



**ASIAN DEVELOPMENT FUND (ADF)
ADF X DONORS' MEETING**
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Asian Development Fund Results Reporting and Management

Asian Development Bank

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AfDF	–	African Development Fund
CAPE	–	country assistance program evaluation
CPS	–	country partnership strategy
CSP	–	country strategy and program
DMC	–	developing member country
DMF	–	design and monitoring framework
GAP III	–	Gender Action Program III, 2008–2010
GDP	–	gross domestic product
GMS	–	Greater Mekong Subregion
GNI	–	gross national income
IDA	–	International Development Association
Lao PDR	–	Lao People's Democratic Republic
LTSF	–	long-term strategic framework
MAKE	–	most admired knowledge enterprise
MDG	–	Millennium Development Goal
MfDR	–	managing for development results
OCR	–	ordinary capital resources
OED	–	Operations Evaluation Department
PBA	–	performance-based allocation
PCR	–	project completion report
PPER	–	project performance evaluation report
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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EXECUTIVE SUMMARY

At the March 2008 meeting of the Asian Development Fund (ADF) in Manila, Philippines, the Asian Development Bank (ADB) and donors discussed the development effectiveness of ADF operations and revisions to ADB's results framework. Donors asked ADB to elaborate on the link between outputs of ADF operations and development outcomes, and to provide additional information on the framework and its use. This paper responds to this request. The results framework presented in this paper incorporates feedback from donors during the third ADF X donors' meeting in Manila and subsequent consultations.

The assessment of past ADF operations confirms that ADB is improving its development effectiveness. More ADB projects are achieving their intended outcomes. ADB's portfolio is performing better, and its partnerships are strengthening. ADB is also improving its organizational effectiveness. However, ADB needs to increase its impact on the ground to help ADF countries accelerate poverty reduction. This is particularly important as ADB envisages a significantly larger program under ADF X (2009–2012).

To improve its effectiveness, ADB is reinforcing its corporate results management system. This process includes aligning the results framework with ADB's new long-term strategic framework (2008–2020). The updated results framework will be used for assessing ADB's overall performance, including progress in ADF operations. The proposed framework builds on ADB's experience and best practices in other multilateral development institutions, particularly the International Development Association and the African Development Fund. Results will be assessed at four levels: Asia and Pacific outcomes (level 1), ADB's contribution to country outcomes through key outputs (level 2), ADB's operational effectiveness (level 3), and ADB's organizational effectiveness (level 4).

Using the updated results framework, ADB will report each year on its performance—including that of the ADF programs—through the new *Development Effectiveness Review*. This report will inform Management about progress and identify areas needing further actions. These actions will be incorporated into the 3-year rolling work program and budget framework. The review will be circulated to ADB's Board of Directors for discussion. The 2007 *Development Effectiveness Review* will be completed by the third quarter of 2008; subsequent reviews will be developed by the second quarter each year. The 2009 review will be prepared in time for the ADF X midterm review, which is envisaged to be conducted toward the latter part of 2010.

Management is committed to managing ADB to achieve development results that lift more people out of poverty, especially in ADB's poorest member countries. Management will ensure that all of ADB's work is aligned with the priority areas indicated in the results framework, and that necessary organizational changes are managed effectively. Under Management's leadership, department and office heads will be accountable for managing work planning, implementation, and evaluations in their respective departments, offices, and divisions based on the results framework. Management will increase the visibility of the improved results measurement system through internal and external communications.

Improving ADB's results management system is essential to ensuring effective implementation of the ADF X program. It is proposed that an agreed-upon results framework—with ADF-specific baseline and targets—will be included in the ADF X Donors Report to be adopted by ADB's Board of Directors and incorporated as part of the Board's Report to the Board of Governors.

I. INTRODUCTION

1. At the March 2008 meeting of the Asian Development Fund (ADF) in Manila, Philippines, the Asian Development Bank (ADB) and donors discussed the development effectiveness of ADF operations and revisions to ADB's results framework. Donors asked ADB to elaborate on the link between outputs of ADF operations and development outcomes, and to provide additional information on the framework and its use. This paper responds to this request.

2. The first part of this paper (Section II) reviews how ADB has managed past ADF operations to achieve results. The second part (Section III) explains how ADB intends to improve its results monitoring and reporting, by presenting a proposed new results framework of ADB and explaining how it is to be used. The framework presented in this paper incorporates feedback received from donors during the third ADF X donors' meeting in Manila and subsequent consultations.

II. DEVELOPMENT EFFECTIVENESS OF PAST ADF OPERATIONS

3. This section largely follows ADB's existing results framework, but incorporates new features of the new framework where possible.¹ It should be read with the country development effectiveness briefs that ADB has been developing since 2007. The briefs are designed to demonstrate the likely contribution of ADB operations—including ADF operations—to development outcomes in individual countries.²

A. Development Outcomes in ADF Countries

4. ADF countries have continued to reduce income poverty. The number of poor people living in extreme poverty (less than \$1 a day) fell from 110 million in 2003 to about 100 million in 2005.³ Projections indicate that ADF countries as a whole will surpass the Millennium Development Goal (MDG) target of halving extreme poverty. However, poverty remains the main challenge in these countries: about 15% of the population (100 million people) continues to live in extreme poverty, and almost 60% of the population (about 400 million people) lives on less than \$2 a day. Progress in reducing non-income poverty has been mixed. ADF countries are likely to meet the MDG target on reversing tuberculosis prevalence and death rates, as well as several environmental targets (biodiversity preservation and the trend in ozone-depleting chlorofluorocarbon consumption). However, these countries are likely to miss many important non-income MDG targets on hunger, education, health, access to better water sources and sanitation (in rural and urban areas), and gender equality. Table 1 shows the status of MDG attainment in ADF countries.

5. ADF countries continue to lag the rest of Asia in crucial indicators of development. Average annual gross domestic product (GDP) per capita grew 6% during 2002–2005, with many growing at 4% or less. During the same period, ADB's developing member countries (DMCs) as a whole grew 7.5% annually. Accelerating growth will require continued investment in infrastructure. The latest available data shows that much of the population in ADF countries still

¹ ADB's first result framework was based on the review of ADB's poverty reduction strategy endorsed during the ADF IX negotiations in 2004.

² Country development effectiveness briefs have been prepared so far for 13 DMCs (all of them ADF recipients); two other briefs have subregional coverage. See www.adb.org/ADF/development-effectiveness.asp.

³ The number of people in all countries in the region living in extreme poverty declined from 621 million in 2003 to 604 million in 2005. ADB. 2007. *Pro-Poor to Inclusive Growth: Asian Prescriptions*. ERD Policy Brief 48. Manila.

does not have access to essential infrastructure: 30% of the rural population lacks access to an all-season road (compared with 23% for the region as a whole); 83% of the population does not have telephone connections (compared with 67% in the region); and many continue to lack access to clean water supply and sanitation.

Table 1: Millennium Development Goal Projections for ADF Countries

MDG Related Indicators	1990	2005	Target	Target Likely to be Achieved?
MDG 1: Population below \$1 (PPP) per day (%)	30.50	15.50	15.25	yes
MDG 1: Children under 5 moderately or severely underweight (%)	40.53	34.24	20.27	no
MDG 2: Total net enrolment ratio in primary education, both sexes (%)	75.22	87.56	100.00	yes
MDG 2: Pupils starting grade 1 who reach last grade of primary, both sexes (%)	74.26	76.91	100.00	no
MDG 2: Primary completion rate, both sexes (%)	82.01	80.43	100.00	no
MDG 3: Gender Parity Index in primary level enrolment	0.82	0.90	1.00	yes
MDG 3: Gender Parity Index in secondary level enrolment	0.76	0.91	1.00	yes
MDG 3: Gender Parity Index in tertiary level enrolment	0.66	0.71	1.00	no
MDG 4: Children under five mortality rate per 1,000 live births	116.24	77.56	38.75	no
MDG 4: Infant mortality rate (0-1 year) per 1,000 live births	82.21	58.08	27.40	no
MDG 6: Tuberculosis prevalence rate per 100,000 population	460.50	289.52	<460.5	yes
MDG 6: Tuberculosis death rate per 100,000 population	63.42	36.57	<63.42	yes
MDG 7: Land area covered by forest (%)	30.70	26.02	>30.70	no
MDG 7: Protected area to total surface area (%)	4.61	9.11	>4.6	yes
MDG 7: Consumption of ozone-depleting CFCs in ODP metric tons	2795.98	867.22	<2796	yes
MDG 7: Population using improved drinking water sources, urban (%)	89.86	88.58	94.93	no
MDG 7: Population using improved drinking water sources, rural (%)	64.47	73.43	82.24	no
MDG 7: Population using improved sanitation facilities, urban (%)	67.93	76.12	83.96	no
MDG 7: Population using improved sanitation facilities, rural (%)	26.38	42.46	63.19	no

ADF = Asian Development Fund; CFC = chlorofluorocarbon; MDG = Millennium Development Goal; ODP = ozone-depleting potential; PPP = purchasing power parity

Source: Asian Development Bank, United Nations Development Programme, and United Nations Economic and Social Commission for Asia and the Pacific estimates based on data made available for the report *The Millennium Development Goals: Progress in Asia and the Pacific 2007*.

6. Private sector development is vital to accelerating growth. Creating an enabling environment for private investments has been a priority for ADF countries. Investment climate indicators show progress. For example, the average time for a business start-up fell to 45 days in 2006 from the earlier baseline of 58 days (2003–2005). Similarly, the cost of starting a business dropped to 47% of the average gross national income (GNI) per capita from the earlier baseline of 73% (2003–2005). However, ADF countries have a long way to go—starting a business in Singapore takes only 8 days and costs only 1.2% of GNI per capita.

B. Asian Development Fund Contribution to Development Outcomes

7. The achievement of development outcomes cannot be attributed solely to ADF operations. Many other conditions need to be met, including global and regional economic and political stability, sound economic and development management of DMCs, and support from other development partners. ADB maximizes the impact of ADF operations by delivering relevant, quality outputs in priority sectors identified in country partnerships strategies (CPSs). The following discussion (paras. 8–28) examines the types and levels of outputs delivered from

ADF operations during the ADF VIII and IX periods, and their contribution to development outcomes in the region.⁴

1. Accelerating Growth and Poverty Reduction

8. ADF-supported infrastructure projects have played an important role in supporting growth in ADF countries. Infrastructure projects have represented more than 45% of the ADF portfolio over the past 10 years. ADB operations in transport, energy, and rural infrastructure have supported crucial infrastructure needed to foster growth, and in many instances, contributed directly or indirectly to poverty reduction.⁵

9. **A Road to a Better Life.** Access to transport services remains poor in many ADF countries (para. 5). ADF projects have helped to reduce this gap. In the ADF VIII and IX periods, ADF-funded projects improved transportation services by constructing and rehabilitating more than 40,000 kilometers (km) of roads (including rural roads). Project completion and evaluation reports and field surveys show that this has brought tangible benefits to the poor, including (i) higher household incomes through better access to markets, higher productivity, and lower commodity prices as a result of the greater availability of goods and lower transport costs; and (ii) better access of the poor to basic social services, such as education and health services.

10. The Cambodia Rural Infrastructure Improvement Project, for example, demonstrates how a rural road project benefits the poor.⁶ The project rehabilitated about 1,200 km of rural roads and other structures along these roads, linking rural areas to market towns and primary road networks. By reducing vehicle operating costs by 25%–30%, passenger and freight charges by 38%, and travel time by 57%, the volume of goods transported doubled. Commercial activities blossomed along the roadsides. For about half of the households, their incomes rose by about 30% after road construction, because they could transport their products to markets more easily and had more time to do other jobs. The project directly generated numerous jobs; about 3.2 million workdays of temporary employment and about 270,000 permanent workdays for routine or periodic maintenance. The project also improved access for the poor to basic social services, including health care, skills and literacy training, credit, and extension services.

11. Similar benefits were delivered through the Road Rehabilitation Project in Tajikistan.⁷ By rehabilitating 120 km of a highway and rural roads, the project helped to increase freight transportation volume on the highway (from 28 million tons in 2000 to 55 million tons in the first 9 months of 2006), and to double overall traffic volume on the main road between 2002 and 2005. In a Government survey, 90% of respondents attributed their improved access to health facilities to the road rehabilitation funded by this project.

⁴ In these periods, a total of 181 ADF projects, amounting to \$7.34 billion of approved loans, were completed in 21 countries (including 6 Pacific countries). Output data are based on project completion reports prepared between January 2001 and January 2008.

⁵ ADB, Japan Bank for International Cooperation, World Bank. 2005. *Connecting East Asia: A New Framework for Infrastructure*. Manila; Hettige, H. 2006. *When Do Rural Roads Benefit the Poor and How?* ADB, Operations Evaluation Department. Manila; and Chatterjee, S., T. Duncan, C. Narayanasuwami, and B. Prakash. 2004. *Scaling Up Poverty Reduction Potential of Infrastructure Projects: Lessons from the Asia-Pacific Region*. ADB *Poverty and Social Development Papers* 20. Manila (September).

⁶ ADB. 2005. *Project Completion Report on the Rural Infrastructure Improvement Project in Cambodia*. Manila. ADB. 2007. *Project Completion Report on the Sustainable Rural Electrification Project in Bhutan*. Manila; ADB. 2003. *Project Completion Report on the Rajapur Irrigation Project in Nepal*. Manila.

⁷ ADB. 2008. *Asian Development Fund: Helping the poorest, Changing Lives, Working for Results*. Manila; ADB. 2000. *Report and Recommendations of the President on the Road Rehabilitation Project*. Manila.

12. Through cross-border transport projects, ADF operations help promote economic cooperation, accelerate growth, and improve people's lives. The Phnom Penh–Ho Chi Minh City Highway Improvement Project upgraded the road link between the two cities (about 240 km in Cambodia and 80 km in Viet Nam) and improved border facilities.⁸ The project resulted in time savings and lower vehicle operating costs, which led to an increase of about 40% per year in the value of trade between Cambodia and southern Viet Nam along this highway between 2003 and 2006. During the same period, the number of people crossing the border, including tourists, increased on average 53% a year; and the number of vehicles crossing the border grew at an average annual rate of 38%. Following the project, more hotels, restaurants, and gas stations, and a new industrial park were built along the highway—all providing jobs for local residents.

13. **Electricity Brings New Opportunities.** Access to electricity remains a major unfulfilled need in large parts of developing Asia and the Pacific—36% of the region's population does not have an electricity connection. Electrification plays a key role in achieving faster growth; for example, an increase in economic growth is associated with a larger increase in electricity consumption.⁹ Wider electrification fuels economic activity in large and small enterprises. It increases income and productivity by allowing longer working hours and better flow of information on crops and farming methods via radio and television. It also expands educational opportunities by increasing study time in the evening for adults and children. Electrification projects completed during the ADF VIII and IX periods generated similar benefits. These projects provided more than 820,000 households with new energy connections, added almost 1,700 megawatts of power production capacity, and constructed more than 26,000 km of transmission and distribution lines.

14. The recently completed Sustainable Rural Electrification Project in Bhutan demonstrates how rural electrification changes the lives of the poor.¹⁰ The project provided more than 8,000 new rural consumers with access to electricity. An impact survey found that in addition to the benefits from the lighting, the project helped to reduce the consumption of fuelwood by about 80% and to replace kerosene lamps with electric lamps. As a result, pressure on forests declined and air quality in homes improved. Electrification also promotes gender equality and education for the poor. Greater use of electrical appliances such as rice cookers enables women to save time and engage in income-earning activities (such as weaving and tailoring) to augment their family incomes.

15. **Better Water Resource Management Benefits the Rural Poor.** The bulk of the population and most poor people in many ADF countries participate in the rural economy. Development of rural infrastructure is particularly important; it enables faster agricultural growth, creates rural jobs, and accelerates rural poverty reduction. These benefits are delivered through rural road and electrification projects, as explained in paras. 10–14. ADF has also funded projects to improve rural water resource management and to raise rural productivity and incomes. During the ADF VIII and IX periods, ADF-funded water resource management projects provided irrigation and land improvement, including drainage and flood control, for more than 1.6 million hectares.

⁸ ADB. 2007. *Project Completion Report on the Phnom Penh–Ho Chi Minh City Highway Improvement Project*. Manila.

⁹ In Viet Nam, a typical case, annual GDP growth of 7.5% from 2006 to 2020 is associated with electricity demand growth of 16.0% per year in 2006–2010, 11.0% in 2011–2015, and 9.0% in 2016–2020. See ADB. 2006. *Viet Nam: Country Strategy and Program (2007–2010)*. Manila.

¹⁰ ADB. 2007. *Project Completion Report on the Sustainable Rural Electrification Project in Bhutan*. Manila;

16. The Rajapur Irrigation Project in Nepal, for example, supported six farmer-managed irrigation systems (covering about 15,800 hectares) in the midwestern *Terai* region.¹¹ The project built more than 32 km of irrigation and flood control works. Government surveys show that the average household income of small farmers in the project area nearly doubled from NRs18,500 to about NRs34,500. Other typical benefits of these projects include better health conditions (e.g., lower incidence of diarrhea and other water-borne diseases) and living conditions as a result of improvements in flood protection.

2. Promoting Human Development for All

17. **Better Schools Increase Learning Opportunities.** Many ADF countries are at risk of not meeting the MDG target on universal primary education by 2015. Many are also unlikely to meet the targets under the MDG target on gender parity in tertiary education. While access is essential, quality of education is equally important. Support for education has been a high priority in ADF operations. During the ADF VIII and IX periods, ADF operations constructed or improved more than 38,000 school facilities, trained more than 900,000 teachers and other staff, and distributed more than 160 million books.

18. The Second Girls' Primary School Sector Project in Pakistan is a good example of how the ADF helps improve education opportunities for girls.¹² The project benefited more than 39,000 girl students by establishing more than 1,000 community model schools for girls and achieving an average teacher–student ratio of 1:38—better than targeted 1:40. These schools raised the education standards through better curriculum, improved instructional materials, and training of teachers. Through capacity development support, the project also strengthened management and planning capacity at the central and provincial levels.

19. ADF has also funded projects to promote sector reforms in education. The Education Sector Development Program in Mongolia supported a comprehensive reform program to help transform the country's education system.¹³ Under the loan, the Government merged and closed schools, and retrenched thousands of staff members in a bid to improve quality. While the process was painful, the program resulted in a much leaner but well-financed system. The improved efficiency made resources available to pay higher salaries to teachers. Through investments in school buildings and dormitories, the program contributed to an increase in primary education enrollment—from 82% in 1996 to 97% in 2002. Higher-quality education helped to lower the dropout rate in primary and secondary schools—from 3.5% in 1996 to 2.3% in 2002. The ADF has also supported education sector reforms through participation in a sector-wide approach.

20. In 1996, the Government of Bangladesh and 11 development partners (led by ADB) pooled their resources to support priority investments and reforms to improve primary education outcomes.¹⁴ Implemented through this partnership, the Second Primary Education Development Program has advanced harmonization efforts in the country, including systems for (i) planning and budgeting—a single annual operation plan sets priorities and allocates resources; (ii) procurement—more than 80% of expenditures use Government procurement procedures; (iii) financial management; (iv) auditing—all procurement and financial management is covered

¹¹ ADB. 2003. *Project Completion Report on the Rajapur Irrigation Project in Nepal*. Manila.

¹² ADB. 2005. *Project Completion Report on the Second Girls' Primary School Sector Project in Pakistan*. Manila.

¹³ ADB. 2003. *Project Completion Report on the Education Sector Development Program in Mongolia*. Manila. Also see ADB. 2008. *Asian Development Fund: Helping the Poorest, Changing Lives, Working for Results*. Manila.

¹⁴ ADB. 2005. *Project Completion Report on the Second Primary Education Development Program in Bangladesh*. Manila.

by common statutory and external audits; and (v) monitoring and evaluation, with common indicators and baselines, and reporting and review. Through investments in additional classrooms and furniture, the program provided access for an estimated 750,000 additional students and helped increase gross enrollment from 94% in 1996 to 98% in 2002.

21. **Cleaner Living Environment and Health Benefits.** ADF countries are unlikely to achieve most of the MDG health targets (para. 4). Health benefits attained through infrastructure projects were discussed in paras. 10 and 13. ADF operations have also invested in primary health care and access to higher quality water and better sanitation, which contribute more directly to improving health outcomes. During the ADF VIII and IX periods, ADF projects constructed and improved about 6,700 health facilities, and trained more than 73,000 health staff. ADF projects aimed at upgrading water supply and sanitation have played an important role in improving health conditions of the poor. The Fourth Rural Water Supply and Sanitation Project in Nepal benefited more than 670,000 poor living in remote areas by improving their access to safe water.¹⁵ With better water quality and accessibility, water consumption increased from an average of 15–20 liters per capita per day to 40–50 liters. This, together with community education campaigns on hygiene and sanitation, led to better hygiene practices, which in turn helped to lower the incidence of waterborne disease (diarrhea, typhoid, and cholera), eye infections, and skin diseases. The incidence of diarrhea decreased by 75% in the project areas.

3. Promoting Environmental Sustainability

22. **Better Living Environment for the Poor.** The ADF has contributed to achieving the MDG targets on environmental sustainability, primarily in the areas of clean water and better sanitation. The ADF has provided more than 200,000 new household water connections, as well as about 1,700 km of new or improved pipes during the ADF VIII and IX periods. In addition, ADF has financed the construction of more than 10,000 km of drainage and sewerage systems during the same periods. The Phnom Penh Water Supply and Drainage Project in Cambodia, for example, installed 15.2 km of water transmission pipes to supply bulk water from water treatment plants to the distribution mains.¹⁶ This helped 1.1 million additional people in Phnom Penh (besides businesses, industries, and institutions) to receive piped water supply service. In addition, 3.5 km of canals and drains were upgraded, reducing flooding and benefiting 240,000 residents.

23. Investments in cleaner water and better sanitation also contribute to gender equality. Better access to clean water and sanitation saves time for women and girls: they no longer need to spend hours collecting water, and spend less time caring for the sick due to a reduction in water-related diseases. Two rural water and sanitation projects for Pakistan have given new hope to women and girls in 1,085 rural communities by relieving them from long hours of collecting water. This enabled the women to engage in more productive work and the girls to return to school.¹⁷

24. **ADF Projects Build Capacity for Sustainable Environment Management.** ADF operations have also assisted DMCs in improving their environmental management capacity.

¹⁵ ADB. 2004. *Project Completion Report on the Fourth Rural Water Supply and Sanitation Sector Project in Nepal*. Manila.

¹⁶ ADB. 2005. *Project Completion Report on the Phnom Penh Water Supply and Drainage Project in Cambodia*. Manila.

¹⁷ These projects are (i) the Punjab Rural Water Supply and Sanitation Sector Project, approved in 1995, and (ii) the Punjab Community Water Supply and Sanitation Sector Project, approved in 2002. For details, see ADB. 2008. *Asian Development Fund: Helping the Poorest, Changing Lives, Working for Results*. Manila.

They have resulted in better policy and institutional frameworks, and greater capacity to manage natural resources and mitigate the effects of pollution. For example, the Participatory Forestry Project in Sri Lanka played a pivotal role in transforming the Forest Department from a solely administrative forestry agency into an agency that facilitates the production of woodlots through community involvement.¹⁸ ADB has been increasingly involved in recent years in supporting the adoption of cleaner and energy-efficient technologies. It supported 35 projects during 2004–2006, including 11 ADF projects totaling \$225 million. ADF countries implementing clean energy interventions include Afghanistan, Bangladesh, Cambodia, Indonesia, Pakistan, Tajikistan, Uzbekistan, and Viet Nam.

4. Empowering Women and Improving Gender Equality

25. The region has improved gender equality and the empowerment of women. However, many women across the region still cannot contribute to and benefit from economic growth. Progress has been particularly slow in rural areas, and among the poor and disadvantaged. Limited progress on MDG 4 targets on infant and child health also highlight the urgency in sharpening gender focus in delivering development assistance. ADF operations have promoted gender equality. As discussed in paras. 14, 18 and 23, these include projects in education, and water supply and sanitation directly, benefiting women; and basic infrastructure projects that facilitate better access to social services and income-earning opportunities for women. In addition to these, ADF has helped mobilize benefits to women and girls by supporting a microcredit scheme. For example, a small loan extended through the Rural Microfinance Project in Nepal has empowered more than 22,000 poor women economically and socially in rural Nepal. Similarly, the Rural Livelihood Project in Bangladesh provided life-changing loans to more than 500,000 poor women in 15 rural regions.¹⁹ ADB will continue to promote gender equality through various types of sector operations. During 2004–2007, more than 40% of all approved projects funded by ADF integrated gender considerations.²⁰

5. Promoting Better Governance and Building Capacity

26. Improving governance is essential to promoting the efficient delivery of public services. ADF operations have supported governance reforms and capacity development programs, resulting in better economic management, improved public finance and expenditure management, and reformed finance and other sectors. The two education projects discussed earlier (paras. 18–19) demonstrate the types of governance-related benefits ADF operations can deliver. The Mongolia Governance Reform Program is another example of how the ADF contributes to raising governance standards.²¹ The program resulted in a much improved medium-term expenditure framework, integrated capital budget planning, results-based resource allocations, and streamlined public personnel management processes in Mongolia. ADF operations for good governance have also focused on decentralization and capacity development of local governments. The Tuvalu Island Development Program supported the Government's reform program to decentralize and increase regional autonomy in managing the

¹⁸ ADB. 2003. *Project Performance Audit Report on the Participatory Forestry Project in Sri Lanka*. Manila.

¹⁹ For details on how these two microcredit projects improved the lives of poor women, see ADB. 2008. *Asian Development Fund: Helping the Poorest, Changing Lives, Working for Results*. Manila.

²⁰ The *Policy on Gender and Development* (1998) requires the explicit integration of gender considerations in all ADB operations. All projects are hence reviewed from this perspective and gender components included where needed. The figure reported in this paragraph represents projects that are designed to (i) specifically target women and correct gender imbalances, and (ii) mainstream gender by ensuring that design features promote and facilitate women's access to, and benefits from the project.

²¹ ADB. 2002. *Project Completion Report on the Governance Reform Program in Mongolia*. Manila.

development of the outer islands.²² The program supported the operation of a local trust fund—Falekaupule Trust Fund—to finance sustainable development with a high level of community ownership. During ADF VIII and IX periods, ADB has completed 24 ADF-funded program loans to help improve governance, build capacity, and reduce corruption.

6. Reducing Poverty Through Regional Cooperation Projects

27. Most ADF-funded regional projects completed to date have been implemented under the Greater Mekong Subregion (GMS) program to support mainly infrastructure development. Post-evaluation assessments indicate the regional projects have helped to reduce poverty significantly.²³ Poverty reduction results from more trade and investment, greater employment, and higher incomes in participating countries. The Phnom Penh–Ho Chi Minh City Highway demonstrates these benefits (para. 12). The cross-border Champassak Road Improvement Project is another good example. This project, which rehabilitated a 200 km national road in southern Lao PDR bordering Cambodia and Thailand, has helped to increase in the monthly household consumption levels in Champassak Province in Lao PDR more than 30-fold.²⁴

28. In addition to infrastructure projects, ADB has helped develop a regional cooperation framework on the prevention of HIV/AIDS, which is benefiting participating ADF countries. The technical assistance (TA) for HIV/AIDS Prevention in Cross-Border Areas of the Greater Mekong Subregion was cofinanced by United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Southeast Asian Ministers of Education Organization.²⁵ The project developed a regional training curriculum for HIV/AIDS prevention and five training curricula in local languages, teacher-learning materials in local languages, and teacher guides for HIV/AIDS preventive education. It provided basic information and communications technology hardware to 30 schools. The project also developed innovative approaches to disseminate information on HIV/AIDS through the culturally and linguistically suitable medium of soap operas.

C. Operational Effectiveness

29. Development effectiveness depends largely on how ADB manages its operations to maximize impact. To achieve this, ADB ensures relevance and quality of operations—at entry, during implementation, and after completion—at the country strategy and project levels. ADB also mobilize finance and knowledge, and works closely with other development partners, to increase the impact of its operations. These aspects of ADF operations are examined in paras. 30–41.

1. Quality of Country Partnership Strategy

30. **Results-Based CPSs Mainstreamed.** Since the introduction of a results-based CPS system in 2004, ADB has prepared 15 CPSs,²⁶ of which 12 were for ADF countries. In these

²² ADB. 2006. *Performance Evaluation Report on the Tuvalu Island Development Program*. Manila.

²³ For details, see: ADB. 2007. *ADF and Regional Cooperation*. Discussion paper presented at the second ADF X donors' meeting, Vientiane, Lao PDR, 26–27 November 2007; and ADB. 2008. *Regional Projects in ADF: Impacts and Funding Issues*. Discussion paper presented at the third ADF X donors' meeting, Manila, Philippines, 13–14 March 2008.

²⁴ ADB. 2005. *Project Performance Evaluation Report on the Champassak Road Improvement Project*. Manila.

²⁵ ADB. 2007. *Greater Mekong Subregion Development Effectiveness Brief*. Manila.

²⁶ These CPSs were prepared for Bangladesh, Bhutan, Cambodia, Indonesia, Kyrgyz Republic, Lao PDR, Nepal, Maldives, Mongolia, Philippines, Papua New Guinea, Thailand, Tonga, Uzbekistan, and Viet Nam.

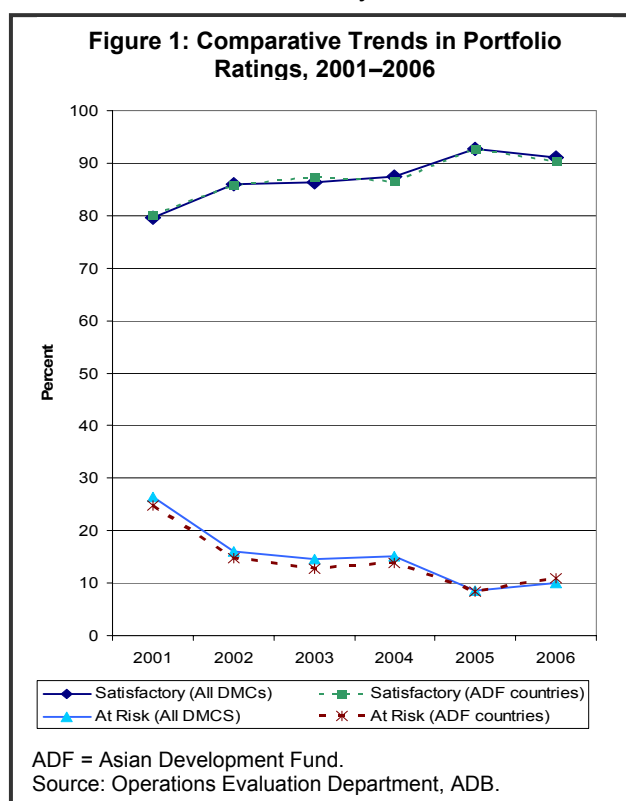
CPSs, ADB interventions are linked to specific development outcomes to which ADB aims to contribute. This is an important tool for enabling ADB to assess its country-level management of development effectiveness more accurately throughout CPS implementation. The development of the results-based CPS continues to evolve.

31. **CPS Quality Needs Improvement.** In 2006, ADB conducted the first assessment of the quality at entry of CPSs (formerly called country strategies and programs).²⁷ The review criteria covered (i) country diagnostics, (ii) identification of lessons, (iii) country strategy, (iv) country program, (v) performance indicators and results framework, (vi) risk assessment and mitigation measures, and (vi) preparation process. The assessment, which evaluated six CPSs approved in 2004 and 2005 (of which five were for ADF countries), rated 33% “satisfactory”. While noting progress in making these documents more results-oriented and improvements in processes, the assessment highlighted the need to improve sector and thematic diagnostics and their links to strategies and programs. The CPS guidelines introduced in 2006 emphasize the importance of diagnostics as the basis for defining strategies and programs.

32. **Past Country Strategies and Programs Reveal Valuable Lessons.** Successful implementation of a CPS is fundamental. None of the results-based CPSs has reached the evaluation stage. In the absence of the evaluation ratings, country assistance program evaluations (CAPEs) by ADB’s independent Operations Evaluation Department (OED) provide useful information on the quality of country strategies at completion. Since 2004, 11 CAPEs have been prepared.²⁸ Satisfactory country operational outcomes are clearly discernible in five of these countries, while others show mixed results. The following themes recur: (i) the need to improve portfolio performance, (ii) the relevance of the strategy and program (and the link between them) and selectivity, and (iii) outcome sustainability. To ensure the quality of new CPSs, CAPE lessons are incorporated into a new CPS.

2. Quality of Project Design and Portfolio Performance

33. **Designing Good Projects Seen as ADB’s Strength.** In 2006, ADB undertook the first assessment of the quality at entry of projects. The assessment rated 81% of the evaluated projects—funded by ordinary capital resources (OCR) and the ADF—as “satisfactory”. It noted that most projects were well-aligned with diagnostic findings on development constraints. Weaknesses were identified in the implementing arrangements and schedule, cost estimates and financial analysis, assessment of sustainability, and financial management arrangements. Using the

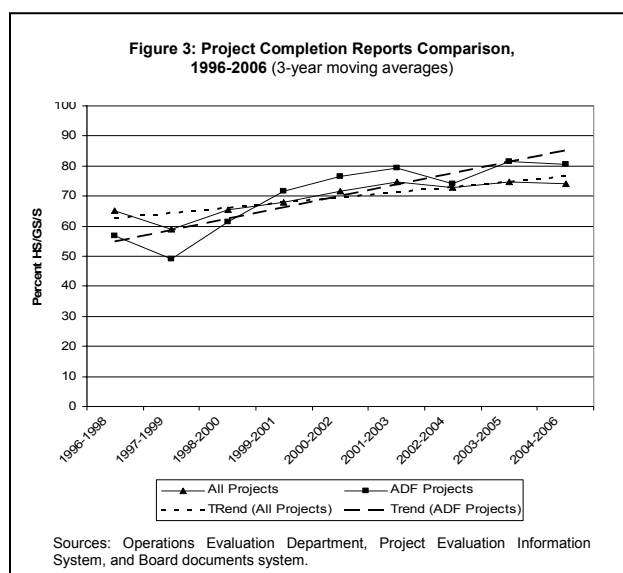
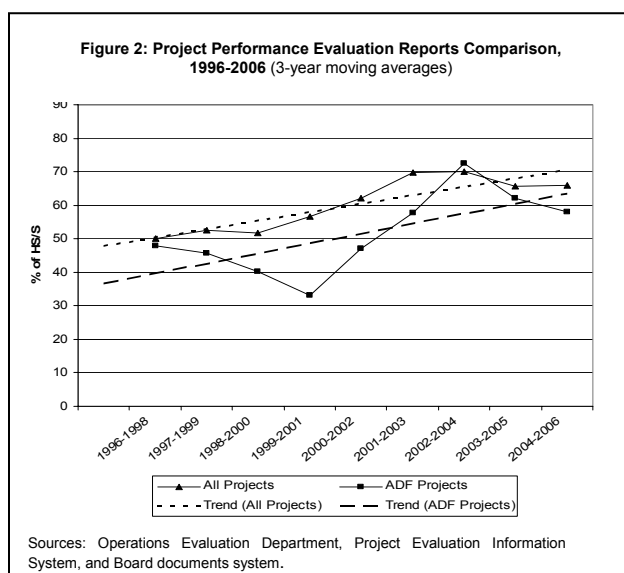


²⁷ Quality-at-Entry Panel. 2006. Report to Management on the Quality-at-Entry of Asian Development Bank Projects and Country Strategies Approved in 2004–2005. ADB, Manila

²⁸ These CAPEs were prepared for Bangladesh, Bhutan, Cambodia, Indonesia, Lao PDR, Mongolia, Nepal, Pakistan, Papua New Guinea, Sri Lanka, and Uzbekistan.

quality of the design and monitoring framework (DMF) as a proxy indicator, project design seems to be improving. An OED study found that loan projects receiving a “satisfactory” or better rating in the DMF increased from 52% in 2002 to 81% in 2005–2006.²⁹

34. ADF Portfolio Performance Now on Par with OCR Operations. The proportion of ADF projects being implemented that are rated “satisfactory” has increased from less than 80% in 2001 to more than 90% in 2006 (Figure 1)—about the same as for OCR projects. Similarly, the proportion of projects classified as “at risk” has shown a declining trend during the same period.³⁰ Common implementation problems identified include delays in loan signing, loan effectiveness, and land acquisition; lack of political commitment to reforms; civil conflicts; and delays in submission of audited financial statements. ADB is solving some of these problems; for example, ADB has reduced start-up delays of its projects considerably during the past few years (para. 46).



35. Success Rates of ADF Projects and Programs Are Rising. Both project performance evaluation reports (PPERs) prepared by OED and project completion reports (PCRs) by operations departments show that the success rate of ADF loan projects is improving. According to the PPERs, the success rate of ADF projects was 57% in 2006, an improvement of 7 percentage points over the previous year. Because of the small sample, the PPER ratings fluctuate considerably; however, the long-term trend from 1996 shows improvement (Figure 2). The PCRs showed that ADF projects performed well in 2005–2006, with 86% rated “successful” (Figure 3). Even more encouraging, the success rate of ADF projects, which had been much lower than for OCR projects, has caught up with the OCR success rate. Another independent OED evaluation on program (or policy-based) lending indicates that, while the performance of earlier program lending in ADF countries was mixed, it has been improving since the mid-1990s.³¹ OED reports annually success rates based on the combined results of PPERs and

²⁹ ADB. 2006. An OED working paper on Quality in Design and Monitoring Frameworks. Manila

³⁰ Note that OED is reviewing the portfolio performance classification system.

³¹ ADB. 2007. *Policy-Based Lending in ADB: Recent Trends and Good Practices from Evaluation*. Manila.

PCRs according to the year of approval of projects. The latest report suggests a clear trend of improvement since 1987 for both ADF and OCR projects.³²

3. Perceived Development Effectiveness of ADB

36. **ADB Is Effective But Can Improve.** ADB conducted a multinational perceptions survey in 2006 to assess the views of clients and opinion leaders about ADB's development effectiveness. The findings suggest that ADB is generally perceived to have a positive impact on the development process of the countries it serves. ADB clients are particularly positive about ADB's impact and helpfulness. ADB operations supporting infrastructure and regional cooperation and integration were recognized as the organization's biggest strengths. At the same time, the survey identified some areas requiring attention. These include improvement of procedures and practices, and more proactive communication with stakeholders about ADB operations, including poverty reduction.

4. Mobilization of Development Finance

37. **More ADF Funds Disbursed.** Disbursement performance of ADF operations has been improving. In 2007, ADB disbursed \$1,620 million to ADF countries, compared to \$1,339 million in 2006, \$1,247 million in 2005, and \$1,055 million in 2004. The disbursement ratio of ADF loans has also risen consistently in recent years—from 16% in 2003–2004 to 18% in 2005–2006, and 22% in 2007.

38. **More Cofinancing for DMCs.** Cofinancing operations have grown fivefold since 2004. Cofinancing in 2006 totaled \$5.9 billion, equivalent to 80% of total ADB lending, including \$880 million for ADF countries. Direct value-added cofinancing totaled \$1.4 billion, of which \$463 million was mobilized for ADF countries.³³ Commercial sources accounted for the predominant share of cofinancing (81%); the rest came from official multilateral and bilateral partners. Considering the limited commercial cofinancing opportunities in ADF countries, cofinancing operations in these countries came largely from official sources.

5. Mobilization of Development Knowledge

39. **Knowledge Sharing Within ADB.** Proactive knowledge sharing within the institution is a prerequisite for ADB to become a knowledge institution. The December 2006 most admired knowledge enterprises (MAKE) survey indicates that ADB is making progress.³⁴ Staff perceive ADB's knowledge management process and its implementation more positively; the indicator rose to 43.5 (out of 80) in 2006 from 39.5 in 2005, the year of the first survey. The 2006 survey concludes that the "challenge for the ADB is to continue to work with professional staff to demonstrate the value of the knowledge management implementation process." ADB is pursuing this in line with its knowledge management agenda.³⁵ An independent OED and its user-friendly evaluation information system have played an important role in creating a stronger

³² Operations Evaluation Department (OED). 2006. *Annual Evaluation Review, 2006*, IN 202-06. Manila. August. See also: ADB. 2007. *Effectiveness of ADF Operations*. Discussion paper presented at the first ADF X donors' meeting, Sydney, Australia, 13–14 September 2007.

³³ Direct value-added cofinancing involves active coordination and formal agreements among financing partners that bring about defined client benefits, including contractual commitments by ADB to facilitate mobilization, administration, or participation in cofinancing. Starting in 2006, cofinancing statistics indicate direct value-added cofinancing. See ADB. 2006. *ADB's Financing Partnership Strategy*. Manila.

³⁴ Teleos. 2006. *Assessment of ADB's Knowledge Management Implementation Framework*. Ludlow, Shropshire, United Kingdom.

³⁵ For more information, visit <http://www.adb.org/Knowledge-Management/default.asp>

learning culture within ADB. To further strengthen OED's effectiveness, ADB will review its current arrangements for the operations evaluation function in 2008.

40. **Knowledge Mobilized Through Technical Assistance.** TA is an important instrument for ADB to mobilize knowledge for DMCs. Ratings from the TA performance evaluation reports and completion reports show that TA performance is improving. The completion report ratings for successful TA projects remained above 80% during 2004–2006. However, the successful ratings in TA performance evaluation report varied—27% in 2004, 50% in 2005, and 83% in 2006—due possibly to the small number of TA projects evaluated. OED has observed that two thirds of the TA projects evaluated succeeded in delivering expected outcomes.³⁶ ADB is attempting to increase the effectiveness of TA projects through better management, particularly with regard to strategic focus, DMC ownership, and quality at entry. A new TA reform initiative is being introduced in 2008 to respond to these issues.³⁷

6. Partnerships

41. **ADB's Partnerships Continue to Grow.** In line with the Paris Declaration commitments on harmonization, ADB is coordinating more closely with its partners. In 2007, ADB participated in 14 projects (\$1.03 billion) in ADF countries using program-based approaches, compared with 4 projects (\$161 million) in 2004. In 2006, one third of ADB country strategy and portfolio review missions—40% for ADF countries—were undertaken jointly with the World Bank and other partners, compared with 26% in 2004. ADB worked with civil society organizations in 65% of all ADF projects in 2006 and continues to improve staff capacity to work with these organizations.³⁸ However, there is room to improve. For example, ADB participation in program-based approaches remains a small part of its overall operations. ADB will encourage innovative partnerships—including parallel financing and participation in trust funds managed by other development partners—to strengthen harmonized sector-level engagement.

D. ADB's Organizational Effectiveness

1. Use of Human Resources

42. **Staff Assigned to Operations and Resident Missions.** Of the net increase of 86 staff members during 2004–2006, 52 (61%) were assigned to operations departments. The proportion of professional staff and national officer positions assigned to operations departments has increased slightly from 53.4% in 2004 to 54.5% in 2007. This reflects ADB's commitment to creating a critical mass of experts in operations—one of the recommendations of the 2004 independent review of the 2002 reorganization—while ensuring effective support functions. Resident missions play a critical role in ensuring responsive and effective delivery of ADB operations. To reinforce this, ADB has increased the proportion of professional staff and national officer positions placed in resident missions from 20.2% in 2004 to 22.2% in 2007.

43. **Rise in Representation of Women in Senior Positions.** In 5 years, ADB has almost doubled the share of women professional staff in senior positions—from 7.0% in 2002 to 13.4% in 2007. However, the proportion of professional women has reached a plateau at about 29% for 2005–2007, a slight decline from the peak of 29.8% in 2004. Contributing to this is primarily

³⁶ ADB. 2007. *Special Evaluation Study: Performance of Technical Assistance*. Manila.

³⁷ ADB. 2007. *Increasing the Impact of the Asian Development Bank's Technical Assistance Program*. Manila. The Board discussed this working paper on 15 January 2008. The Board discussion on the R-paper is expected in May 2008.

³⁸ ADB. 2006. *Special Evaluation Study on Involvement of Civil Society Organizations in ADB Operations*. Manila.

the decrease in women's share of new hire. The third Gender Action Program (GAP III), 2008–2010, responds to the need to increase representation of women by setting an overall representation target, as well as specific targets at entry, pipeline, and senior levels. The implementation of GAP III is expected to improve gender balance and equality in ADB and boost productivity and effectiveness through greater diversity.

44. **Staff Engagement Survey Establishes Baseline.** To measure key staff motivation issues, ADB conducted a staff engagement survey in March 2008. The results of the survey will establish a baseline for future monitoring through similar surveys to be conducted every 2–3 years. The survey results will provide useful inputs to identify areas to improve ADB's human resources management (para. 74).

2. Use of Budgetary Resources

45. **Effective Use of Financial Resources.** In 2006, administrative expenses per \$1 million of approved loans fell to \$41,000. This represents a substantial improvement over the 2004 baseline of \$54,600. The administrative expenses per \$1 million disbursed also declined from the 2004 baseline of \$74,900 to \$49,600. This is attributable to the higher volume of lending and disbursements in 2006, the adoption of efficiency measures (e.g., better procurement and consultant recruitment procedures), and the delegation of more work to resident missions. These financial performance ratios indicate that ADB's administrative resource management is relatively efficient when compared with appropriate benchmarks.³⁹

3. Business Processes and Practices

46. **ADB Is Responding More Quickly to Clients.** In 2007, ADB processed sovereign loans on average in 20 months, 3 months faster than in 2004.⁴⁰ ADB has also made notable progress in reducing start-up delays of approved loans. The average time between approval and effectivity of loans approved in 2007 was 188 days (192 days for ADF loans), a sharp reduction—by more than 2 months—from 263 days (244 days for ADF loans) in 2004. The preparedness of ADB projects is thus improving. To sustain this progress, ADB will continue to implement quality assurance measures introduced since 2004 and refine its business processes and practices.

47. **More Responsibilities Being Delegated to Resident Missions.** Delegation benefits operations and improves responsiveness.⁴¹ Country programming has been delegated almost entirely to resident missions. At the end of 2007, 39% of ADB's total loan portfolio had also been delegated to resident missions, compared with 15% in 2000. ADB will continue delegating the administration of additional projects to resident missions, as feasible within the available resources. ADB will define its envisaged level of delegation based on an ongoing review of resident mission operations, which will be completed in the second quarter of 2008.

E. Improving Results Management Through Reforms

48. Since 2004, ADB has introduced numerous measures to integrate the MfDR across the organization. These measures became the core elements of ADB's reform agenda launched in 2004. Implementation of the MfDR action plan is coordinated by the results management unit

³⁹ Department for International Development. 2007. *Asian Development Bank Effectiveness Summary*. London.

⁴⁰ Processing time refers generally to a period between fact-finding of a project preparatory TA to Board approval.

⁴¹ ADB. 2007. *Special Evaluation Study on the Resident Mission Policy and Related Operations: Delivering Services to Clients*. Manila (IN 297-07).

within the Strategy and Policy Department, together with dedicated MfDR focal staff and teams throughout the organization. More than 1,000 staff have been trained on integrating MfDR into operations.

49. **Corporate Level.** Results frameworks have become an important management tool for ADB over the past 3 years. The results-based corporate reporting at ADB began in 2005 with the first annual poverty reduction report. This report, which was also prepared in 2006 and 2007, examined ADB's progress in improving its development effectiveness. The Management Committee discussed the report to assess progress and decide on actions for improvement. The report was then circulated to ADB's Board of Directors for information. In 2005 and 2006, the report was discussed by the Development Effectiveness Committee at the request of the Committee chair. The 2004 reform agenda was accompanied by a results framework. The framework has guided quarterly reporting on progress and facilitated effective change management.

50. Beginning in 2005, ADB also began to manage its work program and budget framework on a results basis. Some of these indicators are now integrated into a management information system (the "Executive Dashboard") which is available to Management and heads of departments to enable day-to-day monitoring of operational performance and timely decision-making.⁴² Results-based management has gradually become more accepted as a tool for work planning and management at all levels—departments, units, and staff levels—and is reflected in the staff performance evaluation system.

51. While ADB has improved results management at the corporate level, OED's evaluation and Management's assessment suggest that managerial decisions within ADB are not yet routinely informed by relevant outcome results.⁴³ The proliferation of results-based reports has also created inefficiency and confusion. Based on the issues identified, ADB is consolidating its results framework and improving its implementation (Section III).

52. **Country Level.** In 2004, ADB introduced a results framework to improve the design and implementation of CPSs. All CPSs prepared since 2004 are developed using results indicators and targets at the country and sector levels. In 2006, ADB updated its business processes for CPSs and established a system to assess the quality at entry of CPSs in 2006 (para. 31). ADB has also introduced results-based country portfolio review processes. This enables ADB to assess portfolio performance towards specific development results and to link the findings to country programming and the next generation of CPSs.⁴⁴ ADB intends to accelerate the integration of MfDR at this level through further harmonization of good MfDR practices across departments, including resident missions. To monitor ADB's contribution to development outcomes in individual countries, ADB has initiated the preparation of country development effectiveness briefs (footnote 2). Through continued improvements, these briefs are expected to become a vital element of ADB's corporate performance management system. Mainstreaming MfDR at this level will require a shift in mindset among operations staff, including those in

⁴² The "Executive Dashboard" includes ten indicators covering project processing, portfolio management, and portfolio performance. Information is updated on a weekly basis. ADB plans to make the dashboard available to directors to support effective decision-making at division level.

⁴³ ADB. 2007. *Managing for Development Results in ADB: Semi-Annual Progress Report to Development Effectiveness Committee*. Manila (November); ADB. 2008. *Special Evaluation Study on Implementation of Managing for Development Results in the Asian Development Bank: A Preliminary Assessment*. Manila.

⁴⁴ In 2007, ADB conducted results-based country performance review missions in three DMCs (Bangladesh, Kyrgyz Republic, and Nepal).

resident missions. To promote this, ADB will disseminate MfDR practices and processes widely across the organization with active senior staff involvement.

53. **Project Level.** ADB introduced the concept of results-based project management in 1996 by incorporating a project framework into all project documents. The project framework has since evolved into the DMF, which is now the principal management tool for all ADB projects. As the main link between project design, implementation, and evaluation, the DMF forms the basis for ADB's project performance management system. Improving the quality of the DMF became the core element of ADB's project performance management system action plan, 2004–2006. Since 2004, ADB has trained more than 700 ADB staff members on DMF—including DMF for private sector operations—and more than 500 government officials and nongovernment organization representatives in DMCs. Since the introduction of results-based CPSs, ADB has emphasized the importance of the links between project-level outcomes and development outcomes in CPSs and its sector road maps. In 2006, ADB took a more systematic approach to tracking project quality by adopting quality-at-entry criteria (para. 33).

F. Summary

54. The assessment of past ADF operations confirms that ADB is improving its development effectiveness. Its achievements have been aided by institutional reforms introduced since 2004. By embracing numerous change initiatives, ADB has moved forward on the MfDR agenda adopted in 2004. However, several issues have emerged that require attention:

- (i) improvement in CPS and project quality by incorporating lessons identified in evaluation studies and quality-at-entry assessments (paras. 31 and 33);
- (ii) allocation of adequate resources to project performance management to sustain progress on project quality during implementation (paras. 34 and 53);
- (iii) improvement in stakeholder perceptions of ADB's work in poverty reduction through proactive communications and further improvements in operational effectiveness (para. 36);
- (iv) further strengthening of OED's effectiveness (para. 39);
- (v) effective mobilization of development knowledge by improving performance of advisory TA projects (para. 40);
- (vi) continued improvement in ADB's human resource management by taking into account the results of the 2008 staff engagement survey and the review of the human resource strategy (paras. 43–44); and
- (vii) implementation of the MfDR agenda across the institution by consolidating corporate-level results management systems, promoting an MfDR mindset among staff, and harmonizing country-level MfDR best practices in all operations departments, including resident missions (paras. 49–53).

55. Further improvement in the effectiveness of ADF operations will require judicious solutions to these issues. This is particularly important as ADB envisages a larger operational program under ADF X, which will be implemented beginning in 2009. To ensure this, Management has committed to consolidating ongoing reforms by taking further steps as

presented at the third ADF X meeting in Manila, Philippines (13–14 March 2008).⁴⁵ Clear corporate results and measurement are essential to using these reforms to achieve greater development effectiveness. How ADB intends to achieve this is explained in the following section (paras. 56–80).

III. RESULTS-BASED MANAGEMENT OF ADF X

56. Although ADB has improved its operational and institutional effectiveness, it needs to deliver more impact on the ground to help ADF countries accelerate poverty reduction. Consolidation of the results management system at ADB is vital to this process. This section discusses how ADB intends to achieve this goal and improve the management of its operations—including the ADF X program—for results.

A. Updating ADB's Results Framework

57. ADB is updating its corporate-level results framework. The proposed framework is closely harmonized with frameworks of the International Development Association (IDA) and the African Development Fund (AfDF). It also incorporates feedback received from donors at the third ADF X donors' meeting in Manila and in subsequent consultations. A technical note on ADB's results framework, available through the on-line discussion forum on ADB's Results Framework, provides its technical and methodological background to the framework discussed in this section.⁴⁶

58. The results framework is aligned with ADB's strategic priorities embodied in the new long-term strategic framework (LTSF) and will serve as the LTSF monitoring system. It is organized around four results areas: Asia and Pacific outcomes (level 1), ADB's contribution to country outcomes through key outputs (level 2), ADB's operational effectiveness (level 3), and ADB's organizational effectiveness (level 4). The baseline and target values presented here are specific to ADF operations unless otherwise indicated.

1. Level 1: Asia and Pacific Outcomes

59. Level 1 results areas correspond to ADB's long-term vision and development outcomes: inclusive growth, governance and capacity building, gender equality, better environment management, and regional cooperation and integration. These outcomes cannot be attributed to ADB operations alone. However, tracking them is important, as they indicate development progress to which ADB operations aim to contribute. Table 2 presents indicators, baselines, and targets for level 1 results areas.

60. Indicators consist of a first group of selected MDG indicators ("poverty and human development indicators"), and a second group covering GDP, trade, infrastructure, business environment, governance and capacity, and environment ("other outcome indicators").

61. One of the key challenges relating to level 1 measurement is the availability of reliable data. To meet this challenge, ADB will continue to support statistical capacity development in its DMCs. ADB will respond to such capacity building needs through country operations business

⁴⁵ For a detailed discussion on ADB's reform initiatives, see: ADB. 2008. ADB's Reform Agenda. Discussion paper presented at the third ADF X donors' meeting, Manila, Philippines, 13–14 March 2008; and ADB. 2007. Progress on the Reform Agenda. Discussion paper presented at the second ADF X donors' meeting, Vientiane, Lao PDR, 26–27 November 2007.

⁴⁶ The first technical note was made available to donors online on 18 March 2008.

planning, and will aim to help mobilize long-term funding for it in conjunction with other development partners.⁴⁷

Table 2: Asia and Pacific Outcomes (Level 1)^a

Indicators	Baseline Year	Baseline Value	2015 Target
Poverty and Human Development Indicators:			
• Population living below \$1 a day (%)	2005	15.50	15.25
• Primary education completion rate (%)	2005	80.43	100.00
• Ratios of girls to boys in			
– Primary education	2005	0.90	1.00
– Secondary education	2005	0.91	1.00
– Tertiary education	2005	0.71	1.00
• Women in wage employment in the non-agricultural sector (%)	2005	28.14	Increase
• Under-5 child mortality (per 1,000 live births)	2005	77.56	38.75
• Women (aged 15 and above) living with HIV (number, million)	2005	0.24	Halt/reverse
• Population with sustainable access to an improved water source (%)			
– Urban	2005	88.58	94.93
– Rural	2005	73.43	82.24
• Population with access to improved sanitation (%)			
– Urban	2005	76.12	83.96
– Rural	2005	42.46	63.19
	Baseline Year	Baseline Value	
Other Outcome Indicators:			
• Gross domestic product per capita (\$)	2006	682.2	
• Intra-regional trade in Asia-Pacific's total trade (%)	2005	62.9	
• Fixed lines and mobile telephone subscribers (per 1,000 inhabitants)	2006	173	
• Access of rural population to an all-season road (%)	2003	70.4	
• Household electrification rate (%)	2003	69.7	
• Cost to start business (% gross national income per capita)	2006	46.5	
• Time to start business (days)	2006	45	
• Governance and public sector management assessment from country performance assessments	2006	3.27	
• Carbon dioxide emissions (metric tons per capita)	2005	1.13	

^a Baseline and target values are for Asian Development Fund countries only.

Source: For "poverty and human development indicators": Asian Development Bank (ADB), United Nations Development Programme, and United Nations Economic and Social Commission for Asia and the Pacific estimates based on data made available for *The Millennium Development Goals: Progress in Asia and the Pacific 2007*. For "other outcome indicators": ADB staff estimates based on Asia Regional Integration Center database; World Bank, World Development Indicators database; United Nations database on MDG Indicators

2. Level 2: ADB's Contribution to Country Outcomes: Key Outputs

62. Monitoring of level 2 results—aggregated key sector outputs—is a new element for ADB's results monitoring. Incorporating ADB's sector priorities, output indicators cover transportation, energy, water, finance sector development, and education.⁴⁸ Most of these

⁴⁷ In 2006 ADB launched the Fund for Asia-Pacific Statistical Capacity Building, which will complement other financial support for statistical capacity building, such as the multidonor Trust Fund for Statistical Capacity Building.

⁴⁸ IDA's tier 2 comprises selected outputs in four sectors: health, education, water supply and sanitation, and transportation. Health sector outputs are not included in the ADB framework, while energy and finance are included in the ADB framework, but not in IDA's. In the three sectors common to the IDA and ADB systems (education, water supply and sanitation, and transportation), most indicators are similar.

outputs are disaggregated by rural, urban, and regional categories to enable monitoring of operational emphasis on rural-urban equity (inclusiveness) and regional cooperation. By linking physical outputs to the number of direct beneficiaries, level 2 indicators provide a first measure of impact of ADF operations. The link between level 2 outputs and level 1 country outcomes has been exemplified in paras. 7–28.

Table 3: Contribution to Country Outcomes: Key Outputs (Level 2)

Indicators	Cumulative Outputs 2004–2007	Expected Cumulative Outputs 2009–2012
Transport		
• Expressways built or upgraded (km)	463	490
• National, provincial, district, and rural roads built or upgraded (km)	12,904	29,970
• Railways constructed or upgraded (km)	128	103
• Number of beneficiaries from road projects	7,449,500	13,460,300
Energy		
• Installed energy generation capacity (megawatts)	11	4
• Transmission lines installed or upgraded (km)	330	1,288
• Distribution lines installed or upgraded (km)	15,090	3,176
• New households connected to electricity (number)	675,000	167,700
Water		
• Water supply pipes installed or upgraded/length of network (km)	1,153	2,570
• New households connected to water supply	700,400	1,366,800
• Wastewater treated (volume, m ³)	5,700	152,600
• Households served with new sanitation connections (number)	679,790	877,350
• Land irrigated or improved through drainage, floods, and irrigation works (hectares)	748,134	398,580
Education (at all levels)		
• Classrooms built or upgraded (number)	22,000	48,000
• Teachers trained (number)	325,000	552,000
• Textbooks purchased (number)	131,000,000	860,000,000
• Students benefiting from above-mentioned improvements or receiving direct support through scholarships, feeding, or similar programs (number)	11,810,000	19,000,000
Finance		
• Microfinance loan accounts opened (number)	192,600	636,870
• Small and medium-sized enterprises loan accounts opened (number)	14,000	38,000

m³ = cubic meters; km = kilometer

Source: ADB staff estimates

63. Table 3 presents data at this level. Baselines have been estimated using PCRs in 2004–2007. Projections for 2009–2012 are based on reports and recommendations of the President—project appraisal documents—approved by the ADB Board in 2003–2006.⁴⁹ In most cases, ADB is expected to deliver a higher level of outputs during the 2009–2012 period than the level achieved during the 2003–2006 period. This corresponds to a gradual increase in the allocation of ADF resources over these periods. However, the opposite is observed in some cases, such as outputs relating to railways, power distribution and connection, and irrigation.

⁴⁹ This assumes an average project implementation period of 5 years.

This is primarily because these types of projects have been increasingly financed through OCR, rather than ADF, in blend countries.

64. The final output levels for the 2009–2012 period would depend on the actual implementation progress, and will almost certainly vary from projections that can be made ex-ante. Nonetheless, projections provide a useful benchmark for future monitoring. This is unique to ADB's results framework. Though IDA provides data on sector outputs, neither IDA nor AfDF includes output projections in their frameworks.⁵⁰

Box: Projecting ADF X Program Outputs

A larger Asian Development Fund (ADF) X program would enable ADF to expand its impact through a much higher level of operational outputs. Projecting the exact level of outputs from future ADF X operations—with expected delivery in 2013–2017—is a challenge. Country allocations will be determined by the performance-based allocation system based on country performance. Detailed sector allocations would be prioritized with governments through the country partnership strategy and business planning processes. Project design will be based on feasibility analysis and consultations. With these uncertainties firmly in mind, the existing project pipelines for 2009–2012 (totaling about \$11 billion) gives some indication as to the possible scale of ADF X operations and their outputs. For an illustrative purpose only, projected levels of selected ADF X operational outputs are shown in the table below.

Table: Projected Selected ADF X Outputs

Indicators	Projected ADF X Outputs
Transport	
• Roads and expressways built or upgraded (km)	23,800
• Railways constructed or upgraded (km)	300
• Number of beneficiaries from road projects	16,280,000
Energy	
• Installed energy generation capacity (megawatts)	300
• Transmission lines installed or upgraded (km)	2,800
• Distribution lines installed or upgraded (km)	53,000
• New households connected to electricity (number)	710,000
Water	
• Water supply pipes installed or upgraded/length of network (km)	11,900
• New households connected to water supply	2,572,000
• Wastewater treated (volume, m ³)	1,630,000
• Households served with new sanitation connections (number)	2,860,000
• Land irrigated or improved through drainage, flood control, and irrigation works (hectares)	1,354,000
Education (at all levels)	
• Classrooms built or upgraded (number)	81,200
• Teachers trained (number)	934,000
• Students benefiting from above-mentioned improvements or receiving direct support through scholarships, feeding, or similar programs (number)	24,120,000
Finance	
• Microfinance loan accounts opened (number)	
• Small and medium-sized enterprises loan accounts opened (number)	240,548

Source: ADB staff estimates

⁵⁰ AfDF 11 framework does not include sector output indicators.

65. Results measurement at level 2 will help ADB demonstrate better how its assistance is contributing to development outcomes (level 1).⁵¹ However, there are limitations. First, ADB operations are country based. Therefore, by linking aggregated sector outputs (level 2) to the region's outcomes (level 1), the framework might neglect important results information emerging at the country level. To solve this problem, ADB now prepares country development effectiveness briefs. For the briefs to play a meaningful role, ADB will continue to improve their quality, including clearer links between the briefs and ADB's results framework. ADB will also develop a more systematic approach to updating information and evaluating performance reported in the briefs. ADB will also continue to illustrate level 2 contributions to level 1 outcomes through specific project examples in a new corporate-level performance report, the *Development Effectiveness Review* (para. 78). In addition, ADB will continue to measure its overall contribution to priority country outcomes through CPS evaluations—an indicator included in the results framework at level 3.

66. Further, these indicators alone do not fully capture ADB outputs contributing to sector policy reforms that produce generalized benefits and overall efficiency improvements, including in service delivery; and non-sector-specific priorities, such as environmental management (including climate change), gender equality, and governance and capacity development. This is primarily because of the difficulty in identifying measurable output indicators for these development outcomes and collecting reliable baseline information. Other multilateral banks are facing a similar issue. ADB will work with other multilateral development banks and experts to identify ways to measure appropriate outputs. In the meantime, ADB will assess its contribution to these outcomes, where possible, by tracking the resource levels allocated to each of the themes through the work program and budget framework exercise.

3. ADB's Operational Effectiveness (Level 3)

67. The assessment of ADB's operational effectiveness continues to focus on four areas: (i) operational quality and portfolio performance, (ii) finance mobilization, (iii) knowledge development and management, and (iv) partnerships. While covering the same results areas as before, the new framework uses a more streamlined set of indicators. These, together with baselines and targets, are shown in Table 4. As discussed in Section II, ADB's operational effectiveness has been improving. Using the latest available values as baselines, the framework commits ADB to a higher standard of performance for the future.

68. **Operational Quality and Portfolio Performance.** This category comprises a standard set of measures similar to those applied by IDA and AfDF.⁵² Project quality is monitored at entry, during implementation, and at completion; the quality of CPSs is monitored at entry and completion.⁵³ To ensure the reliability of data, ADB will continue to improve its monitoring tools, including quality-at-entry systems established in 2006. The results of the partnership survey, undertaken for the first time in 2006 and to be conducted every 3 years, will be used to track clients' and other partners' perceptions of ADB effectiveness.

69. **Finance Mobilization.** This category emphasizes performance in terms of volume of aid delivered through disbursements and cofinancing mobilized annually. ADB has made progress in these areas (paras. 37–38). It will sustain progress through continued emphasis on project

⁵¹ Caution is required in interpreting figures of aggregated outputs (Appendix 2, note 2).

⁵² It corresponds to IDA's tier 2 indicators of quality at entry and at exit for project and country assistance.

⁵³ The first quality-at-entry assessment of CPSs and projects was undertaken as a pilot exercise in 2006; this process will be institutionalized as a regular exercise in ADB.

implementation and portfolio management, and cofinancing operations in line with the 2006 financing partnership strategy.

70. **Knowledge Management.** Ratings at completion of TA projects and the annual independent MAKE survey on learning within the organization (footnote 34) are used to assess knowledge management. The new TA reform initiative, which will be introduced in 2008, is expected to result in more effective and efficient management of the TA program (footnote 37).

71. **Partnership Development.** This category measures the extent to which ADB collaborates with civil society organizations and other development partners. Two indicators of this category are directly linked with indicators 9 ("use of common arrangements or procedures") and 10 ("shared analysis") of the Paris Declaration on Aid Effectiveness on harmonization.

72. Many of these indicators mirror those of the results framework used for ADB's reform agenda. Therefore, continued emphasis on relevant reform initiatives is expected to result in further improvements in level 3 indicators.

Table 4: Operational Effectiveness (Level 3)

Indicators	Baseline Year	Baseline Value	Target 2012
Operational Quality and Portfolio Performance			
• Evaluation ratings of results-based CPS (% successful)	—	—	70
• Average annual combined ratings of PPERs and PCRs (% successful)	2004–2006 average	75.7	80
• Quality-at-entry rating of CPS (% satisfactory)	2006	33 ^a	At least 80
• Quality-at-entry rating of projects (% satisfactory)	2006	76	85
• Portfolio performance ratings at implementation (% satisfactory)	2004–2006 average	90.1	at least 90
• Partnership survey results: perception of ADB effectiveness regarding reducing poverty (% with excellent and good perception of ADB)	2006	45 ^a	at least 60
Finance Mobilization			
• Annual level of disbursements (\$ billion)	2006	1.3	2.0
• Overall disbursement ratio for public sector loans (%)	2006	19.0	20
• Proportion of direct value-added cofinancing mobilized in loans approved annually (%)	2004–2006 average	15.6	20
Knowledge Development			
• Ratings of technical assistance completion reports (% successful)	2004–2006 average	72.3	80
• Annual MAKE survey assessment rating	2006	54.4 ^a	At least 60
Partnerships			
• Proportion of projects with NGO and/or CSO participation (%)	2006	80	At least 80
• New program-based approaches approved (number)	2006	4	8
• Proportion of CPS and CPR missions conducted jointly (with at least one other development partner) annually (%)	2006	40	60

ADB = Asian Development Bank; CPR = country portfolio review; CPS = country partnership strategy; CSO = civil society organization; MAKE = most admired knowledge enterprise; NGO = nongovernment organization; PCR = project completion report; PPER = project performance evaluation report

^a common for ADB and Asian Development Fund

Source: ADB staff estimates

4. ADB's Organizational Effectiveness (Level 4)

73. Level 4 indicators aim to capture progress on internal reforms (footnote 45). Table 5 shows indicators, baselines, and targets of the level 4 results area. Unlike the other levels, most level 4 indicators relate to ADB-wide operations (covering OCR and ADF). Direction and target setting for level 4 indicators must reflect changes in ADB's business models. As a consequence, this framework level is more fluid and subject to periodic reviews. Target values presented here assume that ADB continues to operate within the resource envelope indicated in the 2008–2010 work program and budget framework.⁵⁴ Changes in this assumption might result in adjustments to these values.

Table 5: Organizational Effectiveness (Level 4)

Indicators	Baseline Year	Baseline Value	2012 Target
Use of Human Resources			
• Proportion of budgeted professional staff and national officers in operations departments (%)	2004–2006 average	52 ^a	56
• Proportion of budgeted professional staff and national officers in resident missions (%)	2004–2006 average	21 ^a	23
• Representation of women professional staff in total (%)	2007	29 ^a	35 ^b
• Staff engagement survey results (index)	2008	TBD ^a	TBD
Use of Budgetary Resources			
• Internal administrative expenses per \$1 million of public and private sector project approval (\$'000 in 2000 constant prices)	2004–2006 average	43.4 ^a	Maintain ^b
• Internal administrative expenses per loan project approved (\$ million in 2000 constant prices)	2004–2006 average	2.8 ^a	Maintain ^b
• Internal administrative expenses per \$1 million loan disbursement (\$'000 in 2000 constant prices)	2004–2006 average	61.2 ^a	Maintain ^b
• Internal administrative expenses per project under implementation (\$'000 in 2000 constant prices)	2004–2006 average	427 ^a	Maintain or Increase ^b
Business Processes and Practices			
• Average time from loan approval to first disbursement (sovereign operations) (months)	2006	13.3	11.5
• Average loan (sovereign operations) processing time (months from fact-finding to loan approval)	2006	23.6	20
• Proportion of loans and grants administered by field offices (%)	2006	38.4 ^a	43

^a common for Asian Development Bank and Asian Development Fund

^b based on a set of assumptions: (i) total annual loan approval at the similar level as 2007 across the long-term strategic framework (LTSF) implementation period; (ii) total annual disbursement steadily increasing from 2007 over the LTSF period; and (iii) ADB's internal administrative expenses with a modest annual increase.

Source: ADB staff estimates

74. **Use of Human Resources.** This category combines measures of staff distribution and overall staff satisfaction, assessed through the periodic staff engagement survey. Staff distribution reflects ongoing efforts to strengthen operations departments, including resident missions, and to improve gender balance. The baseline for staff engagement will soon become available based on the 2008 survey results. Consolidation of human resources reforms is essential to continuing improvements in performance at this level. ADB will reinforce the implementation of new human resources initiatives introduced under the 2004 human resources strategy. ADB has begun implementing the GAP III for 2008–2010 to promote gender equality.

⁵⁴ ADB. 2007. *Work Program and Budget Framework. 2008–2010*. Manila

Using the results of the staff engagement survey as one of the inputs, ADB will conduct a comprehensive review of its human resources strategy in 2008. The review will assess progress, identify issues, and define future actions on human resources management.

75. **Use of Budgetary Resources.** This category comprises standard measures of budgetary efficiency, comparing internal administrative expenses with annual approvals and disbursements. Considering the already high level of efficiency, ADB will aim to maintain the same level by ensuring an adequate balance between efficiency and quality of ADB operations.

76. **Business Processes and Practices.** This category reflects ADB's commitment to improving responsiveness. ADB will continue to streamline project preparation and procurement processes, and will start a review of its business processes in general to improve responsiveness.

77. Consolidation of ongoing institutional reforms in ADB is essential. Specific actions toward this were presented to donors during the third ADF X meeting in Manila on 13–14 March 2008 (footnote 45). These actions will be integrated into an implementation plan for ADF X to ensure its effective delivery.

B. Reinforcing Results Reporting and Management

78. ADB will prepare each year a consolidated, corporate-level performance report—the *Development Effectiveness Review*—based on the updated results framework. This report will provide unified performance reporting on ADB, consolidating the existing annual poverty reduction report, progress report on the reform agenda, and semiannual progress report on the MfDR action plan. Information on ADF operations will be presented separately, wherever feasible, along with ADB-wide information to enable annual monitoring of ADF operations. The 2007 *Development Effectiveness Review* will be completed by the third quarter of 2008; subsequent reviews will be developed by the second quarter of each year. The 2009 *review* will be prepared in time for the ADF X midterm review, which is envisaged to be conducted in the latter part of 2010.

79. The *Development Effectiveness Review* will be a vital instrument to inform Management about progress and identify areas needing further actions. These actions will be decided through Management Committee discussions. The report will be an important input to formulating the 3-year rolling work program and budget framework. The *Development Effectiveness Review* will be circulated to ADB's Board of Directors for discussion and also made available to the public. ADB will continue to improve the quality and system of country development effectiveness briefs to ensure that they become a meaningful results management tool at the country level.

80. Management is committed to managing ADB to achieve development results that lift more people out of poverty, especially in ADB's poorest member countries. Management will ensure that all of ADB's work is aligned with the priority areas indicated in the results framework, and that necessary organizational changes are managed effectively. Updated indicators will be incorporated into the "Executive Dashboard" being used by Management and senior staff (para. 50). Many of the performance indicators—particularly at levels 3 and 4—will be reflected in the agenda for Management's quarterly operations review meetings. Under Management's leadership, department and office heads will be accountable for managing work planning, implementation, and evaluations in their respective departments, offices, and divisions based on the results framework. Management will increase the visibility of the improved results

measurement system and drive behavioral changes across the organization through proactive internal and external communications.

IV. ISSUE FOR DONOR GUIDANCE

81. Improving ADB's results management system is essential to ensuring effective implementation of the ADF X program. It is proposed that an agreed-upon results framework—with ADF-specific baseline and targets—will be included in the final ADF X Donors Report to be adopted by ADB's Board of Directors and incorporated as part of the Board's Report to the Board of Governors.