



**New  
Development  
Bank**

# **NDB MANAGEMENT RESPONSE TO THE INDEPENDENT EVALUATION OF THE MADHYA PRADESH MAJOR DISTRICT ROADS PROJECT**

**DECEMBER, 2022**

## New Development Bank

### Management Response on the Project Performance Evaluation of the India Madhya Pradesh Major District Roads Project

NDB Management recognizes that the first IEO evaluation report is an important milestone for the institution. It has a symbolic meaning that the first projects approved by the Bank have been completed and the institution is ready to enter a stage when its independent evaluation function is officially established and functioning.

The Management compliments the IEO for the excellent work done on the first evaluation report, particularly considering the still short period of time since IEO's establishment and the limited size IEO has today. Going forward the Management encourages suggests that IEO contextualize and customize its evaluation approach considering the Bank's specific context defined by NDB's general strategy and business niche, i.e. (1) use of country systems, (2) demand-driven model, and (3) lean NDB structure. To enhance the relevance of IEO's evaluation work, the Management further suggests that a well-defined guideline rooted in NDB's fundamental approaches be developed by IEO.

The Management therefore welcomes the findings and recommendations of the Project Performance Evaluation of the India Madhya Pradesh Major District Roads Project (PPE). The Management appreciates that IEO's assessment considers the clarifications provided from the Bank's relevant departments. The Management largely agrees with the well-intended PPE recommendations and assures that they will be considered favorably for the country program and for future projects. The findings captured the essences of the project, which provide useful lessons to the Bank's project portfolio. The Management's views on the proposed recommendations are presented below:

#### Recommendation 1

**Preparation of an India-NDB country strategy.** In consultation with the Government of India (GOI), the NDB should prepare a country strategy to guide its partnership with India moving forward. The country strategy would articulate NDB priorities for a specific period and serve as an instrument for programming and resource allocation. It would also serve as the overarching framework for project design. In line with the Bank's Articles of Agreement, the country strategy should be presented to its Board of Directors for consideration, along with written comments by the IEO thereon.

#### Management Response

**Management agrees with Recommendation 1.** In line with the PPE's assessment, Management believes that the Country Partnership Plan (CPP) should guide the partnership with and the operations in the member country, as envisaged by NDB policies. The Management fully supports preparation of CPPs in close collaboration with the member countries and the work in this direction has been initiated. Operations programming will be initiated in conjunction with the CPP, to connecting it with the pipeline formulation for projects.

## Recommendation 2

**Strengthen design quality at entry.** The evaluation recommends the need to review and strengthen project design. The latter should be underpinned by deeper analytic work and build on lessons learned from NDB operations and those of other partners. Project designs should also include exit strategies to improve sustainability and provisions for technical assistance both during design and implementation. In line with the Bank's General Strategy for 2022-2026, more attention should be also devoted in design to knowledge management and innovation for better effectiveness and scaling up impact. Implementing this recommendation would require deeper NDB involvement right from the beginning in design and a commensurate adjustment to its current operating model.

## Management Response

**Management agrees with Recommendation 2.** The Bank has very important lessons learned from the past seven years of operations. There are efforts and initiatives to record the lessons learned in the project cycle through ad-hoc trials, however not in a systematic manner. The Management has emphasized knowledge management in the past. The teams have been recording the lessons learned in their PDBs recently. A full-cycle knowledge management would request collaboration from the bank different departments, including operations, ESG, procurement, legal, risk, strategy, etc. The Management will provide guidance to the teams to start a systematic framework for distilling, recording, sharing, and applying knowledge. The Management will instruct a workshop to be held in the first quarter of 2023 to discuss knowledge management in details and the approach forward.

As for technical assistance, in the project portfolio, the project teams have leveraged resources internationally for expertise relevant to improve the project design for some projects in the due diligence phases, when the needs were diagnosed during the processing stage and when communicating with the client. This doesn't apply to all projects. It varies from team to team. Therefore, the Management does see the need to emphasize the early identification of the needs for technical assistance to improve the design, apply knowledge learned, and enhance the quality of the projects. The Management will also advocate the use of the Bank's Project Preparation Fund (PPF).

## Recommendation 3

**Improve project supervision and implementation support.** NDB should strengthen supervision activities including time spent in the field, deepen the composition of supervision teams, improve the quality of supervision outputs, and ensure coherent follow-up to supervision recommendations. More continuity needs to be granted to the NDB officer responsible for accompanying project implementation. A comprehensive MTR should be undertaken as a regular feature in ongoing and future operations. While project implementation is the responsibility of the executing agency, NDB should offer a greater degree of implementation support to project teams in specific areas (e.g., M&E, financial management, etc). This would be consistent with Managing Development Results in the Bank's General Strategy and its Articles of Agreement.

## Management Response

**Management agrees with recommendation 3.** The Management agrees with the need to improve consistency and continuity of project supervision and implementation support, as well as to enhance the degree of implementation support. The Management will engage the regional offices and centers to ensure the continuity of implementation officers for projects and to take a more proactive role for implementation support, especially for those projects that lacks capacity for implementation management.

#### **Recommendation 4**

**Enhance project monitoring and evaluation.** Project designs should have a dedicated section on M&E plans. Such plans should include a clear statement of objectives, a theory of change, and a well-articulated results management framework. Specific budgets for M&E should be included in the project cost tables. An M&E officer should be foreseen as part of the project implementation teams, so that M&E is used not only as a management tool but also for learning and documenting lessons and good practices. The loan agreements should better capture the main dimensions of project design and also include a short article on M&E and NDB project xii supervision. Strong project level M&E systems will also contribute to improved knowledge management by the Bank at large and other partners.

#### **Management Response**

**Management mostly agrees with Recommendation 4.** The Management agrees that we need to strengthen the logics of how NDB financing to a project connects with the outcome and the impacts from the project. Currently we have results chain and economic benefits, but we still lack a systematic framework. The theory of change for NDB's support towards projects for the final impacts can be explained in the Country Partnership Plan (CPP) level as a systematic framework. Further, monitoring and evaluation should be strengthened in the PDB in the implementation section of the PDB. Documenting lessons should be efforts for both the team in the processing stage as well as in the implementation stage.

#### **Recommendation 5**

**Further articulate the role of the Indian Regional Office in country program delivery.** In line with Strengthening On-the-ground Presence emphasized in the Bank's General Strategy, the role, responsibilities, and delegation of authority to the Indian Regional Office should be clearly articulated. This would cover engagement in design, supervision and implementation support, policy engagement, partnership development, and broader project and portfolio monitoring and related activities.

#### **Management Response**

**Management agrees with Recommendation 5.** The Management agrees with the recommendation to further clarify and articulate the role of Indian Regional Office (IRO). At the same time, it should be noted that PPE project was approved and implemented before approval of new organizational structure and establishment of IRO. The new organizational structure approved by the BoD in December 2020 and the establishment of ToRs for the Vice-Presidency of Operations were important steps in that direction and determined the roles and responsibilities of headquarters and regional offices in the project cycle.

IRO is currently being set up with ongoing recruitment and the Management is prioritizing this process to ensure efficient hand over of project portfolio from headquarters to IRO. The Management will instruct the headquarter operations teams to continue working closely with regional offices and centers to further improve the division of labor and collaboration among them.

The Management thanks IEO for the constructive recommendations and will ensure that lessons learned from this work are internalized to improve the performance of NDB-financed projects in India and in other member countries. The Management will instruct the teams to take immediate reactions on the findings and recommendations.

The Management also believes that going forward it is preferable, whenever possible, to follow the standard project evaluation process, when first the completion report is prepared by the Bank in consultation with the borrower, then it is reviewed and validated by IEO. This process and a methodology of evaluation should be documented in a guideline, which the Management recommends IEO to put in place at the soonest, so that NDB teams and its clients have a good understanding of the applicable framework. The methodology of evaluation is also required for project teams to prepare their first completion reports.