investments and outcomes related to education, gender equality, health, and the environment. For example, our recent operations in the core energy and transport sectors, guided by the respective operational plans, are becoming increasingly focused on clean and renewable energy and energy efficiency on one hand and more sustainable forms of transport on the other to promote greater environmental sustainability, a key MDG agenda.

12. At the same time, Management recognizes that ADB's support for education, another core sector under Strategy 2020 and a key MDG agenda, needs to be further deepened. Accordingly, the Work Program and Budget Framework (WPBF) for 2013–2015 envisages an increase in the share of education operations to 8% during 2013–2015 from 6% during 2009–2011, and to 6% from 4% by amount. The new results-based lending modality approved in 2013, under which the first loan for an amount of \$200 million is

expected for the education sector in Sri Lanka, will also support the meeting of the WPBF target. ADB's new corporate results framework includes new as well as updated targets in several areas, including basic infrastructure to provide access to roads, electricity, water, and sanitation as well as improving the environment and addressing climate change.

13. With respect to the study's suggestion of "reviewing the lower prioritization of key MDG targets", we believe that the issue perhaps is not lower prioritization of MDGs, but assessing the effectiveness of the specific approaches adopted by ADB to support development outcomes in selected sectors such as the health sector. We will review these approaches during the mid-term review of Strategy 2020.

14. **Achieving Synergies.** This suggestion stresses the need for ADB to provide more balanced support for the non-income human development goals. In this regard, as mentioned above, Management has already indicated its intention to provide greater demand-based support for education through the WPBF for 2013–2015. This WPBF also notes that ADB will continue to retain sufficient flexibility in CPSs to provide support to the health sector. Management is seeking to explore opportunities to step up demand-based assistance to the health sector. More generally, we would underscore the central role of CPSs in practicing and achieving operational synergies, in line with government demand for ADB's support, and in coordination with other development partners.

15. **Building Alliances.** We agree, going forward, partnerships on MDGs can be strengthened to leverage complementarities. For example, working arrangements with UN agencies could be simplified, especially as 2015 approaches, and made more strategic through clearer work programs to deliver MDG results. Partnerships with the private sector could also be strengthened similarly. We also concur with the suggestion to review our strategies for partnerships on Strategy 2020's core and other areas of operations to increase their effectiveness. This will also be undertaken as part of the mid-term review of Strategy 2020.

16. **Confronting the Lagging Indicators.** We take this as essentially the same as the above suggestions on "stretching the current priorities" and "achieving synergies". It is clear that DMCs need to place greater focus on addressing the lagging indicators. In this regard, the need to target lagging indicators such as the ones mentioned on carbon emissions and sanitation are already well recognized in ADB's relevant operational plans and financing programs. Overall, ADB will continue to implement a focused approach targeting selected lagging indicators within the areas and sectors prioritized by Strategy 2020 for maximizing development impact.

17. **Data and Analysis.** We agree with the need to improve data and analysis for better monitoring and tracking of the MDGs and related development indicators. It is clear that while the MDGs have exponentially increased demands for data from DMC official statistical systems, not enough support has been forthcoming to support official systems. We are contributing to filling this gap in close collaboration with other development partners such as through the support

being provided under the ADB-ESCAP-UNDP partnership. We are also already assisting DMCs through technical assistance (TA) for strengthening national statistical capacity on various areas relevant to MDGs. Between 2002 and 2011, our Economics and Research Department processed 18 TAs for a total of almost \$15 million, including one on improving administrative data sources for monitoring of MDG indicators. We have also recently signed a memorandum of understanding with other multilateral institutions to strengthen collaboration on data issues and capacity development for improved monitoring and reporting of development indicators and outcomes. These efforts contribute to development of statistical systems and institutional mechanisms for DMCs for collecting and compiling statistics relevant to MDGs.

18. **Project Classification.** We agree with the need to strengthen the project classification system and improve its accurate application. To this effect, SPD has initiated a review of the project classification system in coordination with RSDD and other relevant departments. The review and any recommended changes to the classification system would be evidence-based and forward-looking in anticipation of the post-2015 development framework.

19. **Setting a Floor (Post-2015 Framework).** The suggestion made in the context of setting minimum standards for basic goals in the post-2015 framework is noted. ADB is deeply involved in the global discussions on the framework and will give further consideration to defining its approach and stance on the subject in coordination with other development partners. We would note in this regard that country-level customization of the MDGs is already taking place, with countries in the region customizing MDGs by adding goals or raising standards under existing goals through stronger targets and indicators known sometimes as MDG+ indicators.

20. In the context of the post-2015 framework, the study recommends different organizing principles for ADF to support achievement of minimum standards for basic goals. However, we feel it is premature at this time to discuss changes to the organizing principles and financial allocations of the ADF in support of post-2015 until the new development framework itself becomes clear, there is agreement within ADB, and the ADF donors are taken on board.