

## **Management Response to IED's Corporate Evaluation of ADB Technical Assistance Operations, 2014–2023**

On 15 November 2024, the Director General, Independent Evaluation Department, received the following response from the Director General, Strategy, Policy, and Partnerships Department on behalf of Management:

### **I. General Comments**

1. Management welcomes the Corporate Evaluation of ADB Technical Assistance (TA) Operations, 2014–2023 (the report), conducted by the Independent Evaluation Department (IED). The findings and recommendations are timely and will guide us in the upcoming TA Policy Review. The report offers valuable insights, and management is pleased to note the generally positive observations.

2. Following the 2023 Capital Adequacy Framework update and the targets set by the new corporate result framework, management fully agrees on the importance of scaling up TA operations while aligning with corporate and country priorities. ADB will continue engaging with developing member countries (DMCs), shareholders, and external donors to meet the growing TA demands effectively and efficiently.

3. Management also appreciates that the evaluation recognized several recent and ongoing important initiatives undertaken to enhance TA operations during the evaluation period. Management acknowledges that there are remaining and evolving issues that need to be addressed to further enhance the effectiveness and sustainability of ADB TA operations.

### **II. Management Response to the Recommendations**

4. **Recommendation 1: Strengthen the strategic alignment of ADB TA operations with corporate and country priorities through improved coordination mechanisms and adequate resource planning horizons.**

**Management partially agrees.** Management agrees to further enhance coordination between country management teams, regional management teams, and governments to better align TA operations with corporate and country priorities. TA support for DMCs is discussed through country programming, which encompasses country needs and long-term institutional development requirements. The regional management team serves as the coordination mechanism for country programming under the new operating model.

However, management disagrees with replacing the current annual TA resource allocations with a medium-term rolling allocation for the following reasons.

(i) TASF (income transfer) is determined annually based on the approval of the Board of Governors, making medium-term allocations, such as over two years, difficult in practice.

(ii) TA planning is already integrated into a three-year rolling program reflecting the medium-term priorities of DMCs and the strategic directions of ADB. It is unclear how a medium-term allocation horizon would improve strategic alignment.

(iii) Annual assessment and flexibility in deploying TA resources are crucial to meet the rapidly evolving needs and priorities of DMCs. Introducing medium-term allocations could lead to inflexibility in resource allocation across DMCs. This could hinder the optimization of TA usage in the DMCs where it is needed most.

(iv) Medium-term allocations will not be possible for cofinanced TA resources, as cofinancing depends on factors like development partner priorities and planning cycles.

(v) While TA allocations to departments are formally announced at the beginning of the year, indicative allocations are communicated by September of the previous year. This allows ample time for meaningful TA programming and preparation.

**5. Recommendation 2: Assess the medium-term adequacy of TA financing against the expected growth in ADB operations and refine ADB's multipronged approach to maintain the relevance and the financial scalability of ADB's TA program.**

**Management partially agrees.** Management will promote the greater use of loan instruments to support project preparation, such as by enhancing Project Readiness Financing (PRF) currently being explored as part of the Capital Utilization Plan, and actively and continuously seek contributions from cofinanciers, including global funds.

However, management has reservations on sub-recommendation (iv) to encourage the use of reimbursable TA for project preparatory TA in excess of an established threshold. ADB has been implementing reimbursable TA for group C2 and C3 DMCs. To improve project quality and readiness in group C DMCs, ADB will strongly promote the use of PRF and small expenditure financing facility. Management believes ADB should provide TA grant support for project preparation in group A and B DMCs, instead of reimbursable project preparatory TA, due to the relatively low capacity in these DMCs. During the implementation of project preparatory TA, ADB project teams usually work closely with the government counterparts and build their capacity.

**6. Recommendation 3: Improve monitoring and information systems for tracking TA programming, processing, and implementation matching the significant decentralization and simplification measures adopted in 2014–2023.**

**Management agrees.** Management recognizes that current systems have faced challenges related to scattered or incomplete TA information and documentation. The new SovOps system is being designed to manage the entire TA lifecycle from initiation to completion, which will allow ADB Management and staff to seamlessly track implementation progress, issues, and lessons. To date, the Country Partnership Strategy module and Operations Planning module, which includes TA programming and related reporting, have been released and are fully operational. The modules covering TA processing, implementation, and closure are currently under development and are scheduled for deployment in 2025.

**7. Recommendation 4: Strengthen ADB's long-term institutional capacity development TA by conducting a systematic analysis to identify best practices and approaches, leveraging ADB**

**research units and dialogue platforms, while increasing the use of programmatic TA and augmenting the responsiveness of ADB's TA knowledge repository.**

**Management agrees.** Management acknowledges the findings which highlight areas for further improvement on how knowledge generated under TA operations is managed and programmatic TA is used. Capacity building for DMCs will remain central to the TA operations of ADB. Under the Pacific Approach, TA operations focus on scaling up capacity building in DMCs with limited institutional capacity. Close collaboration across ADB and ADBI will continue in knowledge generation, sharing, capturing, and learning to design and implement capacity building programs for DMCs. Part of the efforts of ADB include strengthening knowledge management through digital transformation. Following the 2021 TA review and the adoption of the new operating model, the TA business processes have been enhanced to optimize programmatic approaches by allowing any TA to support multiple projects within a DMC or across DMCs and regions. Management will continue to promote the use of TA clusters and improve the flexibility and effectiveness of programmatic TA. Efforts to make TA operations more adaptable to diverse client needs will be accelerated. Learning programs for ADB staff skill development will continue to be enhanced. Engaging with cofinancing partners to deepen their partnerships with ADB, particularly in knowledge and expertise, will be further encouraged.