



**ASIAN DEVELOPMENT FUND (ADF)
ADF X DONORS' MEETING**
13–14 March 2008 Manila, Philippines

Development Effectiveness of ADF and ADB's Results Framework

Asian Development Bank

February 2008

CURRENCY EQUIVALENTS

Currency Unit	–	special drawing right (SDR)
ADF IX (2005–2008)		
SDR1.00	=	\$1.465278
\$1.00	=	SDR0.682464
ADF X (2009–2012)		
SDR1.00	=	\$1.575815
\$1.00	=	SDR0.634592

Exchange rates for ADF VIII and ADF IX are from the Board of Governors' resolutions. Exchange rate for ADF X is the average of the International Monetary Fund average daily exchange rate between 1 October 2007 and 31 January 2008.

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
DMC	–	developing member country
IDA	–	International Development Association
km	–	kilometer
LTSF	–	long-term strategic framework
MDG	–	Millennium Development Goal
SDR	–	special drawing right

NOTE

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

CONTENTS

	Page
EXECUTIVE SUMMARY	
I. INTRODUCTION	1
II. ADF CONTRIBUTION TO DEVELOPMENT OUTCOMES	1
A. Contribution to Growth and Poverty Reduction (MDG 1)	2
B. Contribution to Improved Human Development and Gender Outcomes (MDGs 2–6)	4
C. Contribution to Environmental Sustainability (MDG 7)	5
D. Contribution to Improved Governance	7
E. Contribution through Regional Cooperation Projects	7
III. MONITORING AND REPORTING	9
A. The Results Framework	9
B. Reporting Progress	11
IV. CONCLUSION	11
APPENDIXES	
1. The Results Framework of the Asian Development Bank	12
2. Logic and Summary of the Results Framework	15

EXECUTIVE SUMMARY

At the November 2007 meeting of the Asian Development Fund (ADF) in Vientiane, Lao People's Democratic Republic, donors asked the Asian Development Bank (ADB) to (i) elaborate on the development outcomes of the ADF X program, and (ii) clarify how ADB proposes to monitor and report progress in meeting these outcomes.

This paper discusses the key outputs achieved during ADF VIII and IX periods, and expected outputs for the ADF X program. It illustrates their contribution to economic growth, achievement of the Millennium Development Goals, and improved governance. ADF operations have emphasized improvements in transport, energy, rural infrastructure, education, health, and water supply and sanitation. The paper identifies key sector outputs produced through ADF operations. It uses illustrations from project completion reports to show how they have helped achieve income growth and poverty reduction, improve education and health standards, increase access to water and sanitation, promote environmental protection, and improve governance standards for better delivery of public services. Sector outputs from the ADF X program are expected to be significantly higher, thereby increasing the contribution of ADF operations to country outcomes.

A unified results framework is being developed by ADB. The framework will be used as the sole basis for assessing ADB's effectiveness, both in implementing its core objectives under the long-term strategic framework, now being finalized; and in assessing effectiveness of ADF operations. A new report, the annual *Development Effectiveness Review*, will report progress using this results framework. The results framework, which has been largely harmonized with those of the International Development Association and African Development Fund, will assess results at four levels: (i) progress made on outcomes by the Asia and Pacific region as a whole; (ii) ADB's contributions to those outcomes through its key sector outputs; (iii) ADB's operational effectiveness in operations and portfolio performance, finance mobilization, knowledge development and management, and partnerships; and (iv) ADB's organizational effectiveness in terms of use of human and budgetary resources, and business processes and practices. The results framework is work in progress and subject to further refinement.

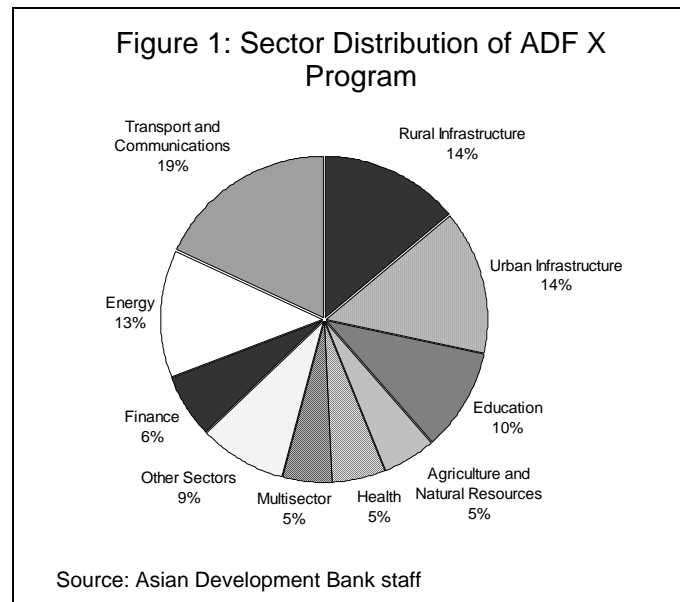
ADB seeks donors' agreement that the development effectiveness of ADF X will be monitored and assessed using the proposed results framework of ADB and reported through the annual *Development Effectiveness Reviews*.

I. INTRODUCTION

1. At the November 2007 meeting of the Asian Development Fund (ADF) in Vientiane, Lao People's Democratic Republic, donors asked the Asian Development Bank (ADB) to (i) elaborate on the development outcomes of the ADF X program, and (ii) clarify how ADB proposes to monitor and report progress in meeting these outcomes. This paper addresses these requests.

II. ADF CONTRIBUTION TO DEVELOPMENT OUTCOMES

2. ADB envisages increasing its operations during ADF X as indicated by the projected allocation of SDR7.4 billion (about \$11.6 billion) in concessional resources, compared to SDR4.8 billion (about \$7.0 billion) in ADF IX.¹ This increase will enable ADB to make an important contribution to filling the large gap in resources² needed to achieve higher growth and the Millennium Development Goals (MDGs) and deliver higher levels of operational outputs in ADF countries. In line with its proposed new long-term strategic framework for 2008–2020 (LTSF),³ ADB will mainly contribute to these development outcomes through its outputs of priority sector operations, namely infrastructure, education, and finance. The planned sector outlay of ADF X program is shown in Figure 1.



3. As sector outputs provide good evidence of the extent of ADB's contribution to country and regional outcomes, ADB has over the past year begun collecting this information.⁴ A discussion of key outputs from ADF projects completed during ADF VIII and IX periods, and proposed outputs during ADF X follows, along with an explanation of their likely contributions to outcomes.

¹ The level of ADF X operations referred here is based on the demand-based ADF X replenishment discussed in the paper "ADF X Replenishment Financing Framework" circulated for the third donors' meeting in Manila, the Philippines. The level of ADF IX and X operations referred here includes a small proportion of ADF replenishments allocated for the technical assistance special fund.

² The forthcoming report "A Future Within Reach: Harnessing Regional Partnership for the MDGs" being jointly prepared by ADB, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and United Nations Development Programme (UNDP) has made preliminary estimates that the total additional resource requirements for achieving the MDGs in just the 14 least developed countries in the region (of which 13 are ADF recipient countries) amount to about \$8 billion annually.

³ ADB. *The Long-Term Strategic Framework of the Asian Development Bank (2008–2020)*. Manila. The Board discussed this working paper on 5 February 2008.

⁴ This also responds to recommendations by the Operations Evaluation Department that ADB measures systematically key project outputs as a robust results management system.

A. Contribution to Growth and Poverty Reduction (MDG 1)

4. Despite good progress, poverty remains the main challenge in ADF countries. More than 100 million of their residents (about 15% of the population) still live in extreme poverty (less than \$1 a day). Infrastructure projects have had an important role in supporting poverty reduction efforts. Operations in transport, energy, and rural infrastructure have traditionally been important in the ADF portfolio and will continue during ADF X. They have contributed by supporting crucial infrastructure to foster growth, including in poorer rural areas; and in many instances, contributed directly or indirectly to poverty reduction.⁵ Infrastructure investments contribute to poverty reduction by increasing aggregate demand and employment; as well as helping remove major infrastructure bottlenecks that constrain growth. Apart from investment support, ADF projects help bring about policy changes, develop capacity, and transfer knowledge.

5. **Contribution of Transport Infrastructure Projects.** ADF countries lack access to transport services; for example, 31% of their rural population has no access to an all-season road.⁶ ADF support for investments in infrastructure has contributed to reducing this gap. In the ADF VIII and IX periods, more than 2,900 kilometers (km) and 11,600 km, respectively, of roads were constructed and/or rehabilitated.

6. During ADF X, support for expanding transport infrastructure in ADF countries will remain an important priority, with road construction envisaged for more than 8,800 km of mainly provincial and local roads. Construction of more than 100 km of railways is also planned. These investments are an important part of the national transport development plans aimed at increasing the citizens' access to transport services.⁷ As in the past, transport projects supported by ADF X resources are expected to contribute to poverty reduction by lowering prices of essential commodities and inputs for farmers due to improved availability of goods and lower transportation costs, increasing mobility of the poor enabling them to find higher paying work, and encouraging production of higher value cash crops by enhancing access to markets. Improved transport infrastructure also facilitates access to education, health, and other social services. Results from a completed ADF rural infrastructure project in Cambodia with a major rural roads component (Box 1) illustrate how such projects can improve the well-being of poor communities. Transport projects will also support policy changes such as improving maintenance, creating competitive environments for transport provision and private sector participation, and strengthening capacity of transport agencies.

7. **Contribution of Energy Projects.** Access to electrification remains a major unfulfilled need in large parts of developing Asia; 36% of the Asia and Pacific population has no electricity connection. ADF operations have attempted to fill this gap. More than 700 megawatts of power production capacity was added during ADF VIII period and 450 megawatts during ADF IX period; more than 17,000 km of transmission and distribution lines were constructed during ADF VIII period and 9,800 km during ADF IX period, and over 470,000 new power connections were provided during ADF VIII period and 340,000 during ADF IX period.

⁵ ADB, Japan Bank for International Cooperation, World Bank. 2005. *Connecting East Asia: A New Framework for Infrastructure*. Manila; ADB. 2006; Hettige.H. 2006. *When Do Rural Roads Benefit the Poor and How?* ADB, Operations Evaluation Department. Manila; and Chatterjee, S., T. Duncan, C. Narayanasuwami, 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. 2007. *Effectiveness of Asian Development Fund Operations*. Manila (September).

⁷ For example, the new MDG-Based Comprehensive National Development Strategy of Mongolia strongly emphasizes road development, and ADF X operations will support this through two road projects.

8. As with other types of infrastructure, strong support for investments in the energy sector will continue under ADF X, although the focus will shift to transmission and distribution (including rural electrification) rather than adding to power generation capacity. An additional 268,000 households will be provided with new electricity connections from ADF X's investment projects alone. Budgetary support through program loans will also be provided for transmission and distribution,⁸ which apart from supporting government investments leading to additional outputs, will also assist much-needed policy reform in the energy sector. Investments in energy are necessary to support growth; in most Asian countries, for example, an increase in economic growth is associated with a larger increase in electricity consumption.⁹ In the ADF X program energy projects are expected to contribute to growth and poverty reduction by fueling economic activity in large and small enterprises, allowing small rural entrepreneurs to engage in the processing of agricultural products, providing longer working hours resulting in higher incomes, helping disseminate information on crops and farming methods via radio and television, and increasing study time in the evening for children. A recently completed project in Bhutan illustrates some of these benefits (Box 1).

Box 1: Contribution of Infrastructure Projects to Growth and Poverty Reduction

Roads. The Cambodia Rural Infrastructure Improvement Project, completed in 2003, rehabilitated 1,172 kilometers of rural roads, bridges, and crossing structures along these roads. Direct benefits from linking poorly served rural areas to market towns and/or primary road networks include reducing vehicle operating costs by 25%–30%, passenger/freight charges by 38%, and travel time by 57%. The volume of goods transported was doubled. Commercial activities blossomed along roadsides. Around 3.2 million workdays of temporary employment were generated for road rehabilitation; and about 270,000 more permanent workdays for routine/periodic maintenance. Direct wage payments totaling \$4.2 million were made for the project. Rural income increases were higher through the multiplier effect. Roadside shops experienced a 14% increase in turnover. The project also improved the mobility and employment opportunities of the rural poor in farming and non-farming activities. About half of the households had higher household incomes after road construction, because transporting their products to markets was easier and they had more time to do other jobs.

Electrification. The Sustainable Rural Electrification Project in Bhutan, completed in 2006, provided access to electricity to more than 8,000 new rural consumers and supplied 100 solar panel units, which were installed in schools, monasteries, health clinics, and other community facilities to provide lighting. A sample survey of beneficiary impact found that apart from benefits from lighting, the project contributed to reducing the consumption of fuelwood by about 80% and to replacing kerosene lamps with electric lamps, thus contributing to improved air quality in homes. It also led to use of electrical appliances such as televisions, which provided better access to information.

Irrigation. The Rajapur Irrigation Project in Nepal supported six farmer-managed irrigation systems with a total area of about 15,800 hectares in the midwestern terai region of Nepal providing livelihood predominantly (about 75%) to small or marginal farmers. It constructed more than 32 kilometers of irrigation and flood control works. The average household income of small farmers is estimated to have increased from NRs18,500 to about NRs34,500 (i.e., by more than 75%) as a result of the project.

Source: Asian Development Bank (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.

⁸ Around 30% of ADF financing in transmission and distribution will be used to fund the program component of sector development programs.

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

9. **Contribution of Rural Infrastructure Projects.** ADF-supported investments in rural infrastructure have helped increase agricultural growth and employment, provided increased incomes to the rural poor, and helped reduce income poverty. They provided irrigation and land improvement, including drainage and flood control, for more than 1.0 million hectares during ADF VIII period and 0.6 million hectares during ADF IX period.

10. These efforts will be increased during ADF X. The cultivated area irrigated or improved through planned ADF X projects will be significantly increased to 2.2 million hectares, thereby benefiting a much larger number of poor households. Their expected contribution to raising the incomes of poor farmers and reducing poverty can be gauged through the results achieved by an irrigation project in Nepal completed in 2001 (Box 1). As in the case of other infrastructure projects, those supporting rural infrastructure will provide assistance for improving the policy and institutional environment, such as strengthening water users associations in the case of irrigation projects.

B. Contribution to Improved Human Development and Gender Outcomes (MDGs 2–6)

11. **Contributions to Education Outcomes.** A third of ADF countries are at risk of not meeting the goal of universal primary education by 2015. Many countries are also unlikely to meet the MDG targets on gender parity in primary and tertiary education. In addition to access, it is necessary to improve quality to ensure higher completion rates, lower student to teacher ratios and superior curriculum. Support for education, both for improving access and quality with emphasis on gender equality, has therefore been an important priority in ADF operations; this will continue. Construction or improvements were made to over 6,400 school facilities during ADF VIII period and 31,500 during ADF IX period; training was provided to over 445,000 teachers and other staff during ADF VIII period and 463,000 during ADF IX period; about 2.5 million books and other instructional material and school equipment were distributed during ADF VIII period and 160 million during ADF IX period.

12. The ADF X program proposes to construct or upgrade more than 52,000 school buildings and train about 330,000 teachers. Aware of the new needs of its DMCs, ADF will also support vocational education and skills development. As in the past, support for education during ADF X is expected to help ADF countries achieve their education targets, with continued emphasis on gender equality in education. A typical example of an ADF education project that improved access and the quality of girls' education in Pakistan is provided in Box 2. Education projects during ADF X will support training and capacity development of teaching and managerial staff, and institutional improvements for better delivery of education.

13. **Contributions to Health Outcomes.** ADF countries as a whole are unlikely, given current trends, to achieve the MDG health targets except for reversing incidence and deaths from tuberculosis. Slow progress on targets related to infant, child and maternal health suggests the need to reinforce gender focus in delivering development assistance. ADF operations have supported ADF countries to improve health outcomes through investments in primary health care and access to better quality water and improved sanitation, which contribute more directly to improving health outcomes, as well as through improvements in infrastructure, which contribute indirectly.¹⁰ As far as health sector projects alone are concerned, around 4,000 health facilities were constructed or improved during ADF VIII period and 2,700 during ADF IX period,

¹⁰ Roads enable better access to health facilities and electrification enables better quality and longer operation of such facilities.

and more than 40,000 health staff were trained during ADF VIII period and 32,000 during ADF IX period.

14. In conformity with the approach of ADB's medium-term strategy II (2006–2008)¹¹ and the proposed new LTSF to increase selectivity of operations, health sector interventions will be deemphasized in ADB's overall portfolio and be carried out only selectively. ADB will continue to strive to improve health outcomes in ADF countries primarily through interventions such as infrastructure improvements and provision of increased access to water and sanitation. Past projects have indicated significant contributions to health outcomes from the latter (Box 2). Apart from supporting such interventions (paras. 5–10, 15 and 16), the ADF X program also proposes constructing or improving nearly 17,000 health facilities; and supporting the training of more than 33,500 health personnel. ADF operations will also continue providing support for control of communicable diseases, including control of HIV/AIDS as an important component of its regional cooperation strategy (para. 19). Improving gender equality and the empowerment of women remain a key theme under those interventions contributing to health outcomes. Capacity, policy, and institutional support will also be provided.

Box 2: Contribution of Asian Development Fund Projects to Human Development

Education. The Second Girls' Primary School Sector Project in Pakistan established more than 1,000 community model schools for girls, benefiting over 39,000 girl students with an average teacher to student ratio of 1:38, better than targeted (1:40). Improved education standards were achieved in these schools through better curriculum, supply of improved instructional materials, and training of teachers. The project thus contributed to the Millennium Development Goals of achieving universal primary education and gender equality in education.

Health. The Fourth Rural Water Supply and Sanitation Project in Nepal provided safe water to about 40 districts in the Far Western, Mid-Western, and Eastern development regions of Nepal. The project financed approximately 1,500 simple, gravity-fed water supply systems and 900 low-cost latrines. It also supported community education campaigns on hygiene and sanitation. More than 670,000 people living in poor, remote areas of Nepal benefited from the project. With improved water quality and accessibility, water consumption increased from an average of 15–20 liters per capita per day to 40–50. This allowed for better hygiene practices, which in turn led to lower incidence of waterborne disease (diarrhea, typhoid, and cholera), eye infections, and skin diseases. For example, incidence of diarrhea decreased by 75% in the project areas.

Source: Asian Development Bank (ADB). 2005. *Project Completion Report on the Second Girls Primary School Sector Project in Pakistan*. Manila; ADB. 2004. *Project Completion Report on the Fourth Rural Water Supply and Sanitation Sector Project in Nepal*. Manila

C. Contribution to Environmental Sustainability (MDG 7)

15. **Support for Improving Access to Water and Sanitation.** More than 650 million people in the Asia and Pacific region remain without safe drinking water; and almost 2 billion without improved sanitation. A significant proportion of these live in ADF countries and addressing this problem has been an important focus of ADF operations. More than 47,000 new household water connections were provided through ADF operations during ADF VIII period and 160,000 during ADF IX period. About 800 km of pipes were constructed or repaired during ADF VIII and 900 km during ADF IX period. In addition, over 8,800 km of drainage and sewage systems were constructed during ADF VIII period and 1,500 during ADF IX period; and around 30,000 other schemes, such as the construction of landfills and reservoirs and provision of aquifers and tube

¹¹ ADB. 2006. *Medium-Term Strategy II (2006–2008)*. Manila.

wells, toilets, and garbage trucks were completed during ADF VIII period and 15,000 during ADF IX period.

16. Support during ADF X will be directed at improving rural and urban water supply and sanitation systems. Improved access to urban services is a serious concern as Asia's cities face large-scale migration from rural areas and urban services become increasingly stretched.¹² During ADF X, the number of water connections will be significantly increased to nearly 456,000; new connections and improved water distribution systems will be substantially augmented with nearly 7,500 km of pipes constructed/improved. Expected contributions of such projects to improved access to water and sanitation are likely to mirror those achieved from similar past projects. Apart from providing vital access to water supply and sanitation, such projects typically support capacity development, and policy and institutional reform (Box 3). These projects will also contribute to improvements in living standards of women and girls. Better access to clean water and sanitation results in time savings 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. This allows women more time to engage in income earning opportunities and enables girls to go to schools.

Box 3: Phnom Penh Water Supply and Drainage Project in Cambodia

The project installed 15.2 kilometers of water transmission pipes to supply bulk water from water treatment plants to the distribution mains. 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 kilometers of canals and drains were upgraded, reducing flooding and benefiting 240,000 residents.

In addition, the project trained staff on computer usage, computer-aided design, accounting and finance, land surveying, and sanitary engineering. It provided assistance to 24 communities and 2 subdistricts to construct 65 community small-scale projects for water supply and sanitation and waste recycling. The project also helped ensure improved performance relating to metering, reduction in water wastage, tariff collection, and tariff adjustments to cover costs.

Source: Asian Development Bank. 2005. *Project Completion Report on the Phnom Penh Water Supply and Drainage Project in Cambodia*. Manila.

17. **Contributions to Environmental Sustainability.** Past ADF projects have helped strengthen environmental policy, institutional frameworks, and capacity; control pollution; and support measures to address climate change. Climate change is also proposed to be emphasized in environmental interventions during ADF X through mitigation and adaptation measures. ADB is exploring, for instance, possibilities of sequestering carbon emissions in the economic corridors of the Greater Mekong Subregion; and developing renewable energy options in ADF countries. Adaptation support proposed includes climate proofing of projects; support for national adaptation planning; and specific adaptation investments to reduce risks from flooding, droughts and storms.¹³

¹² The 2007 joint ADB-United Nations Economic and Social Commission for Asia and the Pacific - United Nations Development Programme Progress Report on the MDGs (ADB, UNESCAP, UNDP. 2007. *The Millennium Development Goals: Progress in Asia and the Pacific 2006*. Bangkok.) highlights this problem indicating that in the urban areas of many countries access to water and sanitation has been deteriorating compared to 1990 and the risk that this important MDG target may not be met in several countries as well the region as a whole is serious.

¹³ ADB. 2007. *ADB's Approach to Climate Change in Asian Development Fund Countries*. Discussion paper for second ADF X donors' meeting, Vientiane, Lao People's Democratic Republic, 26–27 November 2007.

D. Contribution to Improved Governance

18. Improvements in governance are essential for efficient delivery of public services including basic services supporting the MDGs. During the past two ADF periods about 10 completed projects and programs focused on improving governance through national and subnational reforms for economic management, and public finance and expenditure management, and financial sector reforms. Support for similar reforms during ADF X is expected to enhance the transparency, reliability, and quality of public services. Proposed projects and programs on governance under ADF X comprise about 12% of the total ADF portfolio or an estimated SDR900 million (or about \$1.4 billion). In addition, ADB will continue to support governance and institutional development through improved governance and anticorruption components in sector operations and strengthened portfolio management.¹⁴ Such projects are expected to improve governance standards as accomplished in past ADF projects such as the Mongolia governance reform program (Box 4).

Box 4. Governance Reform Program in Mongolia

This reform program was completed in 2002 and rated “successful.” The program introduced measures that significantly changed the course of public sector administration and financial management in the country by (i) putting in place a sound medium-term expenditure framework, (ii) integrating capital budget planning, (iii) restoring fiscal discipline gradually by introducing accrual accounting and consolidating all extra-budgetary funds, (iv) linking resource allocations with targeted and actual performance of the spending units, (v) streamlining public personnel management processes, and (vi) enhancing ex-post budgetary controls through financial and operations performance audits.

Source: Asian Development Bank. 2002. *Project Completion Report on the Governance Reform Program in Mongolia*. Manila.

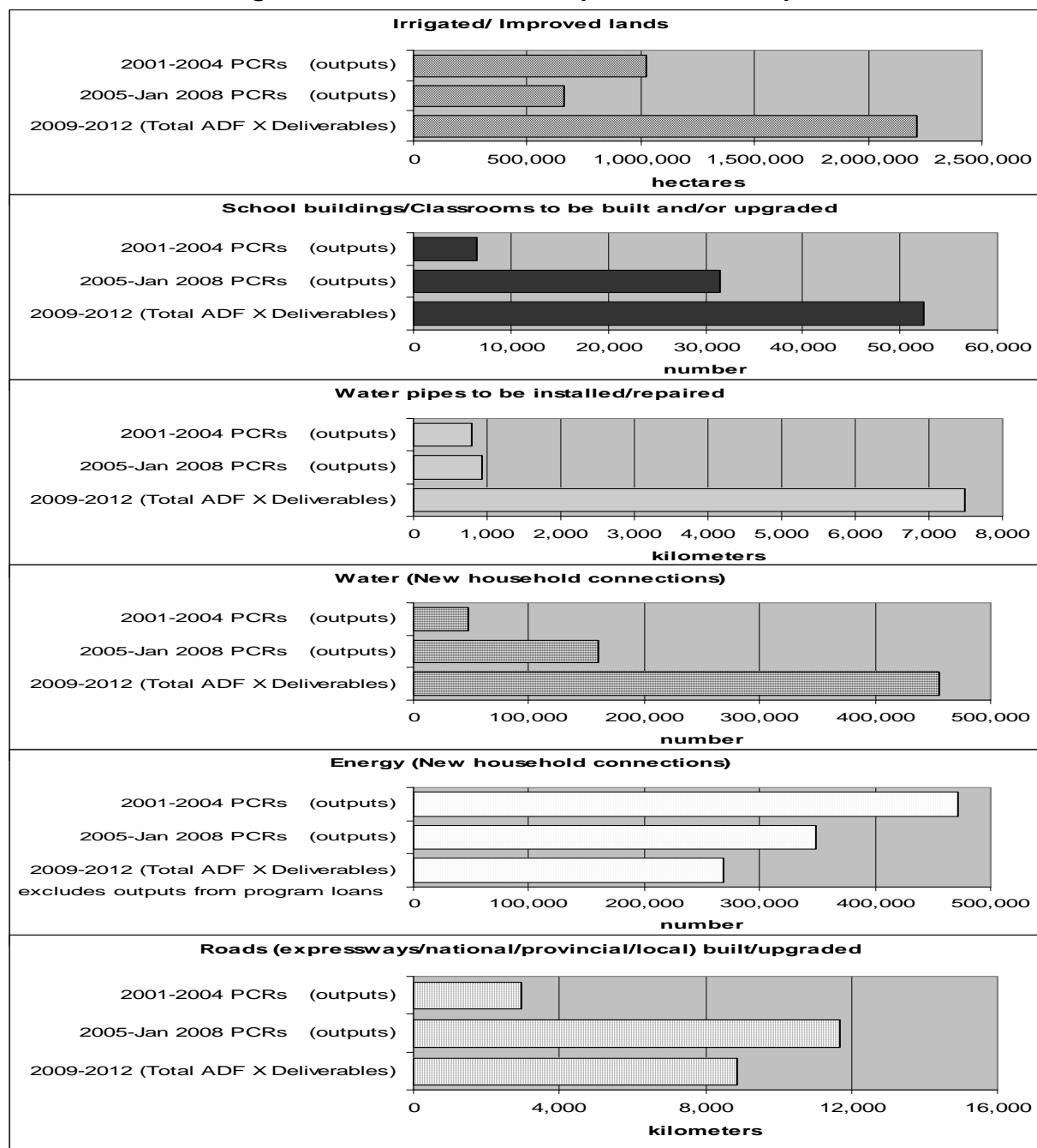
E. Contribution through Regional Cooperation Projects

19. Important contributions to development outcomes are also anticipated from regional and subregional projects in the ADF X pipeline. About two-thirds of these projects are expected to finance cross-border infrastructure development and about a quarter to support trade facilitation. The remaining projects support interventions in agriculture and natural resources, finance, and health. Past ADF regional cooperation projects supporting infrastructure have led to increases in trade, foreign direct investment, growth, and poverty reduction; and similar benefits are expected for ADF X projects. Planned ADF X regional and subregional projects include support for producing regional public goods, such as promoting sustainable environmental management practices and better control of communicable diseases, including HIV/AIDS. A fuller description of development outcomes from regional projects is included in the background paper for the ADF X donors’ meeting in Manila, “Regional Projects in ADF: Impacts and Funding Issues”.

20. The scale of aggregate sector outputs proposed in ADF X projects, as compared to outputs from completed projects during ADF VIII and IX periods, is presented in Figure 2 for selected indicators; many indicate a significant increase.

¹⁴ ADB. 2006. *Second Governance and Anticorruption Action Plan*. Manila.

Figure 2: Selected Sector Outputs for ADF X Operations



Notes:

1. Coefficients used in computing outputs for ADF X are based on representative projects approved in 2007.
2. Around 30% of ADF X financing in the energy sector for transmission and distribution will be used to fund program component of sector development programs.

Source: Staff estimates, Strategy and Policy Department

III. MONITORING AND REPORTING

A. The Results Framework

21. ADB will assess the performance of ADF X operations and their contribution to development outcomes using an ADB-wide results framework. The results framework builds on the existing framework¹⁵ and incorporates the needs to streamline and harmonize with frameworks of other multilateral development banks (Appendix 1). Since the results framework will serve as the LTSF monitoring system, it is fully aligned with ADB's emerging strategic priorities (Appendix 2). It is organized around four results areas: Asia and Pacific outcomes, ADB's contribution to country outcomes: key outputs, ADB's operational effectiveness, and ADB's organizational effectiveness.

22. **Level 1: Asia and Pacific Outcomes.** Outcomes correspond to the long-term vision and development agenda that ADB pursues together with other development partners. It intends to track overall progress in essential dimensions of development through selected regional outcomes to which ADB aims to contribute. Although these outcomes cannot be attributed to ADB operations alone, tracking them is important as they indicate progress in development to which ADB operations make a contribution in partnership with other stakeholders. Indicators have been largely harmonized with tier 1 of the results monitoring systems of the International Development Association (IDA) and African Development Fund. They consist of a first group of selected MDG indicators and a second group covering a gross domestic product, infrastructure, business environment, and trade category. Both income and nonincome dimensions of poverty are considered through selected MDGs 1–7 indicators. Indicators respond to priorities in the proposed new LTSF, including improved environment management, and regional cooperation and integration.¹⁶

23. One of the key challenges relating to the measurement and monitoring of country and sector development results is the need to assemble reliable and credible data. Therefore, ADB will continue its support for sustainable statistical capacity building in its DMCs. ADB will seek to address such capacity building in connection with country programming, and aim to help mobilize long-term funding for it, in conjunction with other development partners.¹⁷

24. **Level 2: ADB's Contribution To Country Outcomes: Key Outputs.** So far, ADB's corporate results monitoring systems (such as the annual poverty reduction reports) have not reported on this important results area, unlike IDA where outputs are monitored as part of the results monitoring system. Adoption of the aggregated sector output indicators at this level will enable ADB to provide evidence of its assistance that contributes to specific country outcomes.¹⁸ These output indicators—covering transportation, energy, water, financial sector development, and education—will enable monitoring of the key operations areas emphasized in

¹⁵ The results framework of the annual progress reports on the implementation of the poverty reduction strategy (annual poverty reduction reports) has been serving so far also as a tool to report on ADF effectiveness. This framework, applied to ADF, was presented in the paper *Effectiveness of Asian Development Fund Operations* at the Sydney ADF donor meeting (September 2007).

¹⁶ In particular, level 1 of ADB's framework, compared to IDA's tier 1, comprises an additional measure under MDG 7: ensure environmental sustainability (carbon dioxide emissions), and a measure of regional integration (intraregional trade as a share of overall trade in the region).

¹⁷ In 2006 ADB launched the Fund for Asia-Pacific Statistical Capacity Building (FASTCAP), which will complement other financial support for statistical capacity building, such as the multidonor Trust Fund for Statistical Capacity Building (TFSCB)

¹⁸ Caution is required in interpreting figures of aggregated outputs (Appendix 2, note 2).

the LTSF: infrastructure development, environment, regional cooperation and integration, finance, and education.¹⁹

25. In parallel, to improve its reporting of its operations, ADB has started preparing development effectiveness country briefs.²⁰ These country briefs, which provide both a qualitative and a quantitative perspective on ADB's development role in a given country, will form an integral part of the development effectiveness review system.

26. **Level 3: ADB's Operational Effectiveness.** By improving the performance of its operations portfolio, ADB can expand its contribution to country outcomes and be more effective. Indicators of operational effectiveness are classified under four main categories: operational quality and portfolio performance, finance mobilization, knowledge development and management, and partnerships.

27. The operational quality and portfolio performance category comprises a standard set of measures applied across the multilateral development banks.²¹ Project quality is monitored at entry, during implementation, and at completion; quality of country partnership strategies is monitored at entry and completion.²² The results of the partnership survey, conducted for the first time in 2006 and to be repeated every 3 years, will be used to track stakeholders' and partners' perceptions of ADB effectiveness. The finance mobilization category emphasizes performance in terms of volume of aid delivered through disbursement amounts (and not solely approvals) and cofinancing mobilized annually. Knowledge management is assessed by ratings at completion of technical assistance through which a substantial part of ADB's analytical work and advisory services are delivered to its DMCs, and an independent survey on learning within the organization carried out annually. The partnership development category assesses the extent to which civil society organizations and other development partners are associated with ADB operations. Two indicators of this category are directly linked with indicators 9 and 10 of the Paris Declaration on Aid Effectiveness covering the aid harmonization aspect ("use of common arrangements or procedures" and "shared analysis").

28. **Level 4: ADB's Organizational Effectiveness.** This results area aims to capture progress in implementing internal reforms considered essential to maintain ADB's ability to remain a relevant and results-oriented institution.²³ Three main reform areas are considered under organizational effectiveness: use of human resources, use of budgetary resources, and business processes and practices.

29. The first category combines measures of staff distribution (reflecting current efforts to strengthen operations departments and to improve the gender balance) and overall staff satisfaction as assessed through the periodic staff engagement survey. The second category comprises standard measures of budgetary efficiency, comparing internal administrative

¹⁹ As a comparison, IDA's tier 2 comprises selected sector 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.

²⁰ Development effectiveness briefs have been prepared for 13 DMCs (all of them ADF recipients); two other briefs have subregional coverage. These documents were made available as room documents at the ADF X donors meetings in Sydney and Vientiane.

²¹ It corresponds to IDA's tier 2 indicators of quality at entry and at exit for project and country assistance.

²² The first quality-at-entry assessment of country partnership strategies and projects was undertaken as a pilot exercise in 2006; this process will be institutionalized as a regular exercise in ADB.

²³ For a detailed discussion on ADB's reform initiatives, see the background paper *ADB's Reform Agenda* circulated for this meeting, and a discussion paper *Progress on the Reform Agenda* presented at the Vientiane meeting.

expenses with annual approvals and disbursements. The third category—business processes and practices—reflects the impact of reforms aimed at maintaining ADB's proximity with clients and improving its responsiveness. In the short to medium term, delegation of operations to resident missions, and reduced times for processing and disbursing loans are deemed critical.

B. Reporting Progress

30. ADB will assess and report on progress in implementing ADF program through its annual *Development Effectiveness Review*, starting with the 2007 review to be produced by the third quarter of 2008. The review will be guided by the results framework discussed above (paras. 21–29), and benchmarks and targets being established for the indicators. The *Review* will provide unified performance reporting of ADB, consolidating the existing annual poverty reduction report, progress report on the reform agenda, and semiannual progress report on the managing for development results action plan. As such, the *Review* will report progress on institutional reforms as part of the discussion on ADB's organizational effectiveness. The *Development Effectiveness Review* will be a vital instrument to inform the Management of the progress made and identify areas needing further efforts or corrective actions. Following Management consideration, it will be submitted on an annual basis to the Development Effectiveness Committee of the ADB Board of Directors.

IV. CONCLUSION

31. This paper presents the contribution of ADF operations through its key outputs to overall country and regional development outcomes—an aspect generally missing in previous assessments of ADF performance. It also outlines the results framework to be adopted for the *Development Effectiveness Review*, which will include such reporting on sector outputs, and be used for reporting annually on ADB's overall effectiveness, including its ADF operations. The results framework, however, is a work in progress and will be updated on the basis of further validation internally and with ADB's partners.

32. ADB seeks donors' agreement that the development effectiveness of ADF X will be monitored and assessed using the proposed results framework of ADB and reported through the annual *Development Effectiveness Reviews*.

RESULTS FRAMEWORK OF THE ASIAN DEVELOPMENT BANK

Level 1: Asia and Pacific Outcomes

ADB Corporate Results Framework Indicators	IDA	AfDB
Millennium Development Goals <ul style="list-style-type: none"> • Population living below \$1 a day (%), MDG 1: eradicate extreme poverty and hunger • Primary education completion rate (%), MDG 2: achieve universal primary education • Ratio of girls to boys in primary, secondary, and tertiary education (%), MDG 3: promote gender equality and empower women • Under 5-years child mortality (per 1,000 live births), MDG 4: reduce child mortality • HIV prevalence rate, total population aged 15–49 (number per 100,000 population), MDG 6: combat HIV/AIDS, malaria, and other diseases • Proportion of population with sustainable access to an improved water source (%), MDG 7: ensure environmental sustainability • Proportion of population with access to improved sanitation (%), MDG 7: ensure environmental sustainability • Carbon dioxide emissions (tons per capita), MDG 7: ensure environmental sustainability 	✓ ✓ ✓ ✓ ✓ ✓ ✓ —	✓ ✓ ✓ ✓ — ✓ — —
Gross Domestic Product, Infrastructure, and Business Environment <ul style="list-style-type: none"> • Gross domestic product per capita (\$) • Fixed lines and mobile telephone subscribers (number per 1,000 inhabitants) • Access of rural population to an all-season road (%) • Household electrification rate (%) • Cost to start business (% gross national income per capita) • Time to start business (days) • Share of intraregional trade in overall trade of the Asia and Pacific region (%) 	✓ ✓ ✓ ✓ ✓ ✓ —	✓ ✓ ✓ ✓ ✓ ✓ ✓

Level 2: Contribution to Country Outcomes: Key Outputs

ADB Corporate Results Framework Indicators	IDA	AfDB
Transportation as rural, urban, and regional <ul style="list-style-type: none"> • Paved roads/expressways built or upgraded (km) • Provincial and local roads built or upgraded (km) • Railways built or upgraded (km) 	✓ ✓ ✓	✓ ✓ ✓
Energy as rural, urban, and regional <ul style="list-style-type: none"> • Generating capacity installed (megawatts) • Transmission lines installed or repaired (km) • Distribution lines installed or repaired (km) • New households connected to electricity (number) 	— — — —	✓ ✓ ✓ ✓
Water as rural, urban, and regional <ul style="list-style-type: none"> • Water supply pipes installed or repaired (km) • Sanitation and drainage constructed or repaired (km) • New households connected to water supply (number) 	✓ ✓ ✓	✓ ✓ ✓

<ul style="list-style-type: none"> • Land irrigated or improved through drainage and flood control (hectares) 	—	✓
Financial Sector Development <ul style="list-style-type: none"> • Deposit accounts opened (number) • Micro finance loan accounts opened (number) • Small and medium-sized enterprises loan accounts opened (number) 	— — —	— ✓ ✓
Education <ul style="list-style-type: none"> • Classrooms built or rehabilitated (number) • Teachers trained (number) • Textbooks purchased (number) • Pupils receiving direct support through scholarships, feeding, or similar programs (number) 	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓

Level 3: Operational Effectiveness

ADB Corporate Results Framework Indicators	IDA	AfDB
Quality of Operations and Portfolio Performance <ul style="list-style-type: none"> • Evaluation ratings of results-based CPS (% successful) • Combined ratings of project performance evaluation reports and project completion reports (% successful) • Quality-at-entry rating of CPS (% satisfactory) • Quality-at-entry rating of projects (% satisfactory) • Portfolio performance ratings at implementation (% satisfactory) • Partnership survey results/perception of ADB effectiveness (index) 	✓ ✓ ✓ ✓ ✓ —	✓ ✓ ✓ ✓ ✓ —
Finance Mobilization <ul style="list-style-type: none"> • Annual disbursements, private and public sector operations (\$) • Overall disbursement ratio (%) • Proportion of cofinancing mobilized in loans approved annually (%) 	— — —	✓ ✓ —
Knowledge Development <ul style="list-style-type: none"> • Ratings of technical assistance completion reports (% successful) • Annual MAKE (most admired knowledge enterprise) survey assessment rating 	— —	— —
Partnerships <ul style="list-style-type: none"> • Proportion of projects with nongovernment organization/civil society organization participation (%) • Program-based approaches under implementation supported (number) • Proportion of CPS and country portfolio review missions conducted jointly (with at least one other development partner) annually (%) 	— — —	— — ✓

Level 4: Organizational effectiveness

ADB Corporate Results Framework Indicators	IDA	AfDB
Use of Human Resources <ul style="list-style-type: none"> • Proportion of budgeted professional staff and national officers in operations departments (%) • Proportion of budgeted professional staff and national officers in resident missions (%) • Staff gender ratio (%) • Staff engagement survey results (index) 	— — — —	— ✓ — —
Use of Budgetary Resources <ul style="list-style-type: none"> • Internal administrative expenses per \$1 million of public and private sector loan approval (\$) • Internal administrative expenses per \$1 million of loan disbursement (\$) 	— —	— —
Business Processes and Practices <ul style="list-style-type: none"> • Average time from loan approval to first disbursement (sovereign operations) (months) • Average loan (sovereign operations) processing time (months) • Proportion of loans and grants administered by field offices (%) 	— — —	✓ ✓ ✓

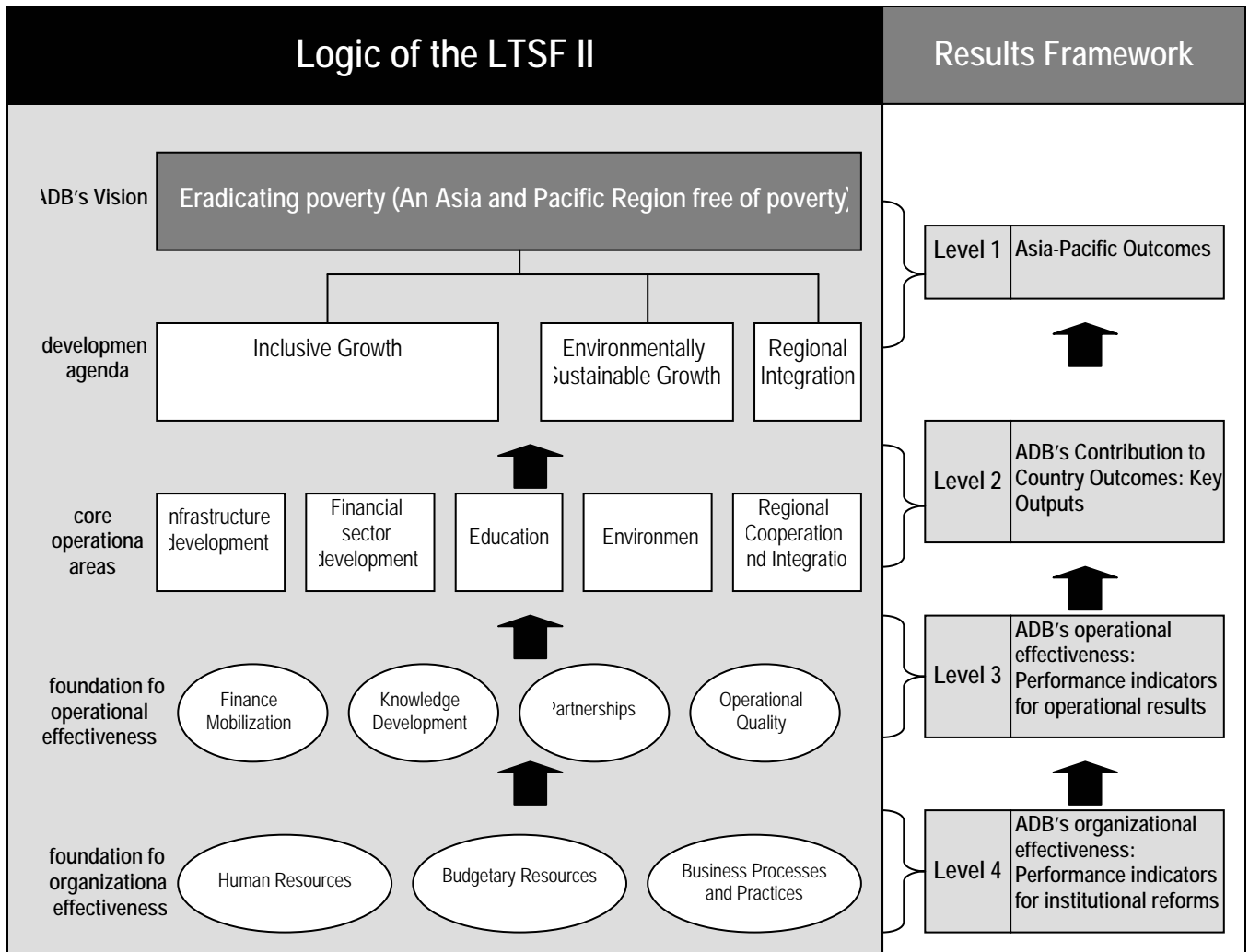
AfDB = African Development Bank , CPS = country partnership strategy, IDA = International Development Association.

Notes:

1. Cumulative aggregated outputs over a 3-year period will be obtained from project completion reports of the past 3 years. Data will be broken down between rural, urban, and regional (cross-country) to better track specific long-term strategic framework subthemes, such as building livable cities (urban), rural infrastructure development (rural), cross-border transportation connections (regional).

2. The following issues are notable with respect to aggregated sector outputs: (i) Selecting key outputs indicators is necessarily arbitrary and selected indicators cannot fully reflect the variety of outputs in the sector. (ii) An increase in outputs does not automatically imply improved development effectiveness. (iii) The quality of outputs delivered is not considered. (iv) To be more meaningful, outputs should be compared with the total needs of the country. (v) Output aggregation is not well suited to capture the nontangible and qualitative results of assistance such as institutional development, regulatory reforms, and policy changes, although they constitute essential contributions to country outcomes.

LOGIC AND SUMMARY OF THE RESULTS FRAMEWORK



ADB = Asian Development Bank, LTSF = long term strategic framework
 Source: Strategy and Policy Department