

Note:

**Addendum to the Approach Paper for the Safeguards Operational Review
March 2014**

A. Background

1. The Asian Development Bank's (ADB) Independent Evaluation Department (IED) is mandated to review the effectiveness of the organization's Safeguard Policy Statement's (SPS) in achieving the organization's safeguard objectives 5 years after its effective date (January 2010). The policy further requests that an "operational review" take place after 3 years, with an emphasis on assessing the: (i) progress on the use of country safeguard systems (CSS) and effectiveness of CSS; and (ii) implementation of safeguard requirements for financial intermediary (FI) projects, and the effectiveness of such requirements. An approach paper for this operational review was approved in May 2013 and is posted on IED's website.¹ Its assessments of CSS and FI projects are near completion.

2. In another development, the Asian Development Fund's (ADF) shareholders requested that IED evaluate safeguards implementation, as part of the preparation for the ADF XI Midterm Review Meeting to be held in the fourth quarter of 2014. IED initially planned to undertake the operational review and more comprehensive review of SPS' effectiveness in two contiguous phases: the former in 2013 and the latter in 2014. However, following discussions between IED and ADB management, it was concluded that the preferred option would be to expand the scope of the operational review to also cover broader issues pertaining to safeguards implementation at the present time and carry out the fuller evaluation of SPS' effectiveness in 2015. As such, the operational review with its new expanded scope will not be finalized until September 2014 (see para. 11 for schedule). A later start for the full evaluation will also be beneficial, given that the projects initially approved under SPS will have had more time to mature. The purpose of this concept note is to specifically outline IED's plan to expand the focus of the operational review.

B. Expanding the Focus of the Operational Review

3. SPS' adoption in 2009 both promoted and corresponded with a number of changes in ADB's institutional arrangements, focus, resource allocation, and business management processes relevant to safeguards delivery. One key change was a greater emphasis on strengthening CSS, including the specification of conditions for their use in ADB supported projects. Moreover, given ADB's growing portfolio of projects involving FIs, new provisions were put in place to address their unique challenges pertaining to safeguards. Given the importance of the above changes, IED was requested to give them special emphasis in the review.

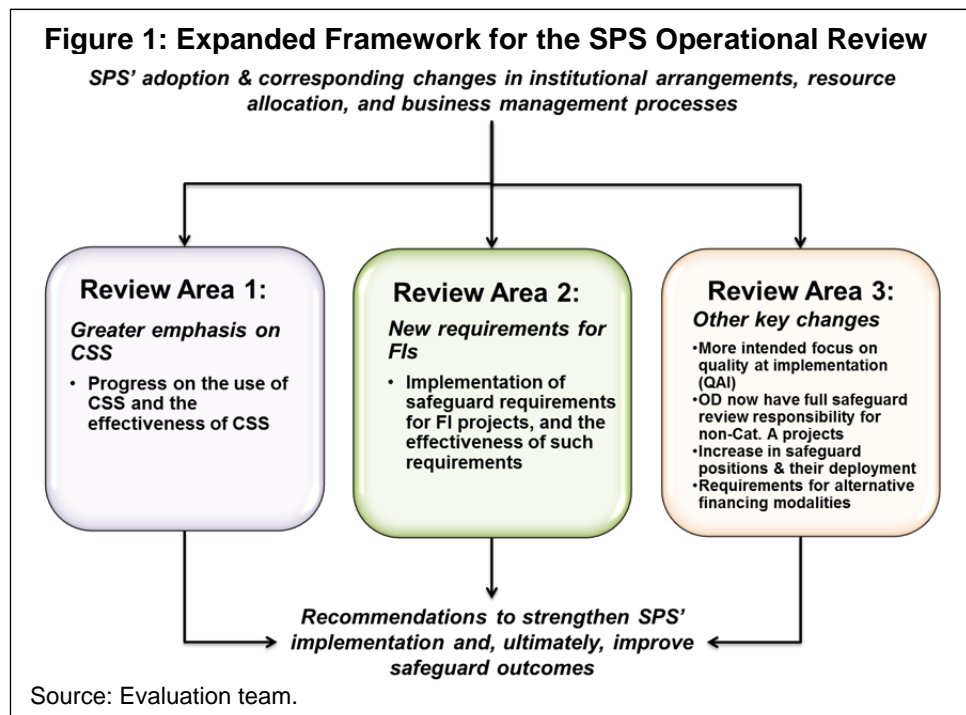
4. However, there were a number of additional changes that were either brought about by or coincided with SPS' adoption that are worthy of examination. Institutional arrangements for internal safeguard review, for instance, have changed; operations departments are now solely responsible for reviewing and reporting non-category A projects. How is this new arrangement working in practice, and to what extent are operations departments able to successfully fulfil their roles and responsibilities under SPS?

¹ <http://www.adb.org/documents/thematic-evaluation-study-effectiveness-adbs-2009-safeguard-policy-statement-phase-1>

5. Moreover, ADB's operational manual (section F1)² outlines specific safeguard requirements for different financing modalities, of which FI projects are only 1 of the 7 types described.³ How well is SPS being implemented across these various modalities, and are there modality-specific challenges that are being encountered?

6. In addition, since 2009, ADB has expanded its number of safeguard specialists from 65 to 105. The objective was to strengthen both safeguard quality at entry (QAE) and quality at implementation (QAI). How are these specialists being utilized to achieve this objective? Finally, SPS' requirements call for a more appropriate balance between ensuring safeguards QAE and QAI. To what extent is such a balance being realized?

7. While the expanded version of the operational review will continue to give special attention to both CSS and FI projects, it will also address the other key and relevant changes associated with SPS' adoption described above. These changes likely influence SPS' effectiveness, the topic of a thematic evaluation study to be undertaken in 2015. Figure 1 presents a framework for this expanded version of the operational review. The main areas of focus of its new component are presented in the third review area, while its original focus areas are presented in the first two review areas. The review's focus on the other key changes associated with SPS' adoption will form a standalone chapter in the final report, which will follow the chapters on CSS and FIs. A short introductory chapter will also be included to provide basic information on safeguards implementation and trends.



² ADB. 2013. *Operations Manual: Bank Policies*. OM Section F1/BP. Manila.

³ The six other financing modalities include those pertaining to: program loans, sector finance, multitranchise financing facilities (MFF), existing facilities, emergency assistance loans, and general corporate finance.

C. Objective, Questions, and Methods

8. The objective of the complementary component of the SPS operational review is:

- *To review how effectively key operational changes associated with SPS' adoption—other than those relating to CSS and FIs—are promoting quality safeguards delivery and, in turn, enabling the realization of positive safeguard outcomes.*

9. Table 1 presents the specific questions that the new component of the operational review will seek to answer. These questions are directly related to the key changes presented in Figure 1 that were either prompted by or followed SPS' adoption. As described in the Main Methods of Inquiry column, the questions will be answered through interviews with internal stakeholders from ADB's operations departments and RSDD, and documentation analysis. Operations departments will also be requested to provide basic safeguards information on projects approved under SPS in 2010 to 2012, which is not available through ADB's organizational-level management information systems or existing documentation. No intensive field work is envisaged to take place under this component of the operational review, as was the case with its other two components.

Table 1: Key Additional Questions and Methods of Inquiry

Key Questions	Main Methods of Inquiry
<p>1. To what extent is ADB undertaking sufficient measures (under SPS) to ensure effective safeguards delivery in general and quality at implementation (QAI) in particular?</p>	<ul style="list-style-type: none"> • Review organizational systems and procedures for ensuring both quality-at-entry (QAE) and QAI. • Review and synthesize existing quality at entry (QAE) assessments, Chief Compliance Officer (CCO) reports to Management, and previous Asian Development Fund (ADF) SPS implementation progress reports. • Interview safeguard specialists and operations department representatives. • Use safeguards data capture tool for 2010–2012 projects to obtain information of what is being done to ensure QAI.
<p>2. How effectively are operations departments set up—in terms of systems, technical capacity, and human and financial resources—to successfully fulfill their roles and responsibilities for implementing SPS?</p>	<ul style="list-style-type: none"> • Review how each operations department works to meet SPS requirements—i.e., its system—through interviews with relevant staff and analysis of relevant documentation. Ascertain whether they are any key gaps, including meeting SPS' monitoring requirements. • Specifically assess operations department provisions for (i) safeguards documentation quality control; and (ii) avoiding of conflict of interest in its preparation and compliance review, such as done by RSES for category A projects • Ask staff what key issues and constraints they face in implementing SPS, and ascertain whether any are related to technical, human, and financial capacity constraints. • Specially review with operations department staff human and financial resources available for safeguards implementation at headquarters (HQ) and resident mission levels, including staff with safeguards expertise.
<p>3. How effectively do operations departments interface with other organizational units to ensure SPS' implementation, and are</p>	<ul style="list-style-type: none"> • Interview operations department staff on how they work with other organizational units to implement SPS in general and address significant compliance cases in particular, as well as the strengths and shortcomings of this support. • Interview relevant organizational units on how they support operations departments to implement SPS, as well as the challenges and constraints they

Key Questions	Main Methods of Inquiry
there any key opportunities for improvement?	<p>face in providing this support.</p> <ul style="list-style-type: none"> • Use safeguard data capture tool for 2010–2012 projects to obtain basic information on the safeguard related support operations departments receive.
4. How effectively do ADB's safeguard specialists in general and new safeguard specialists in particular support SPS' implementation, and how effective are current institutional arrangements for deploying their support?	<ul style="list-style-type: none"> • Review relevant internal documents and map out where the various safeguard specialists are stationed within ADB, including their specific areas of responsibilities. • Interview a large sample of ADB safeguard specialists about how they work to support SPS' implementation, as well as the specific challenges and constraints they face. • Interview non-safeguard operations department representatives on how decisions were made to position safeguards specialists in their departments, and directly ask whether the arrangement is optimal. • Use safeguards data capture tool for 2010–2012 projects falling under SPS to obtain information on supervision and general support provided by safeguard specialists.
5. How effectively is SPS being operationalized across different financing instruments, and are there instrument-specific issues and challenges that are being encountered and, if so, how can these be overcome?	<ul style="list-style-type: none"> • Interview safeguard specialists, and operations department representatives on their experiences applying SPS' requirements including categorization and quality control to these various financing instruments. • Use safeguards data capture tool for 2010–2012 projects to obtain information on challenges encountered in meeting SPS' requirements. This will be followed by statistical analysis to assess whether specific challenges are correlated with particular financing modalities.

Source: Evaluation team.

D. Evaluation Team and Timing

10. The expanded component of the safeguards operational review will be carried out by Tomoo Ueda, Principal Evaluation Specialist, and Karl Hughes, Senior Evaluation Specialist. Other team members will include: Ma. Juana Dimayuga, Senior Evaluation Officer; Mary Grace Alindogan-Agapito, Evaluation Officer, and two contracted evaluation analyst. The team leader for the overall operational review is Walter Kolkma, Director, IED1.

11. A draft of the operational review will be circulated for interdepartmental comments by July 2014, and the review will be finalized in September 2014 and put on IED's website. It will further be submitted for the ADF midterm review in November 2014, as well as for discussion by ADB's Development Effectiveness Committee in October 2014.