



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

## **ADB's Reform Agenda**

Asian Development Bank

February 2008

## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CSC	–	consultant selection committee
DMC	–	developing member country
DEC	–	Development Effectiveness Committee
ISTS	–	information systems and technology strategy
LTSF	–	long-term strategic framework
MDB	–	multilateral development bank
MfDR	–	managing for development results
MFF	–	multitranches financing facility
NGO	–	nongovernment organization
OECD-DAC	–	Organisation for Economic Co-Operation and Development, Development Assistance Committee
OED	–	Operations Evaluation Department
P3M	–	project processing and portfolio management
TA	–	technical assistance

## NOTE

In this report, “\$” refers to US dollars.

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## EXECUTIVE SUMMARY

The Asian Development Bank (ADB) has moved forward on the reform agenda adopted in 2004, as reported in the paper "Progress on Reform Agenda" presented at the second Asian Development Fund (ADF) X donors' meeting in Vientiane, Lao People's Democratic Republic in November 2007. However, the task is not complete. Consolidating these reforms is fundamental to strengthening ADB's effectiveness. This will also ensure that ADB has sufficient capacity to implement an expanded ADF X.

The reform agenda laid out broad-ranging initiatives to transform ADB into an organization that (i) manages its activities and resources with more focus on development results, (ii) is more responsive to client needs, (iii) applies lessons to its services systematically, (iv) operates transparently and communicates openly with all stakeholders, (v) partners effectively to maximize impact, and (vi) manages its human resources well. This paper summarizes ADB's achievements, the next steps toward reform consolidation, and the ways that necessary changes will be managed.

As ADB develops its new long-term strategic framework (LTSF) for 2008–2020, its institutional reforms need to be aligned with its long-term goals. The steps discussed in this paper will support the implementation of the LTSF, and will be refined after the framework is finalized and through the initial stage of its implementation.

ADB will measure the overall impact of reforms on its effectiveness through a results framework, and will report progress through its annual *Development Effectiveness Report*. ADB will continue to keep its internal and external stakeholders well informed about its progress on the reform agenda.

## I. BACKGROUND

1. The Asian Development Bank (ADB) has moved forward on the reform agenda adopted in 2004, as reported in the paper "Progress on Reform Agenda" presented at the second Asian Development Fund (ADF) X donors' meeting in Vientiane, Lao People's Democratic Republic in November 2007.<sup>1</sup> However, the task is not complete. Consolidating these reforms is fundamental to strengthening ADB's effectiveness. This is also essential to ensure ADB has sufficient capacity to implement an expanded ADF X.

2. This paper outlines the steps Management will take to complete the reforms and increase ADB's institutional effectiveness. As ADB develops its new long-term strategic framework (LTSF) for 2008–2020, these reforms need to be aligned with its long-term goals. The steps discussed in this paper will support the implementation of the LTSF, and will be refined after the framework is finalized and through the initial stage of its implementation.

## II. CONSOLIDATING REFORMS: THE NEXT STEPS

3. The reform agenda laid out broad-ranging initiatives to transform ADB into an organization that (i) manages its activities and resources with more focus on development results, (ii) is more responsive to client needs, (iii) applies lessons to its services systematically, (iv) operates transparently and communicates openly with all stakeholders, (v) partners effectively to maximize impact, and (vi) manages its human resources well.<sup>2</sup>

### A. Managing for Development Results

Goal: Decisions at ADB are routinely informed by relevant data on results

#### 1. Achievements

4. Since adopting the managing for development results (MfDR) agenda in 2004, ADB has introduced numerous changes and trained more than 1,000 staff to incorporate MfDR concepts in all its operations. As a consequence, all of ADB's country strategies link ADB interventions more clearly to expected country development outcomes. The quality of ADB projects is also improving. The 2006 global perceptions survey highlighted generally positive client views about ADB's impact; in fact, ADB earned slightly higher marks than other leading multilateral development organizations.<sup>3</sup> A recent study by the Operations Evaluation Department (OED), confirmed that ADB has expanded its internal capacity to manage for development results (Box 1).<sup>4</sup> OED also noted that ADB has institutionalized MfDR at a rate comparable to that of other multilateral development banks (MDBs). At the same time, OED highlighted key challenges facing ADB's MfDR agenda. As noted in ADB's own assessment on MfDR,<sup>5</sup> the main task now is to integrate MfDR across ADB and its operations.

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<sup>1</sup> ADB. 2007. Progress on the Reform Agenda. Discussion paper presented at the second ADF X donors' meeting, Vientiane, Lao People's Democratic Republic, 26–27 November 2007.

<sup>2</sup> For more information, visit [www.adb.org/ReformAgenda/default.asp](http://www.adb.org/ReformAgenda/default.asp).

<sup>3</sup> The survey report is at [www.adb.org/Documents/Reports/ADB-Perceptions-Survey/2006/default.asp](http://www.adb.org/Documents/Reports/ADB-Perceptions-Survey/2006/default.asp)

<sup>4</sup> ADB. 2008. *Special Evaluation Study on Implementation of Managing for Development Results in the Asian Development Bank: A Preliminary Assessment*. Manila.

<sup>5</sup> ADB. 2007 (November). *Managing for Development Results in ADB: Semi-Annual Progress Report to Development Effectiveness Committee*. Manila.

### **Box 1: Evaluation of Managing for Development Results at ADB—Preliminary Findings**

A recent study by the Operations Evaluation Department found the following:

- (i) The progress of the Asian Development Bank (ADB) on the managing for development results (MfDR) agenda is comparable to that of other multilateral banks. ADB has developed a range of policies, procedures, and tools to support staff and the organization as it works toward the full implementation of MfDR. The quality of ADB's design and monitoring frameworks for projects improved significantly since 2000.
- (ii) ADB's adaptation of MfDR is in transition. A staff survey suggested that not all staff are fully committed to MfDR. Weak commitment from professional staff, particularly directors, is a concern.
- (iii) ADB needs to ensure continued support and leadership by senior management, along with changes in its human resource management practices, to align the incentives that govern ADB behavior with MfDR.

Source: ADB. 2008. *Special Evaluation Study on Implementation of Managing for Development Results in the Asian Development Bank: A Preliminary Assessment*. Manila.

## **2. Next steps**

5. The current MfDR action plan (2006–2008) expires at the end of 2008. Building on its preliminary assessment of MfDR, OED plans to conduct a full evaluation in 2009. How ADB manages its MfDR agenda beyond 2008 will depend on the status on the action plan at completion, ADB's progress in responding to OED's preliminary assessment, and findings of the forthcoming full evaluation. ADB Management has committed to key actions to advance MfDR implementation (paras. 6–10).

6. **Consolidate ADB's Performance Reporting.** ADB's attempt to link its corporate strategy and planning more clearly to results has led to a proliferation of results-based reports.<sup>6</sup> While this might have been understandable at the outset, the continuation of multiple and often overlapping reports leads to duplication, wastes resources, and hinders ADB's ability to tell a clear story about its contribution to development outcomes. In the interests of efficiency and clarity, ADB Management recently approved the consolidation of these reports into a single *Development Effectiveness Review*, starting with the 2007 review to be issued in 2008. The review will be guided by an ADB-wide results framework, with indicators that are largely harmonized with those of the African Development Fund and the International Development Association. The form and content of this review, as well as the proposed results framework, are outlined in the discussion paper entitled "Development Effectiveness of ADF and ADB's Results Framework."<sup>7</sup>

7. **Standardize MfDR Procedures Across Departments.** ADB initially adopted a flexible approach to MfDR, which generated innovation within each department. However, full implementation of the MfDR agenda will require a more standardized approach. ADB will develop more coherent procedures for MfDR across operations departments. As part of this effort, ADB is taking stock of the findings emerging from results-based country portfolio reviews. The lessons from these reviews will be used to develop further practical improvements on how

<sup>6</sup> These reports include annual poverty reduction reports, and progress reports on the reform agenda and the MfDR action plan.

<sup>7</sup> ADB. 2007. *Development Effectiveness of ADF and ADB's Results Framework*. Discussion paper for the third ADF X donors' meeting, Manila, the Philippines, 13–14 March 2008.

results should be measured in the country portfolio review. Other areas of standardization would include preparation and use of country development effectiveness briefs and profiles of sector results to plan and assess ADB country operations.<sup>8</sup>

**8. Enhance Leadership and Senior Staff Commitment.** Management leadership and the commitment of departmental management teams are vital for sharpening each department's focus on results. An MfDR colloquium in 2006 with ADB's operations vice presidents provided a good opportunity to interact with external experts in results management. ADB will continue with this practice to promote learning among senior staff, particularly department heads, and to sustain their capacity to manage for outcomes. This will be complemented by the MfDR learning and development curriculum targeted at senior staff.

**9. Reinforce Support for Building Country Capacities.** From the outset, ADB—like other MDBs—has emphasized the importance of increasing the capacity of developing member countries (DMCs) for MfDR. This experience has highlighted two issues. First, while progress has been made on the creation of results-based national development plans, implementation is constrained by capacity gaps in line ministries and agencies. Regional departments are providing greater support for results-based management, particularly at the sector level. Building on this, ADB will integrate MfDR capacity development into operations and will identify additional financial resources to support such activities, including replenishment of the MfDR Cooperation Fund.

**10.** Second, ADB and other development partners have faced difficulties in accessing necessary statistical data in many DMCs. These data are fundamental to MfDR. While ADB has supported statistical capacity building in DMCs, it has not been able to respond to these huge capacity development needs. ADB and its partners are committed to identifying long-term financing sources to support this initiative. As one financing option, ADB will work with donors to mobilize financing for the Fund for Asia-Pacific Statistical Capacity Building. The fund was launched in 2006 to support this work in about 15 DMCs over 10 years.

## **B. Responding Better and Faster to Clients**

Goal: Clients regard ADB as the most efficient and responsive development partner

### **1. Achievements**

**11.** The reform agenda has improved ADB's ability to respond to clients' needs. ADB's Innovation and Efficiency Initiative offers more flexible cost-sharing arrangements, a broader range of expenditure items, and a wider array of financing instruments. Consultant recruitment and procurement processes have been streamlined, and consultant recruitment time has been reduced—by about 20% for consulting firms and 70% for individual consultants since 2005. Average project processing for sovereign loan projects declined from 27 months in 2003 to 20 months in 2007. Implementation of the resident mission policy has enabled ADB to improve operational quality and response time.<sup>9</sup> ADB now has 23 resident missions, compared with 13 in 2000. Country programming has been delegated almost entirely to resident missions. Resident

<sup>8</sup> Preparation of country development effectiveness briefs are being piloted for ADF countries. See [www.adb.org/ADF/development-effectiveness.asp](http://www.adb.org/ADF/development-effectiveness.asp). For a sample sector profile, see ADB. 2007. Progress on the Reform Agenda (Appendix 2), a discussion paper presented at the second ADF X donors' meeting, Vientiane, Lao People's Democratic Republic, 26–27 November 2007.

<sup>9</sup> ADB. 2000. *Resident Mission Policy*. Manila. ADB. 2007. *Special Evaluation Study on the Resident Mission Policy and Related Operations: Delivering Services to Clients*. Manila (IN 297-07).

missions administered almost 40% of the total public sector projects in 2006, compared with 15% in 2000. Clients confirm that decentralization has benefited operations (footnote 9).

## 2. Next Steps

12. **Continue to Improve Resident Mission Capacity.** Further strengthening of resident missions is vital to improve ADB's service delivery. However, how far and fast to delegate additional responsibilities will depend on business needs, operational balance between resident missions and headquarters, and optimal use of resources. These issues are being assessed in the ongoing review of resident mission operations, which will be completed in the first half of 2008. Based on this review, ADB will prepare short- and medium-term options to improve resident mission operations. In the meantime, ADB will prioritize resident mission initiatives according to cost-effectiveness, and will take the following steps:

- (i) Continue delegating the administration of additional projects to resident missions as feasible within the available resources. ADB will define its envisaged level of delegation after the LTSF is finalized.
- (ii) Align the staff size and skills mix of resident missions more closely with the level and type of responsibilities being delegated.
- (iii) Expand the regional hub concept, which involves locating specialists in one place to cover several DMCs. In addition to the field offices in the Pacific and Thailand, where this concept is being tested, ADB will open an office in Istanbul, Turkey, by early 2009 to serve as a regional hub for the Caucasus region,<sup>10</sup> and will expand the Almaty, Kazakhstan, office for the smaller Central Asian countries.

13. **Further Streamline Project Preparation and Procurement Processes.** ADB's clients and staff view its business processes as a weakness. To improve in this area, ADB will:

- (i) Streamline project preparatory technical assistance (TA) processing as proposed under the TA management reform initiative. These proposed changes are expected to significantly reduce the processing time for project preparatory TA.<sup>11</sup>
- (ii) Implement streamlined consultant selection and recruitment processes for loan and TA projects. Introduced in January 2008, these measures include reducing the number of mandatory consultant selection committee meetings. ADB will also adopt indefinite delivery contracts for suitable high-priority assignments to promote quicker mobilization of consultants and more continuous relationships with strong consultants.<sup>12</sup>

14. **Improve Internal Efficiency to Enable Faster Response.** As part of the second information systems and technology strategy (ISTS II), ADB launched the project processing

<sup>10</sup> ADB. 2008. *Proposal for the Establishment of a Regional Hub and Office Network for the South Caucasus and Central Asia*. Manila.

<sup>11</sup> The proposed changes are contained in 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. Management will submit the R-paper to the Board in April 2008. Change proposals include streamlined review processes and documentation, and an adoption of a no-objection approach to signing of the TA letter. These are expected to reduce the processing time for project preparatory TAs from the current 166 days to 77 days.

<sup>12</sup> ADB. 2007. *Guidelines on the Use of Consultants by ADB and Its Borrowers*. Manila. For details on indefinite delivery contracts, see para. 2.47 of the *Guidelines*.

and portfolio management (P3M) project in 2007 to upgrade its project information system. Under P3M, ADB will deliver a user-friendly information system that provides project information from processing to post-evaluation. Through easier access, streamlined documentation, and up-to-date information technology, P3M is expected to increase ADB's internal efficiency.

15. **Mainstream Innovation and Efficiency Initiative Pilot Instruments.** In response to strong client demand, ADB aims to mainstream the multitranche financing facility (MFF) by the second quarter of 2008 based on an assessment of the pilot phase.<sup>13</sup> ADB will closely monitor MFF projects to ensure effective development outcomes.<sup>14</sup> ADB will also promote wider application of other instruments, such as the nonsovereign public sector financing facility and refinancing facility, by improving the skills of existing staff and recruiting experts with these new skills.

### C. ADB as a Learning Organization

Goal: ADB systematically shares and applies lessons from experience and promotes innovation

#### 1. Achievements

16. ADB has improved its internal learning processes and expanded knowledge sharing through the implementation of its knowledge management framework and ISTS II. Along with an independent OED and its user-friendly evaluation information system, these activities have helped to create a stronger learning culture within ADB. In partnership with research institutes across the region, ADB has also established five knowledge networks, or knowledge hubs.<sup>15</sup> ADB is more systematically incorporating lessons into its products.<sup>16</sup> To create the right incentives for staff, knowledge sharing is recognized as a key competency and is assessed through each staff's performance evaluation.

#### 2. Next Steps

17. As part of the LTSF implementation, ADB will accelerate its transformation into a more effective learning and knowledge-sharing organization. While this process has not been fully developed, two steps are considered essential to this transformation: (i) research and dissemination, and (ii) knowledge and innovation in making decisions.

18. **Prioritize Research and Dissemination.** ADB will prioritize its medium-term research agenda through an annual strategic forum,<sup>17</sup> chaired by the vice president for knowledge management and sustainable development. ADB's research agenda will focus on priorities established in the new LTSF, including climate change, clean energy, public-private partnerships in infrastructure, and other sector work. In conducting strategic research, ADB will collaborate more closely with external institutions and strengthen partnerships with its regional knowledge hubs.

<sup>13</sup> Management will submit a Board paper discussing the assessment and proposed mainstreaming shortly.

<sup>14</sup> Since 2005, ADB has approved 17 projects (\$9.4 billion) under MFF.

<sup>15</sup> For details, visit <http://www.adb.org/Knowledge-Management/default.asp>

<sup>16</sup> ADB. 2007. *Effectiveness of Asian Development Fund Operations*. Manila. Para. 23.

<sup>17</sup> For details on the proposed strategic forum, see *Increasing the Impact of the Asian Development Bank's Technical Assistance Program* (footnote 11).

19. ADB has generated high-quality analytical work in recent years, including studies on inequality in Asia (2007), labor markets (2005), infrastructure and poverty reduction (2005).<sup>18</sup> While these studies have received wide publicity, internal dissemination of such studies has been ad hoc. ADB will develop a more focused and practical way of disseminating its knowledge products to facilitate the application of knowledge in its operations.<sup>19</sup> ADB will continue to reinforce the staff learning and development programs—as a key element of staff performance development plans—to enable staff to update their knowledge and apply new ideas to operational work.

20. **Focus on Knowledge and Innovation in Operational Decision Making.** As ADB strives to remain relevant in this dynamic region, it needs to focus more on bringing additional value and innovation to its clients. Knowledge drives this process. To reinforce this message, Management will link its decisions more visibly to knowledge content—i.e., the quality of underlying analysis, extent of lessons applied, and level of innovation introduced. This will apply to decisions on country strategies, country operational business plans, and projects.

#### D. Partnering More Effectively

Goal: ADB builds partnerships to maximize impact and reduce transaction costs to clients

##### 1. Achievements

21. In line with the Paris Declaration commitments on harmonization,<sup>20</sup> ADB is coordinating more closely with its partners. In 2007, ADB participated in 19 projects (\$3.6 billion) using program-based approaches, compared with 13 projects (\$2.1 billion) in 2004. In 2006, one third of ADB country strategy and portfolio review missions were undertaken jointly with partners, and ADB worked with nongovernment organizations (NGOs) in more than two thirds of its projects. ADB continues to improve staff capacity to work with NGOs,<sup>21</sup> and almost half of its country analytical work is conducted jointly with partners. Through expanded partnerships, ADB has increased its ability to mobilize finance for its clients; cofinancing operations have grown fivefold since 2004. ADB's partnerships with the private sector are also growing rapidly; the share of private sector operations in ADB's total operations has more than quadrupled since 2002.

##### 2. Next Steps

22. **Sustain Progress on the Paris Declaration.** To move toward the Paris Declaration targets, ADB will focus on areas where progress has been mixed. One such area is joint missions, where two issues have been identified.<sup>22</sup> First, the number of joint project missions remains low because of limited project-level collaboration among large development agencies. These agencies base their assistance on an agreed division of labor, which lessens the scope

<sup>18</sup> ADB. 2007. *Key Indicators 2007*. Manila. ADB. 2005. *Key Indicators 2005*. Manila. ADB (in collaboration with Department for International Development of the United Kingdom, Japan Bank for International Cooperation, and the World Bank). 2005. *Assessing the Impact of Transport and Energy Infrastructure on Poverty Reduction*. Manila.

<sup>19</sup> One good example of improved application of knowledge is country diagnostics studies launched in 2007 by the Economics and Research Department. The studies aim to identify critical constraints to growth and poverty reduction in a country and discuss policy options for removing the constraints. The first report, prepared on the Philippines, provides useful inputs to the preparation of ADB's new country partnership strategy. ADB. 2007. *Philippines: Critical Development Constraints*. Manila.

<sup>20</sup> At the 2005 Paris High Level Forum on Aid Effectiveness, more than 100 development partners endorsed the Paris Declaration, a detailed set of commitments and operational targets in ownership, alignment, harmonization, managing for results, and mutual accountability.

<sup>21</sup> ADB. 2006. *Special Evaluation Study on Involvement of Civil Society Organizations in ADB Operations*. Manila.

<sup>22</sup> ADB. 2007. *Implementation of the Paris Declaration in ADF Countries*. Manila.

of joint project work and the related joint missions. Second, only joint missions originating from ADB headquarters or from outside the project country are recorded through the baseline monitoring survey of the Organisation for Economic Co-Operation and Development, Development Assistance Committee (OECD-DAC).<sup>23</sup> This results in under-recording of joint missions undertaken by ADB.

23. Recognizing the constraints on project-related missions, ADB will try to increase the number of joint missions by continuing to emphasize joint country strategy, portfolio review, and country analytical work. ADB is working closely with its development partners through the MDB roundtable and country-level coordination forums to identify areas of joint work and to agree on collaboration arrangements. ADB is in discussion with OECD on how to resolve the possible under-recording. ADB will also reinforce its actions on the Paris Declaration in light of the recent OED study on its implementation at ADB.<sup>24</sup>

24. **Emphasize Private Sector Development and Cofinancing Operations.** ADB will continue to implement its strategies for private sector operations and cofinancing, adopted in 2006, to strengthen partnerships with public and private sector financiers. The new LTSF will highlight private sector development operations and cofinancing as important elements supporting ADB's business model. ADB is taking steps to gain the right skills mix to execute these priorities (para. 28).

## E. Operating Transparently

Goal: ADB proactively shares information with, and seeks feedback from, all its stakeholders

### 1. Achievements

25. ADB has embraced a much higher standard of transparency through its public communications policy, adopted in 2005. Information disclosed on the ADB website regarding ADB projects has increased from an average of 73 monthly documents posted in 2005 to 104 in 2007. Documents circulated to the Board continue to be disclosed on time. With the adoption of a translation framework in 2007, ADB can make more information available to affected people in languages they understand. ADB has consulted a wide range of external stakeholders in reviewing the LTSF and sector policies. The new external relations strategy adopted under the policy has led to a rapid expansion of media coverage of ADB activities. In the *2007 Global Accountability Report*, published by One World Trust, ADB received a perfect score (100%) on transparency good practice (Box 2).<sup>25</sup>

### 2. Next Steps

26. The 2006 global perceptions survey pointed to possible gaps in stakeholder perceptions about ADB's transparency.<sup>26</sup> To close these gaps, ADB will sustain high compliance with its new disclosure requirements and will implement the 2007 translation framework. Management will continue to lead ADB's external communications programs to explain ADB's mission, programs,

<sup>23</sup> The 2006 OECD-DAC baseline monitoring survey of the implementation of the Paris Declaration. OECD-DAC is underway and is due to finish in March 2008.

<sup>24</sup> ADB. 2006. *Evaluation of the Implementation of the Paris Declaration at the Asian Development Bank: A Development Partner's Study for an OECD-DAC Joint Evaluation*. Manila.

<sup>25</sup> One World Trust. 2007. *2007 Global Accountability Report*. London.

<sup>26</sup> The 2006 global perceptions survey found that only 38% of opinion leaders in South Asia, 33% in the Pacific, and about 20% in the other regions believe that ADB operates transparently. It also identified some aspects of communications that require improvements (footnote 3).

and activities, as well as to share its views on the region's development challenges. ADB will continue to improve the usability and quality of information of its website, a key external communication tool. ADB has also begun revamping its publication program and will continue to emphasize outreach programs in donor countries in line with the new external relations strategy. To drive a more strategic approach to in-country communications, ADB will continue to prioritize capacity building of external relations officers through training and knowledge sharing through the community of practice. ADB will conduct another global perceptions survey in 2009.

### Box 2: ADB Ranked High in One World Trust 2007 Global Accountability Report

The *2007 Global Accountability Report* presents One World Trust's assessment of the accountability of some of the world's leading organizations—intergovernmental, corporate, and nongovernment—according to four dimensions of accountability: transparency, participation, evaluation, and complaint and response mechanisms. In 2007, ADB was rated as one of top performers among 30 assessed organizations, achieving high scores in all four dimensions of accountability, including 100% in transparency and 81% in overall accountability.

#### Accountability Scores of Assessed Intergovernmental Organizations

Organizations	Transparency	Stakeholder Participation	Evaluation	Complaint and Response	Overall Accountability Capabilities	Overall Ranking
UNDP	98	84	98	73	88	1
<b>ADB</b>	<b>100</b>	<b>59</b>	<b>85</b>	<b>79</b>	<b>81</b>	<b>2</b>
UNEP	63	77	80	77	74	3
WFP	33	78	98	73	70	4
IDB	58	36	100	77	68	5
Council of Europe	76	83	46	31	59	6
IsDB	48	32	88	45	53	7
African Union*	27	80	51	1	40	8
OSCE*	15	51	32	21	30	9
Interpol*	42	46	0	0	22	10

ADB = Asian Development Bank; IDB = Inter-American Development Bank; IsDB = Islamic Development Bank; OSCE = Organization for Security Co-operation in Europe; UNDP = United Nations Development Programme; UNEP = United Nations Environment Programme; WFP = World Food Program

\* Denotes organizations that did not formally or in practical terms engage with the research process

Source: One World Trust. 2007. *2007 Global Accountability Report*. London.

## F. Managing Human Resources Better

Goal: ADB follows a merit-based, transparent, and effective human resources management system

### 1. Achievements

27. Implementation of the human resources strategy has resulted in a more transparent, merit-based, and efficient human resources management system than existed 3 years ago. Today, ADB's skills mix is aligned better with organizational priorities, individual work planning is stronger, and the organization is better equipped to develop staff skills. Staff evaluations are based more clearly on performance. ADB has almost doubled the share of women staff in senior positions—from 7.0% in 2002 to 13.4% in 2007. To improve gender balance further, ADB has begun implementing the Gender Action Program III (2008–2010).

## 2. Next Steps

28. **Reinforce Flexibility and Transparency.** In January 2008, ADB introduced two measures to improve human resources management processes. The first is a more flexible recruitment practice, including the use of fixed-term contracts with differentiated employment conditions and salaries. ADB is developing guidelines to ensure transparent and fair implementation of this practice. The second is a more transparent appointment process for senior staff (levels 9 and 10), including simultaneous internal and external advertisement, and interviews for internal and external candidates. These measures are essential for ADB to recruit staff at all levels with the right competencies to execute the new LTSF.

29. **Analyze Experience and Formulate New Human Resources Actions.** While progress is being made, ADB is keenly aware of the need to continue improving how it manages its people. Given the importance of these efforts, future decisions on human resources strategy should be underpinned by solid analysis of ADB's experience and future challenges and opportunities. To analyze the key human resources issues and as committed under the 2004 human resources strategy, ADB will:

- (i) Undertake a staff engagement survey by March 2008. The results will be available by April 2008. ADB will conduct staff engagement surveys every 2–3 years thereafter.
- (ii) Using the survey results as one of the inputs, conduct a comprehensive review of the human resources strategy to identify constraints and develop actions for improvements. The review will start by the second quarter of 2008 and is expected to be completed by the fourth quarter of 2008. ADB Management will seek the assistance of external experts and consult closely with the Board of Directors during the process.
- (iii) Develop an action plan or a new human resources strategy in 2009, building on the results of the human resources strategy review.

## III. MANAGING THE PROCESS OF CHANGE

### A. Who is Responsible?

30. The success of ADB's reforms depends on the participation of all staff. However, organizational change requires above all strong leadership and accountability by Management. ADB Management is committed to consolidating its progress on reform to achieve the envisaged changes. Each vice president, anchor department, office, and unit will be accountable for implementing specific reform actions. The managing director general will continue to coordinate and guide the reform process.

### B. How Do We Monitor and Report Progress?

31. ADB will measure the overall impact of reforms on its effectiveness annually through an ADB-wide results framework. This framework, including specific indicators for ADB's institutional effectiveness, is being developed as part of ADB's performance reporting (para. 6). Progress on consolidating reforms will be assessed and reported through the annual *Development Effectiveness Review*. The *Review* will be submitted to the Development Effectiveness

Committee of the Board. Each anchor department, office, and unit will monitor and manage progress on the specific initiatives they have been assigned, and they will report regularly to the managing director general. ADB will continue to keep its internal and external stakeholders informed about its progress on the reform agenda.

#### **IV. CONCLUSION**

32. This paper has summarized what ADB has achieved through the implementation of the reform agenda since 2004, what further actions it will take, and how it will continue to manage the process of change. Improving ADB's institutional effectiveness through the reform process is essential to ensure effective implementation of the expanded ADF X operations. Management will continue to mobilize change throughout the organization.