



**ASIAN DEVELOPMENT FUND (ADF)  
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## **Progress on the Reform Agenda**

*Asian Development Bank*

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## ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
CAPE	–	country assistance program evaluations
CPS	–	country partnership and strategy
CoP	–	community of practice
DMC	–	developing member country
DMF	–	design and monitoring framework
IEI	–	innovation and efficiency initiative
LTSF	–	long-term strategic framework
MfDR	–	managing for development results
MDB	–	multilateral development bank
MFF	–	multitranche financing facility
MTS II	–	medium-term strategy II
NGO	–	nongovernment organization
NSP	–	nonsovereign public sector
OED	–	Operations Evaluation Department
PCP	–	Public Communications Policy
PPMS	–	project performance management systems
PPTA	–	project preparatory technical assistance
TA	–	technical assistance

## NOTE

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

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## EXECUTIVE SUMMARY

In 2004, the Asian Development Bank (ADB) Management launched a reform agenda to improve its operational effectiveness and responsiveness to the changing development needs in the developing member countries (DMCs).

The reform agenda laid out broad-ranging initiatives to drive fundamental changes within ADB. These initiatives are intended to help ADB become

- (i) more results oriented;
- (ii) more selective and focused, with strategies that maximize the impact of its limited resources;
- (iii) more responsive to client needs to efficiently achieve agreed results;
- (iv) more efficient in delivering products;
- (v) a more effective learning organization that shares and applies lessons derived from experience;
- (vi) a more transparent institution that communicates effectively with stakeholders;
- (vii) a stronger development partner to ensure that ADB's assistance is well coordinated, duplication avoided, and transaction costs reduced, thereby maximizing the impact of its work; and
- (viii) an institution that manages its human resources better to support its organizational changes.

Under the reform agenda, Management has implemented many initiatives to effect change. By implementing the managing for development results agenda, ADB operations have become more selective and focused. ADB has expanded the capacity and responsibilities of its resident missions, designed more flexible financing instruments and modes, and introduced new cost-sharing ceilings and expenditure items to respond better to DMC needs. It also has simplified and modernized its processes for procurement of goods and services. With structural and procedural changes, ADB is embracing a more systematic learning culture, and partnerships have become a key principle in its operations. Information disclosure and communication with stakeholders have increased, and a series of challenging initiatives to improve human resource management underpin the organizational changes. In implementing the reform agenda, ADB Management has been mindful of tradeoffs among effectiveness, responsiveness, and costs. The reform agenda has been implemented subject to the resource constraints facing ADB.

While it is premature to assess the contribution of these reforms to development outcomes, some output indicators—such as quality of ADB projects at entry, portfolio performance ratings, and level of financial resource transfer to the DMCs—are improving. ADB's average annual lending volume has grown from \$5.8 billion in 2002–2004 to \$8.2 billion in 2005–2007, reflecting a significant expansion in the demand for ADB products. ADB is changing.

As an institution serving the most dynamic region in the world, ADB needs to continue changing quickly to enable it to respond better to the evolving needs of an expanding clientele. To deliver the Asian Development Fund (ADF) X program effectively, internal resources must be optimized and staff skills must be aligned with the new long-term strategic framework (LTSF), including the ADF priorities embedded in the LTSF. While many changes have been implemented, much remains to be done. ADB Management is committed to consolidating the progress it has made by taking further steps to complete the reforms.

## I. INTRODUCTION

1. In 2004, the Asian Development Bank (ADB) asked itself some tough questions. Why, in an era when the investment needs of the Asia and Pacific region were growing rapidly, was the demand for ADB financing stagnating? Why was ADB showing a negative net transfer of resources to the developing member countries (DMCs)? Most importantly, what could be done to reverse these trends?

2. The answers had already come, in part, from ADB's clients. They had expressed their concerns about ADB's rising transaction costs and lack of responsiveness to their emerging development needs. Expressing similar concerns, donor countries had recommended a series of operational and internal measures to make ADB more effective. To remain relevant, ADB had to make fundamental changes.

3. A broad-ranging reform agenda, launched in August, 2004, is driving ADB to improve its operational effectiveness (Appendix 1).<sup>1</sup> While an assessment of the impact of the reform agenda on development outcomes would be premature, evidence of progress on outputs is tangible. The quality of design and monitoring frameworks (DMF) for ADB projects is improving, projects are performing better, and ADB is transferring more financial resources to its DMCs. ADB's average annual lending volume has grown by more than 40% in recent years—from \$5.8 billion in 2002–2004 to \$8.2 billion in 2005–2007—reflecting a significant expansion in the demand for ADB products.

4. The reforms are intended to help ADB

- (i) improve results orientation to gain operational effectiveness;
- (ii) become more focused, with the right strategies to maximize the impact of limited resources;
- (iii) improve responsiveness to client needs to efficiently achieve agreed results;
- (iv) simplify processes to deliver products faster;
- (v) learn, share, and apply lessons from experience—become a more effective learning organization;
- (vi) improve transparency and communicate more effectively with stakeholders;
- (vii) strengthen partnerships to ensure that ADB's assistance is well coordinated, duplication is avoided, and transaction costs are reduced; and
- (viii) manage its human resources better to ensure high-quality of staff and to improve staff incentives to support reform initiatives.

5. This report examines what ADB has achieved in each of these areas, and the challenges that remain.

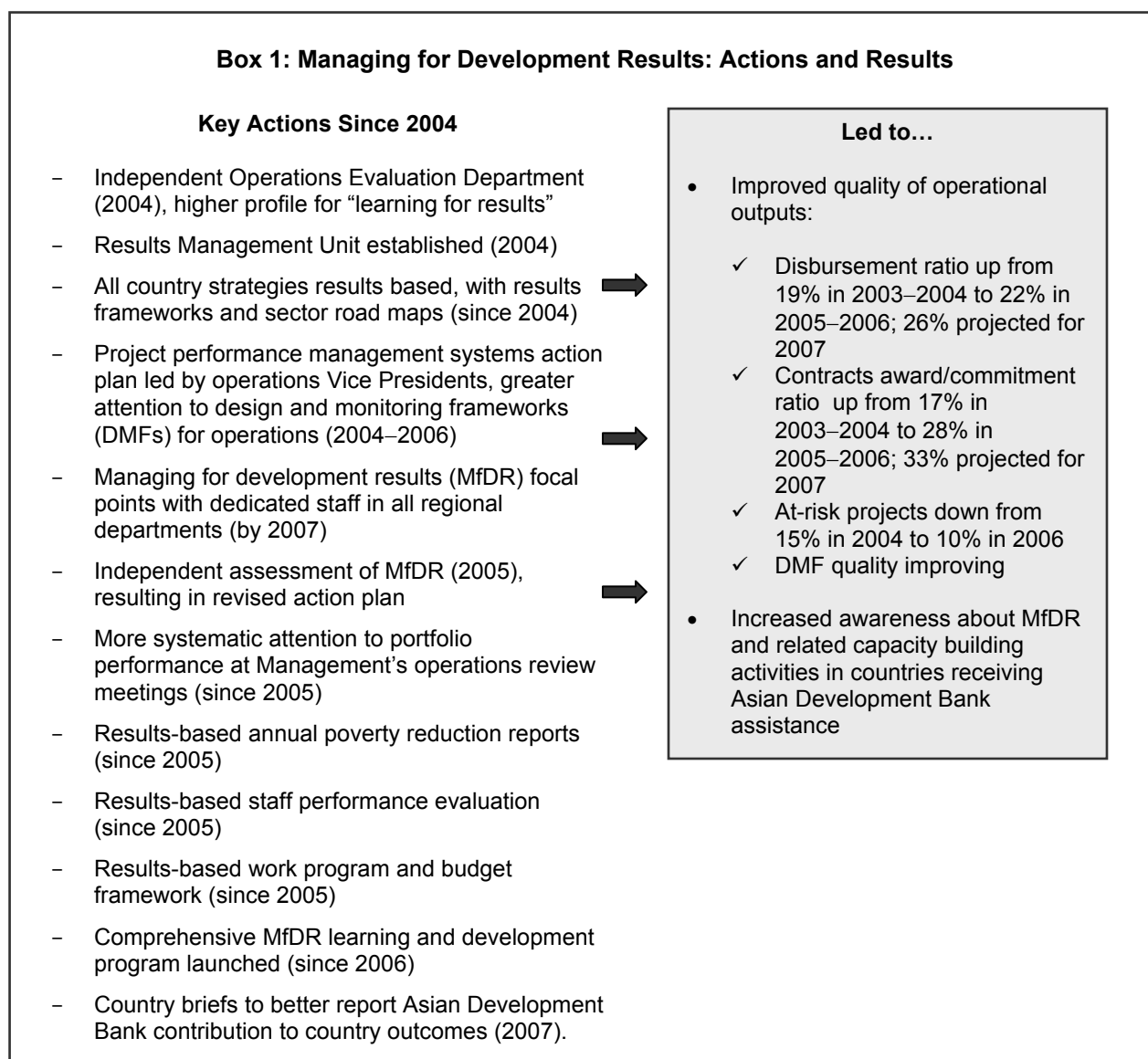
## II. IS ADB MORE RESULTS ORIENTED?

6. No organization can effectively change without strong leadership. ADB Management adopted the managing for development results (MfDR) agenda in 2004 and has since introduced numerous measures to mainstream MfDR concepts into all operations (Box 1). In

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<sup>1</sup> ADB Management launched the reform agenda in June 2004 in response to recommendations of the 2004 review of its poverty reduction strategy. Negotiations for the eighth ADF replenishment provided timely inputs for designing an institution-wide reform agenda. For more information, visit <http://www.adb.org/ReformAgenda/default.asp>.

2004, Management established a results management unit within the Strategy and Policy Department and adopted an MfDR action plan. Based on an independent assessment in 2005,<sup>2</sup> the action plan was refined and is being implemented. The preliminary findings from an ongoing study of MfDR by the Operations Evaluation Department (OED) suggest that, while further progress is needed to achieve full implementation, ADB is progressing at a rate comparable to other multilateral development banks.<sup>3</sup>



7. In 2004, ADB introduced a results framework into the design and implementation of country partnership strategies (CPSs, formerly known as country strategies and programs). In the 14 results-based CPSs that have been developed, ADB interventions—loan, technical assistance (TA), policy dialogue, knowledge transfer, capacity and institution building, etc.—are linked to the outcomes of the national development strategy, delineating ADB’s role in the

<sup>2</sup> Independent Assessment of Managing for Development Results at ADB, Universalia, 25 November 2005.

<sup>3</sup> This evaluation study will be followed by a more comprehensive evaluation of MfDR outcomes in 2009. The first report of the study will be submitted to ADB’s Board of Directors in the first quarter of 2008.

development partnership. This enables ADB to assess its development impact more accurately. In 2007, ADB conducted results-based country performance review missions in three DMCs (Bangladesh, Kyrgyz Republic, and Nepal).<sup>4</sup>

8. In 2004, the operations Vice Presidents launched a project performance management systems (PPMS) action plan to improve the way projects are planned, designed, implemented, monitored, and evaluated. The action plan also aimed to ensure that lessons learned are incorporated. More than 500 professional staff have been trained in DMF, the core element of the PPMS. In addition, to ensure effective feedback, lessons from country assistance program evaluations (CAPEs) now must be incorporated before preparing a new CPS. Portfolio performance has been discussed more systematically and regularly at the quarterly Management operations review meetings, and has become a predominant theme of the work program and budget framework, and planning directions.

9. Since 2005, Management has assessed ADB's overall development effectiveness based on a results-based annual poverty reduction report. The report reviews ADB's progress in supporting poverty reduction and achieving the Millennium Development Goals, providing a solid basis for determining the actions needed to improve performance. Management also has begun overseeing the implementation of the work program and budget framework on a results basis, using performance indicators.

10. Throughout the institution, results-based departmental work plans are in place. These are monitored regularly to ensure timely decisions on issues. All regional departments now have dedicated MfDR staff and teams, and have strengthened results orientation in various ways. These departments have (i) adopted performance management tools to support the management information system in tracking operations and the budget; (ii) introduced early warning alerts for lagging projects through more frequent portfolio performance meetings to enable timely decision making; and (iii) reinforced PPMS and portfolio management action plans.

11. The sharper results orientation has increased attention to operational quality at entry. All operations departments have reinforced their quality assurance mechanisms. Project concept papers, which had been separated from country strategy documents since 2006, have become a vital entry point for quality in all departments. In 2006, ADB completed an assessment of the quality at entry of CPSs and projects, and adopted criteria to judge their quality at entry and enable more systematic tracking of quality.<sup>5</sup>

12. While improving ADB's performance is important, it is equally essential that the DMCs focus on results. To help DMCs improve their ability to implement MfDR, ADB has (i) sponsored 19 MfDR TA projects in 11 DMCs to support results-based development planning;<sup>6</sup> (ii) trained almost 500 executing agency staff from 22 DMCs and about 140 facilitators on results techniques at the project level; and (iii) established a community of practice on MfDR, comprising 80 active members from 18 DMC governments, development partners, private sector, and civil society organizations.

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<sup>4</sup> These review missions monitor and assess not only portfolio performance but also progress on development results in relation to country and sector results frameworks of the CPS.

<sup>5</sup> For more discussions on the study, see the discussion paper entitled, "Effectiveness of ADF Operations (paras. 30–32)," circulated for the ADB X replenishment meeting in Sydney, 13–14 September 2007.

<sup>6</sup> These include TAs financed from the MfDR Cooperation Fund, established with contributions from Canada, the Netherlands, and Norway.

### Box 2: Managing for Development Results—Improving Portfolio Performance in Nepal

Nepal's portfolio performance had been well below the Asian Development Bank (ADB) average for many years. Following the adoption of the first results-based country strategy and program (now called country partnership strategy) for Nepal in 2004, improving the performance of the Nepal portfolio—and accelerating the delivery of results on the ground—in a conflict environment became the priority of the ADB–Government team. By 2006, the performance of ADB's Nepal portfolio had improved considerably.

**Table: Portfolio Performance Indicators of Nepal Operations**

Portfolio Performance Indicator	2002–2004		2005		2006	
Active Loan Portfolio (number and \$ million)	22	735	23	648	23	687
Disbursement Achievement (\$ million)		28		44		108
Disbursement Ratio (%)		7		8		20
Contract/Commitment Ratio (%)		6		15		22
Net Resource Transfer (\$ million)		(8)		3		63
Projects at Risk (number and %)	5	23	7	30	4	17

What helped facilitate these improvements? Key actions taken by the ADB–Government team included:

1. Comprehensive country portfolio reviews to assess portfolio performance as well as development results in terms of progress towards outputs and outcomes (since 2006).
2. Agreement with the Government on portfolio performance action plans (2005). Bimonthly meetings with the Government to remove constraints under ADB projects.
3. Early warning system on portfolio performance—frequent monitoring of project performance reports and other data, as well as meetings, to enable timely actions—established in South Asia Regional Department (2005).
4. Portfolio management strategy adopted to mainstream conflict-sensitive approach adopted by Nepal resident mission (2005).
5. Annual exercises undertaken to remove poorly performing portfolio elements (since 2005, \$75 million in loan savings have been reallocated).
6. Sector results profile as a monitoring tool—a snapshot of the progress towards expected results—prepared for priority sectors, updated and assessed regularly to take timely actions (since 2005) (Appendix 2 shows a sample sector results profile).
7. Project readiness filters adopted to reduce start-up delays and accelerate implementation (2005).
8. Reforms in procurement and financial management being undertaken by the Government.
9. Reinforced quality assurance mechanism to ensure project quality at an early stage (since 2006).

Source: South Asia Regional Department, Asian Development Bank.

13. **Results.** An evaluation of the effect of these internal changes on development outcomes would be premature. However, early indicators of success are emerging. With a baseline established in 2006, ADB can measure improvements in CPSs and project quality at entry. Meanwhile, using DMF quality as a proxy indicator, project design seems to be improving. A recent 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.<sup>7</sup> The 2006 assessment suggested that CPS quality is improving with better incorporation of lessons learned (footnote 5). In addition, evidence suggests that greater attention to results is having an impact on the way ADB manages its project portfolio (Box 2 for Nepal case). In the past 4 years (2004–2007), ADB's disbursement ratio has risen from 19% in 2003–2004 to 22% in 2005–2006 (with 26% projected for 2007), and its contract award-commitment ratio has increased from 7% in 2003–2004 to

<sup>7</sup> ADB. 2006. An OED working paper on Quality in Design and Monitoring Frameworks. Manila

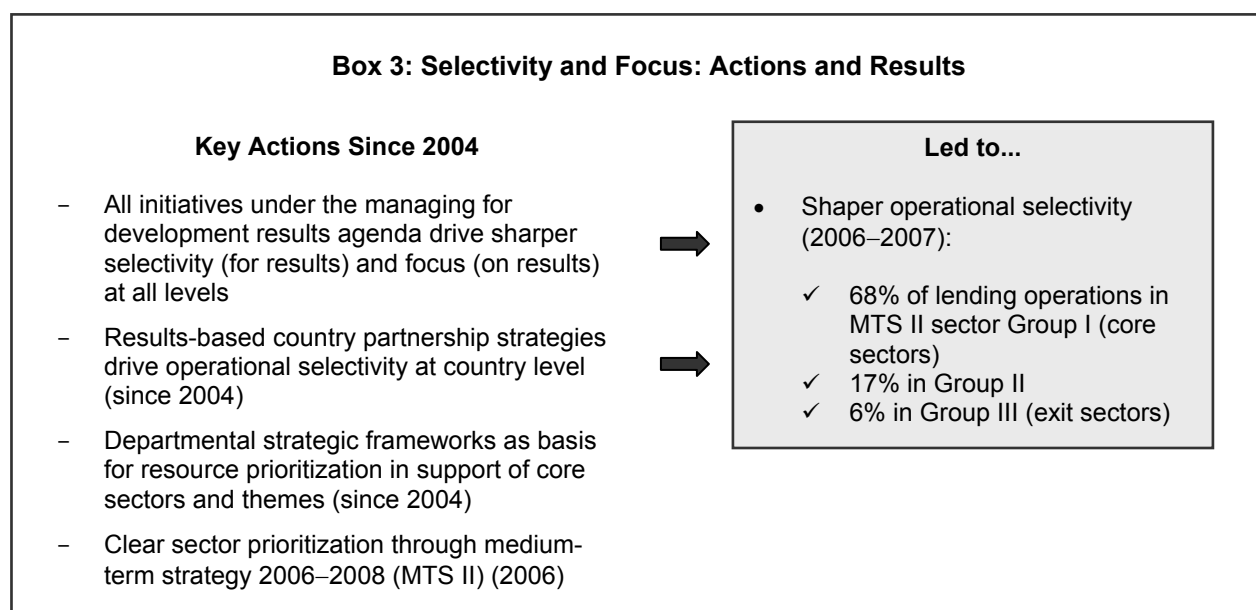
28% in 2005–2006 (with 33% projected for 2007).<sup>8</sup> The share of projects rated at risk fell from 15% in 2004 to 10% in 2006.

14. **Challenges.** ADB has made good progress in implementing the MfDR agenda. However, a number of issues have emerged, and if these are not addressed, they will impede further progress:

- (i) Management needs to continue sending clear signals that MfDR is essential for effective decision making.
- (ii) ADB has introduced a number of MfDR tools, such as the results frameworks for country strategies, DMF, and work program and budget framework indicators. A continual assessment of the quality of these tools is essential to allow improvements based on experience.
- (iii) ADB has a long way to go in building its internal capacity to manage for results, particularly at the senior staff level.

### III. IS ADB MORE SELECTIVE AND FOCUSED?

15. Selectivity ensures that ADB makes the best use of its limited resources. Increasing client demand for better services has highlighted the urgency for greater selectivity in ADB operations. In response, ADB has improved prioritization at corporate and country levels (Box 3).



16. ADB's second medium-term strategy 2006–2008 (MTS II) spells out which sectors ADB would focus on in its future operations.<sup>9</sup> Based on ADB's comparative strengths and the demand from its clients, MTS II identifies (i) core operational sectors where ADB will build

<sup>8</sup> The ratio of contract awarded/actual commitment during the year over the value available for contract/commitment awards at the beginning of the year.

<sup>9</sup> ADB. 2006. *Medium-Term Strategy II 2006–2008*. Manila.

enough expertise to be a leading provider of assistance (Group I), (ii) sectors that are not core operational sectors but will remain important for ADB operations (Group II), and (iii) sectors from which ADB should gradually exit because its past performance has been patchy and demand for its services limited (Group III). The ongoing review of ADB's long-term strategic framework (LTSF) is expected to sharpen operational priorities for the next 10–15 years.

17. To achieve the desired outcomes with its limited assistance, ADB's country operations need to focus on the binding constraints in a few selected sectors. Results-based CPSs have increased staff attention to selectivity and focus by linking ADB outputs more clearly to desired country outcomes. As a bridge between corporate- and country-level selectivity, some regional departments have developed department-level strategic frameworks to clarify objectives, as well as to define operational priorities and the choice of modes for different types of countries.

18. **Results.** ADB operations have become much more sharply focused on priority sectors. In 2006–2007, almost 70% of ADB operations are in group I core sectors, 17% are in group II sectors, and only 6% in group III sectors.

19. **Challenges.** As stated in MTS II, the objective of sector prioritization is to ensure that ADB can build enough expertise to be a leading provider of quality assistance. To achieve this, ADB must align its staff resources with these priority areas. To this end, ADB has introduced strategic recruitment for core sectors, revamped its learning and development program, and prioritized staff allocations to core sectors. While recognizing that this will remain a major challenge, ADB is committed to continuing improvements in human resource management.

#### IV. IS ADB MORE RESPONSIVE?

20. Client orientation is fundamental. The 2000 *Resident Mission Policy*,<sup>10</sup> the 2002 reorganization, and changes to many of ADB's business processes are geared toward serving ADB's client countries better. Client countries expect ADB to become more responsive, particularly by being more flexible and offering products that are tailored better to their needs. In response, ADB strengthened resident mission capacity. In 2004, it launched the innovation and efficiency initiative (IEI), which aims to (i) improve ADB's business model; (ii) better align products, and practices with client priorities and market trends; and (iii) reduce bottlenecks in processing and implementing assistance (Box 4). These are elaborated below.

##### A. Strengthening of Resident Missions

21. Guided by the *Resident Mission Policy* of 2000 and its review in 2002, ADB has expanded the responsibilities and activities of resident missions (Appendix 3, Tables A3.1 and A3.2). Between 2000 and 2007, the number of resident missions increased from 13 to 23. The proportion of ADB staff placed in resident missions grew from about 8% in 2000 to 18% in 2006. In addition, an increasing number of headquarters staff are posted to resident missions (10 in 2006, including 3 assigned to private sector operations) where they continue to report primarily to their headquarters division, but are physically located in a resident mission.

22. Country programming has been delegated almost entirely to resident missions. In 2006, 20 resident missions led the country programming process, compared with only 3 in 2001. Project administration also is being increasingly delegated to resident missions. As of the end of

<sup>10</sup> ADB. 2000. *Resident Mission Policy*. Manila.

2006, 40% of ADB's total loan portfolio had been delegated to resident missions, compared with 15% in 2000. Project processing continues to be based predominantly at headquarters; only 4.5% of the total projects were processed by resident missions in 2006.

23. **Results.** The special evaluation study by OED on the *Resident Mission Policy* found that delegation benefits operations,<sup>11</sup> particularly for portfolio performance-related indicators. During 2001–2006, the average delay in loan closing was 639 days for resident mission-administered projects, compared with 667 days for headquarters-administered projects. The average disbursement ratio was 28% for resident mission-administered projects compared with 20% for headquarters-administered projects during 1999–2006. In feedback to OED, clients confirmed that resident missions contribute to improved operations through deeper country knowledge, increased speed and responsiveness, and greater collaboration within country.

24. **Challenges.** Preliminary findings of the ongoing review of resident mission operations identify several areas where resident mission operations could be improved. These include (i) closer integration (or teamwork) of resident mission and headquarters tasks, such as loan processing and administration, knowledge management, and consistent policy applications; (ii) further delegation of project administration supported by adequate staffing; and (iii) provision of adequate resources and training to support expanded resident mission responsibilities. However, resource availability could constrain the delegation of additional responsibilities to resident missions.

## **B. Flexible Financing Arrangements and Products**

25. ADB now offers its client countries greater flexibility in terms of cost-sharing ceilings and expenditure items. As part of the IEI, ADB has introduced a new policy framework on cost sharing and expenditure eligibility. The new policy enables ADB to respond better to the needs of DMCs and the changing business environment. It also harmonizes ADB's approaches and practices with those of other development institutions, including the World Bank.

26. In the past, cost-sharing limits were fixed upfront and applied equally for all projects based on DMC classification. The new policy responds to individual country needs and tailors cost-sharing limits to country and project conditions—on a project or portfolio basis. Twelve DMCs have adopted new (and often higher) ceilings, and discussions are under way with five more DMC governments. The new policy also enables ADB to finance additional items more flexibly, including retroactively financing a larger proportion of expenditures over a longer period.

27. ADB also offers a wider range of financing instruments and modalities. In August 2005, ADB began a 3-year pilot test of the multitranche financing facility (MFF), the nonsovereign public sector (NSP) financing facility, and the refinancing facility.

28. The MFF is similar to a standby and noncontingent line of credit. It enables ADB to offer reliable long-term financing for a specific program or investment with more flexible disbursement schedules. The pilot test shows that the demand for this facility is huge. Between December 2005 and September 2007, 14 MFFs totaling about \$8 billion were approved, and 13 loans representing initial tranches of \$1.3 billion were declared effective. Eight more MFFs, valued at about \$4 billion, are being processed in 2007.

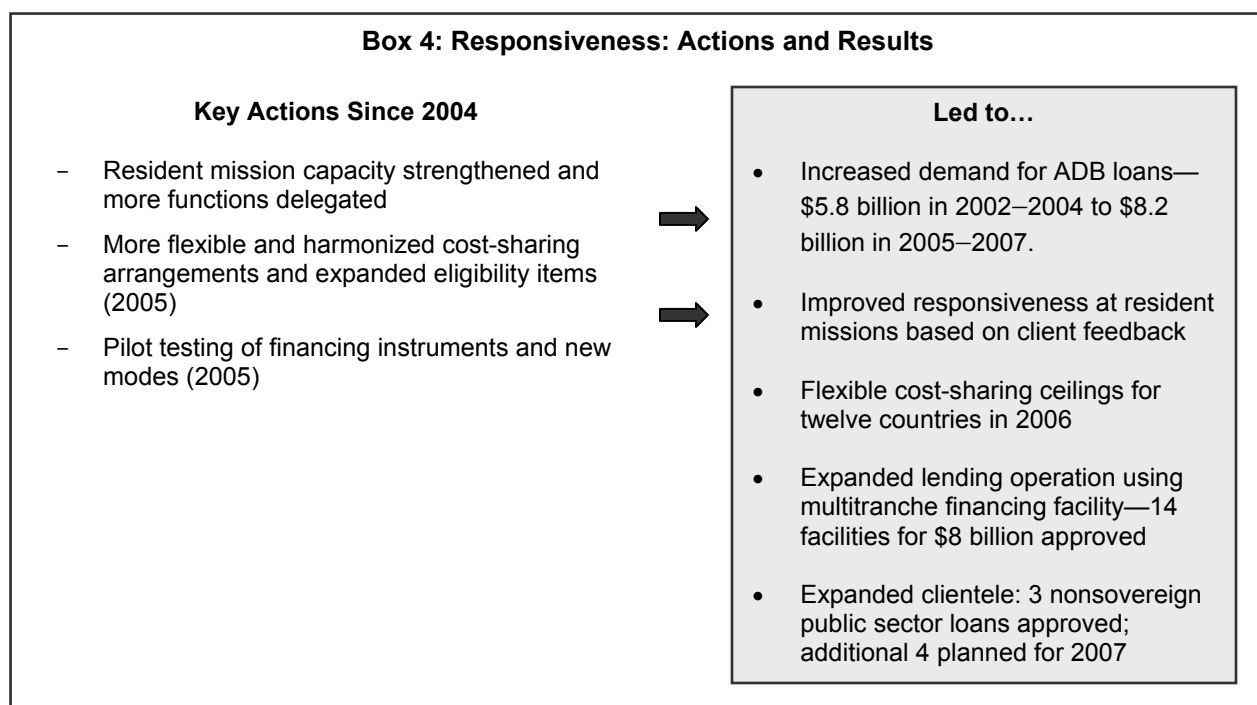
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<sup>11</sup> ADB. 2007. *Special Evaluation Study on the Resident Mission Policy and Related Operations: Delivering Services to Clients*. Manila (IN 297-07).

29. By allowing direct lending to state-owned enterprises and local governments without central government guarantees, the NSP financing facility enables ADB to respond better to the needs of its growing and changing new clientele. Between July 2006 and September 2007, ADB processed three NSP loans with an aggregate amount of \$800 million, and is preparing an additional four transactions for approval in 2007.

30. **Results.** The changes discussed in paras. 25-29 have increased ADB's capacity to finance more over longer commitment periods with greater flexibility. These improvements, together with growing demand, have resulted in lending volume rising by 40% from \$5.8 billion in 2002–2004 to \$8.2 billion in 2005–2007.

31. **Challenges.** To capitalize on the achievements under the pilot financing products, ADB will need to ensure smooth implementation of their application and successful mainstreaming of the products following the 3-year pilot phase. This would require continued improvements in ADB's skills mix. Application of MFF is important for ADF-only countries but requires matching of an MFF cycle to the Performance-Based Allocation cycle.

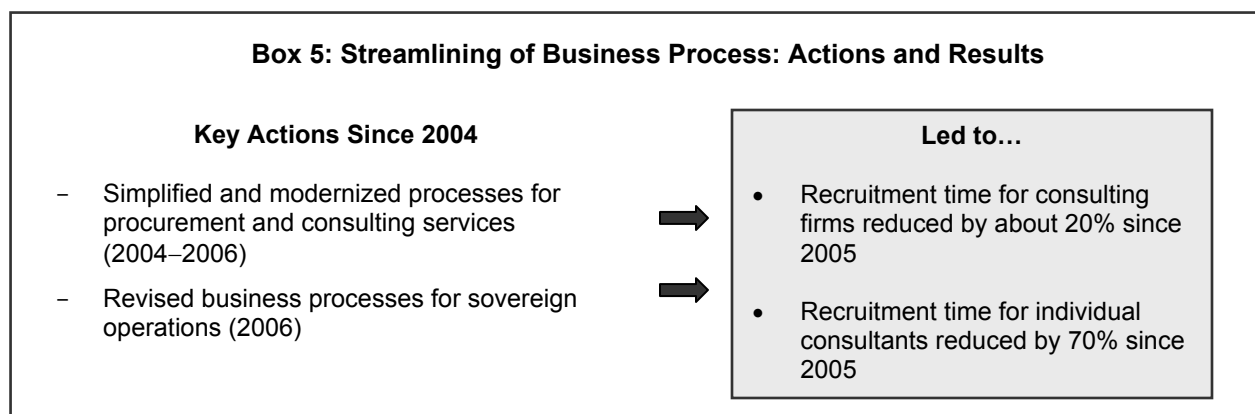


## V. ARE ADB'S BUSINESS PROCESSES SIMPLER?

32. Responding to clients' growing demand for faster and simpler delivery of ADB assistance, ADB has streamlined loan processing and procurement (goods and services) processes (Box 5).

33. Updated procurement and consultant recruitment processes have led to faster project execution. ADB's streamlined processes in these areas are harmonized with other multilateral development banks, specifically the World Bank. Changes to procurement include higher thresholds for the use of international competitive bidding, reduced requirements for prior review of documents in many national competitive processes, and limited jurisdiction of ADB's Procurement Committee to large and contentious cases. On consultant recruitment, ADB has

streamlined contract negotiation processes, simplified selection methods, and delegated more authority to user departments.



34. These improvements have been achieved without compromising ADB's results orientation or its focus on quality. For example, following its revised business processes for sovereign operations, ADB unbundled sector work from project work under project preparatory technical assistance (PPTA). While this might shorten the PPTA implementation period, it is assumed that sound up-front analytical work has been conducted. In addition, changes in procurement processes incorporate enough flexibility to tailor the application of procurement processes to the capacity of specific executing agencies.

35. **Results.** The impact of the streamlined consultant recruitment processes is being felt. Recruitment time for consulting firms has been shortened by about 20% since 2005, while the time needed to recruit individual consultants has dropped by about 70%.

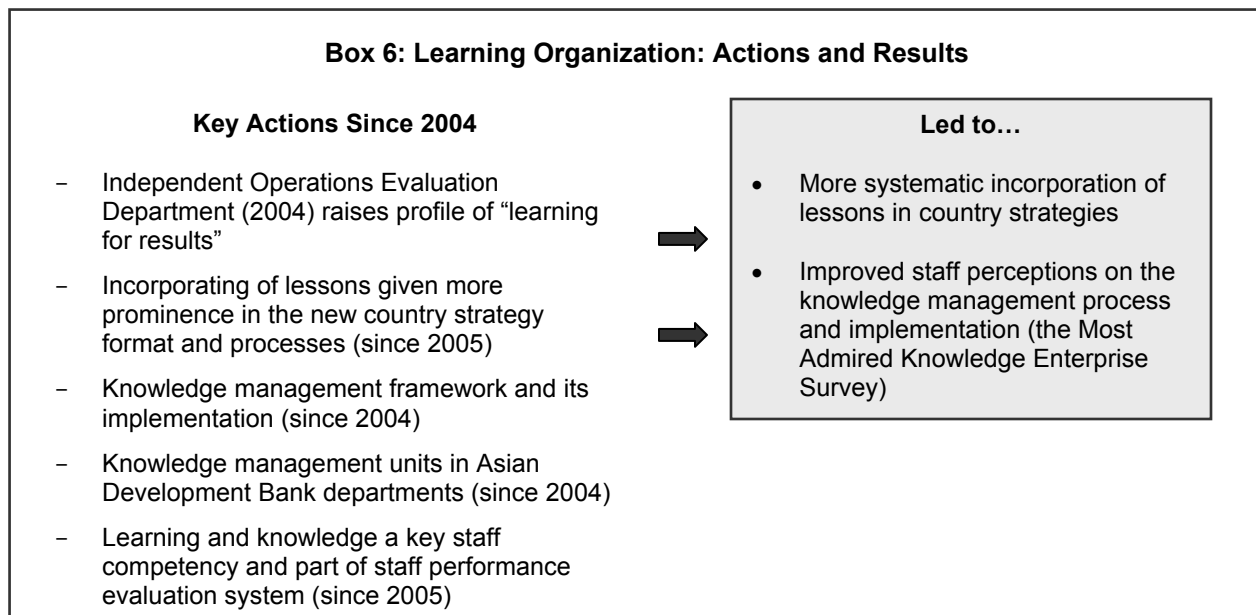
36. **Challenges.** Overall, ADB has made good headway in streamlining processes. However, more is needed. Cumbersome and inflexible business processes remain a weakness in the eyes of ADB's clients and its regional departments. Successful implementation of the recent business process changes is urgent. Loan and TA processing and project administration require further changes, including further delegation of authority while maintaining integrity. Processes relating to safeguard policies are seen as the key area requiring rationalization. The safeguard policy update, which is under way, is expected to respond to this challenge.

## **VI. HAS ADB BECOME A LEARNING ORGANIZATION?**

37. Knowledge is a key asset that enables ADB to add value in its services. ADB's commitment to becoming a learning institution is articulated in the first LTSF for 2001–2015 and the knowledge management framework, introduced in 2004. Strengthening knowledge management has been a major focus of the reform agenda (Box 6).

38. By establishing an independent OED in 2004, Management raised the profile of "learning for results" and incorporating lessons into operations. For example, updated business processes for CPSs require that they incorporate lessons highlighted in CAPEs and recommendations of the Board's Development Effectiveness Committee. Creation of a knowledge management unit within OED in 2006 has improved staff access to lessons from evaluation results.

39. In addition to knowledge sharing through traditional means, such as “brown bag” meetings, workshops, and seminars, ADB is exploring new methods to promote learning. These include the “after action review” to capture lessons from completed projects and other activities. Another example is the Eminent Speakers Forum, a venue for ADB to interact with high-level experts to discuss emerging issues related to its work in the DMCs.



40. ADB also has established knowledge networks in partnership with research institutes across the region. Five hubs have been set up for (i) climate change; (ii) clean energy; (iii) public finance; (iv) public–private partnership on infrastructure; and (v) reduction, reuse, and recycling. Knowledge hubs for transportation, trade, and energy in Central Asian countries also are being planned through the virtual Central Asia Regional Economic Cooperation Institute.

41. If knowledge is to be valued in an institution, staff must be rewarded properly for undertaking such activities. At ADB, knowledge sharing is now recognized as a key competency and is evaluated through each staff’s performance and development plan.

42. **Results.** The wide-ranging knowledge initiatives since 2004 are creating an environment more conducive to learning within ADB. Staff surveys conducted by an independent external agency confirm improvements in staff perceptions on the knowledge management implementation process.<sup>12</sup>

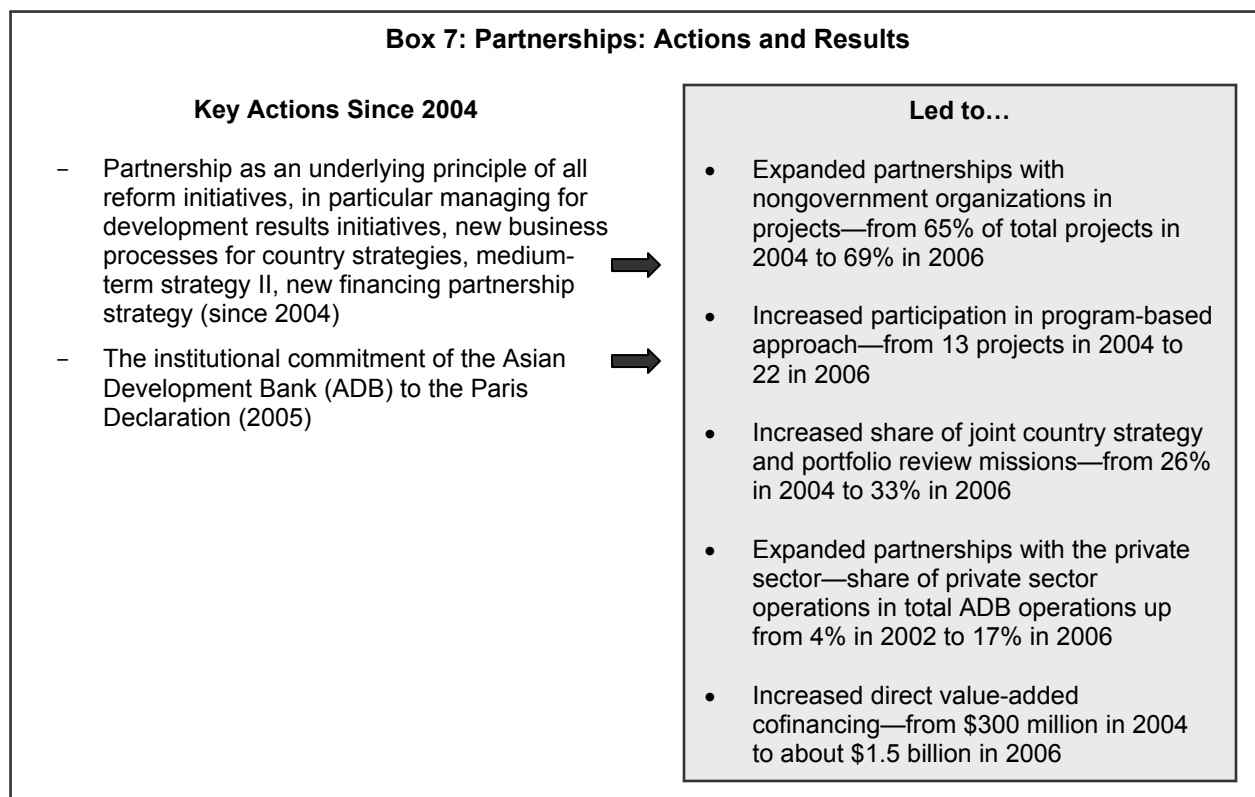
43. **Challenges.** Despite the progress, ADB has a long way to go to become a true learning organization—where learning drives changes that are verified against results. Feedback from regional departments suggests that staff are increasingly hungry for learning, but not nearly enough to call ADB a learning organization. Many departments noted that the institutionalization of a more systematic learning culture is the major challenge they face. A knowledge gap in sectors, industries, and themes is seen as a major constraint to improving operational quality at entry. Learning requires time, which is always at a premium given the pressures of operational

<sup>12</sup> The Most Admired Knowledge Enterprise (MAKE) Survey was conducted by Teleos (United Kingdom) for 2005 and 2006 to assess how ADB is progressing toward a learning institution.

work. Creation of better staff incentives, supported by adequate resources, is urgent if ADB is to become a true learning organization.

## VII. IS ADB PARTNERING MORE EFFECTIVELY?

44. Partnerships with nongovernment organizations (NGOs), bilateral and multilateral organizations, and private sector organizations are vital for ADB. Effective partnerships enable better synergies and coordination, reduce duplication, and optimize the use of resources available for development. Partnership has become an underlying principle for all aspects of ADB operations and initiatives (Box 7).



45. ADB has made steady progress in developing partnerships with NGOs in loan and TA operations. In 2006, NGOs participated in 55 projects, or 69% of projects approved (87% of approved ADF projects), compared with 65% in 2004 (78% for ADF projects). A special evaluation study by OED in 2006 found that greater capacity on the part of ADB to engage more effectively with NGOs has strengthened such partnerships.<sup>13</sup>

46. In line with the commitments under the Paris Declaration on Aid Effectiveness, ADB is participating in more program-based approaches, including sector-wide approaches. Using a single comprehensive program and budget framework, program-based approaches provide a common government-owned platform for all development institutions to provide harmonized assistance. ADB participated in 22 projects totaling \$2.6 billion in 2006, up from 13 such projects totaling \$2.1 billion in 2004.

<sup>13</sup> ADB. 2006. *Special Evaluation Study on Involvement of Civil Society Organizations in ADB Operations*. Manila.

47. ADB is undertaking more CPS and country portfolio review missions with other development partners. Of the 36 CPS and country portfolio review missions carried out in 2006, 33% were conducted jointly with the World Bank or others, compared with 26% in 2004. Despite this, ADB's participation in joint missions in general, including project missions, remained low at 10% in 2006. However, this may be an underestimation as ADB's tracking system does not include RM originated joint missions.

48. Partnerships with the private sector are also expanding. The share of private sector loans and equity investments in total loans increased from 4% in 2002 to about 17% in 2006. Approval of commercial loans under ADB's B-loan program,<sup>14</sup> representing partnerships with private financial institutions, has increased dramatically: against \$450 million in 1996–2005, such lending totaled \$680 million in 2006–2007 alone. The revised strategic framework for private sector development in 2006 also seeks more public–private partnerships in developing cost-effective public goods and services, including infrastructure. In addition, ADB's overall cofinancing operations are expanding. The total direct value-added (DVA) cofinancing has increased from about \$300 million in 2004 to about \$1.5 billion in 2006.<sup>15</sup>

49. **Challenges.** While the results are encouraging, ADB's progress in some areas of partnerships—including use of parallel implementation structures or joint missions—has been mixed. Further, the depth of partnerships varies from country to country. Considering the competing demands for staff resources, creation of improved staff incentives for partnerships is needed to sustain the progress.

## VIII. IS ADB MORE TRANSPARENT?

50. The *Public Communications Policy* (2005) established a framework for proactive communications with all ADB stakeholders (Box 8). Through more proactive communications, ADB envisages building strong partnerships with stakeholders. The policy encompasses two components guiding ADB toward improved disclosure of information and external relations.

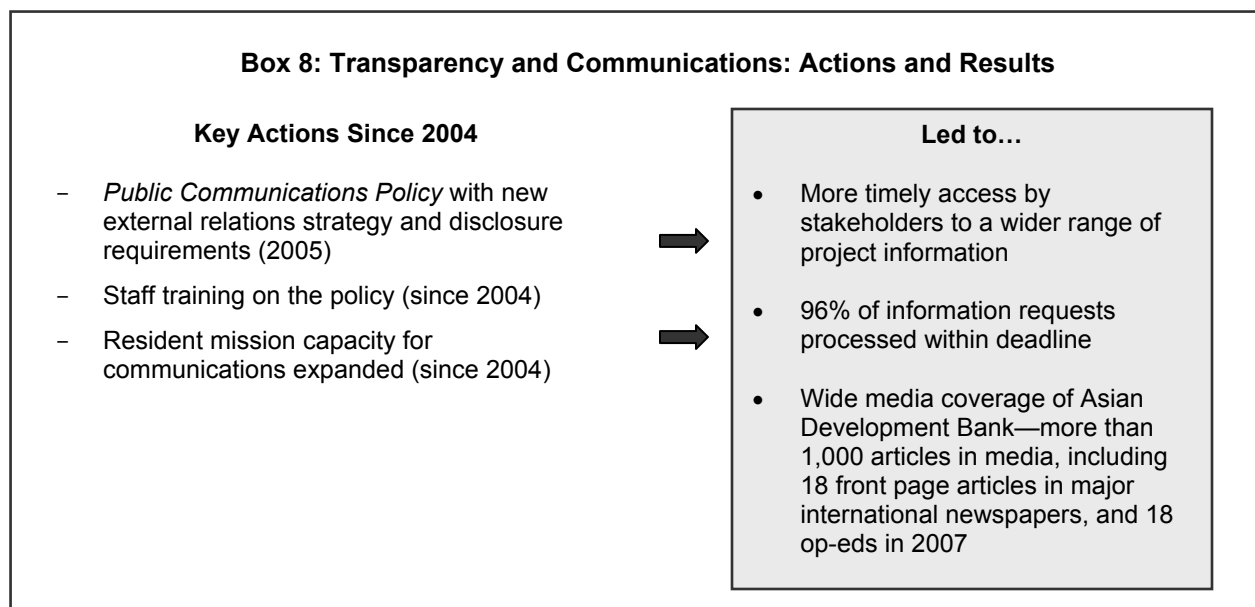
51. The new disclosure requirements provide ADB stakeholders with much better access to ADB information. More project information is available during project preparation and during implementation. Project appraisal reports of private sector operations are disclosed after excising confidential information, and all social and environmental information is released. Minutes of all of ADB's Board meetings and the chair's summaries of Board discussions on ADB policies and strategies are posted on the ADB website. Moreover, country and subregional strategies are also posted, as are the core administrative documents, such as ADB's budget. ADB was also the first multilateral development bank to disclose its country performance assessment ratings beginning in 2005.

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<sup>14</sup> In addition to the direct "A" loans, ADB provides administrative services and acts as "lender of record" for the commercial lenders and other partners that fund the "B" loan. Cofinanciers are given access to ADB's project documentation, thereby facilitating their credit analysis and due diligence.

<sup>15</sup> DVA represents cofinancing with active coordination and formal agreements among financing partners that bring about defined client benefits, including contractual commitments by ADB (such as for credit enhancement, syndication, or financial administration) to facilitate mobilization, administration or participation in cofinancing.

52. Management is leading the way toward a more robust program of external communications. All Management members are engaging audiences through speaking events and media outreach. In 2005–2006, Management participated in 97 such activities in donor countries and in DMCs. In the first 6 months of 2007, the figure was 54. This has led to a rapid expansion of media coverage of ADB activities.



53. Resident missions and representative offices play a frontline role in promoting open communications at the field level. Since 2005, ADB has strengthened resident mission and representative office capacity for communications by (i) allocating additional staff resources; (ii) implementing training activities; and (iii) promoting closer collaboration among resident missions, representative offices, and external relations staff at headquarters. Two resident missions (Indonesia Resident Mission and India Resident Mission) have developed strategic communication plans to maximize impact on stakeholder perceptions. All representative offices have prioritized their target audiences and means of outreach.

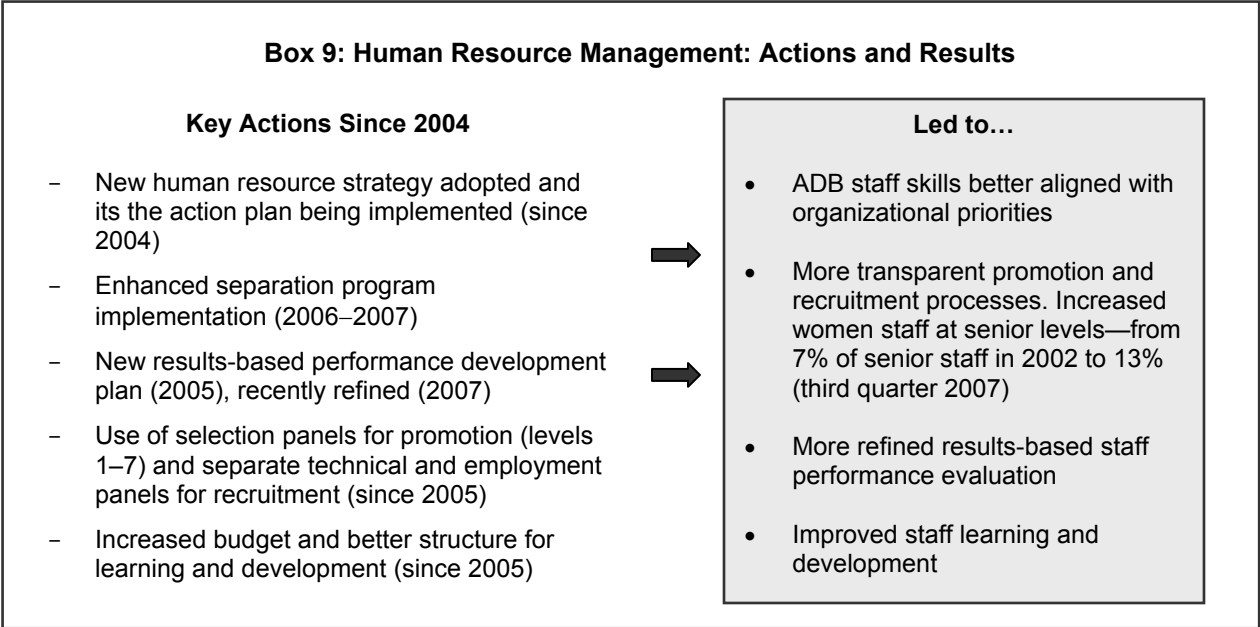
54. **Results.** Of all information requests received, 96% received responses within the deadline. ADB-related stories—neutral to positive in tone—carried by the target top-tier, English-language media totaled 724 during 2005–2006. In 2007, more than 1,000 articles have been published in international and regional media, including 18 front-page articles in three major international newspapers—Financial Times, International Herald Tribune, and The Wall Street Journal—and 18 op-eds written by Management and senior staff.

55. **Challenges.** Despite these achievements, improving stakeholder perceptions remains a challenge. The 2006 global perceptions survey found that only 38% of opinion leaders in South Asia, 33% in the Pacific, and roughly 20% in the other regions believe that ADB operates transparently.<sup>16</sup> Feedback from NGOs and media respondents was particularly critical. ADB must continue prioritizing its communications activities to optimize their impact within limited resources.

<sup>16</sup> The survey report is at <http://www.adb.org/Documents/Reports/ADB-Perceptions-Survey/2006/default.asp>

**IX. IS ADB MANAGING STAFF RESOURCES BETTER?**

56. Well qualified, motivated staff are fundamental to the success of reform initiatives (Box 9). ADB’s new human resource strategy,<sup>17</sup> introduced in 2004, establishes a merit-based, transparent human resource management system that cultivates leadership, rewards performance and improves accountability.



57. Measures undertaken to address ADB’s skills mix issues and skill gaps include realignment, sequestration, and an enhanced separation program. ADB has taken stock of available skills and redeployed staff based on work programs, thereby rebalancing the workload among regional departments. It also has aligned ADB’s skills mix more closely with the priorities of the MTS II.

58. The new performance development plan, introduced in 2005, provides for more rigorous differentiation of staff performance, which was not part of the previous performance assessment systems. Implementation has been challenging, and the new plan was revised in 2007 based on staff feedback. ADB also introduced a performance bonus in 2005 to reward exceptional performance.

59. Recruitment and promotion are now more transparent and efficient. All vacancies for local staff and professional staff levels 1 to 7 are advertised internally and externally. ADB uses selection panels for promotion for staff levels 1 to 7, and separate technical and employment panels for recruitment. Both panels include an independent member in addition to a representative from the user department. ADB continues to seek higher representation of women staff overall and at senior levels through the implementation of the gender action program.

60. To improve its training program, ADB created a Learning and Development Unit within the Human Resources Division of the Budget, Personnel and Management Systems

<sup>17</sup> ADB. 2004. *Human Resources Strategy*. Manila.

Department, with an increased budget allocation.<sup>18</sup> The unit now offers demand-driven learning and development programs through a new curriculum-based and job-family approach. ADB has also introduced targeted training programs for leadership and talent management.

61. **Results.** Implementation of the human resource strategy has resulted in a more transparent, merit-based, and efficient human resource management system compared to 3 years ago (Box 9). Today, ADB's skills mix is better aligned 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% in 2002 to 13% in the third quarter of 2007.

62. **Challenges.** While many changes have been introduced, more work remains to be done. With competing demands for the same pool of talent in Asia, ADB must continue to improve its ability to recruit and retain staff in order to support the reform agenda. To help identify the next steps, ADB will undertake a staff engagement survey in the first quarter of 2008 followed by a comprehensive review of the human resource strategy implementation in the second quarter of 2008.

## X. CONCLUSION

63. In a relatively short period (2004–2007), ADB has implemented a large number of initiatives to support organizational development and improve operational effectiveness. Many of these initiatives have been completed and mainstreamed. While an assessment of the contribution of these reforms to development outcomes would be premature, some output indicators, such as those for operational design and implementation, are improving. ADB is changing.

64. However, ADB cannot become complacent. As an institution serving the most dynamic region in the world, ADB needs to continue changing quickly to enable it to respond better to the evolving needs of an expanding clientele. Poverty reduction remains a large and unfinished agenda. ADB, meanwhile, remains a lean organization; staff are stretched thin. To deliver the ADF X program effectively, ADB must optimize its internal resources and align its staff with the scale and priorities of operations envisaged under ADF X, as well as the new LTSF. ADB must also maintain an appropriate balance between implementation of reforms and cost since reforms are often not cost neutral.

65. ADB Management is committed to consolidating the progress it has made by taking further steps to complete the reforms. These will include:

- (i) mainstreaming MfDR by addressing the implementation issues that have emerged;
- (ii) mainstreaming financing instruments and modalities introduced under IEI;
- (iii) sustaining progress on Paris Declaration commitments and improving performance in areas with slower progress; and
- (iv) reinforcing human resource management by undertaking a staff engagement survey in the first quarter of 2008, followed by a comprehensive review of human resources strategy implementation.

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<sup>18</sup> Total expenditure for learning and development programs rose from \$2.2 million in 2004 to \$3.3 million in 2006, and is projected to reach \$3.8 million in 2007.

**Table: Progress in the Implementation of the Asian Development Bank's Reform Agenda**

Reform Agenda Initiative	Current Status
<b>A. Strengthened operational policies, strategies and approaches</b>	
1. Review, prepare and implement medium-term strategy	
<ul style="list-style-type: none"> <li>• Review Medium-Term Strategy 2001–2005 (MTS I)</li> </ul>	<b>Completed.</b> The review of MTS I was completed in February 2006.
<ul style="list-style-type: none"> <li>• Prepare Medium-Term Strategy 2006–2008 (MTS II)</li> </ul>	<b>Completed.</b> MTS II was adopted in March 2006
<ul style="list-style-type: none"> <li>• Implement MTS II</li> </ul>	<b>Being implemented.</b> Implementation is expected to be completed by 2008. Asian Development Bank (ADB) lending and Asian Development Fund (ADF) grant approvals have become more concentrated (in both volume and number) on priority sectors defined in the MTS II (In 2006 concentration was: Group I – 73%, group II – 11%, Group III – 4%, and Multisector – 12% as compared to 61%, 22%, 6%, and 11% in 2004, respectively). Approvals of new technical assistance (TA) have also since 2006 increasingly been concentrated on MTS II priorities, including a higher percentage for Group I sectors, and increased allocations for governance and capacity development.
2. Prepare ADB's Strategy for regional cooperation and integration (RCI)	
<ul style="list-style-type: none"> <li>• Prepare the strategy</li> </ul>	<b>Completed.</b> The strategy was adopted in July 2006
<ul style="list-style-type: none"> <li>• Implement the strategy</li> </ul>	<b>Being implemented.</b> Implementation is expected to be completed by 2010. ADB adopted the RCI Financing Partnership Facility to enhance RCI in Asia and the Pacific on a joint or parallel basis with development partners and continue to promote and support sub-regional and regional programs.
3. Prepare a revised framework for private sector development (PSD) and implement a new action plan	
<ul style="list-style-type: none"> <li>• Review implementation of the strategy</li> </ul>	<b>Completed.</b> The review was completed in August 2005.
<ul style="list-style-type: none"> <li>• Prepare a revised framework</li> </ul>	<b>Completed.</b> The revised framework was adopted in February 2006. The strategy is helping ADB deliver market-oriented finance and knowledge products and services to help developing member countries (DMCs) attract, keep, and replicate more private sector investment.
<ul style="list-style-type: none"> <li>• Implement the action plan</li> </ul>	<b>Being implemented.</b> Implementation is expected to be completed by 2008. The revised country partnership strategy (CPS) processes integrate private-sector development initiatives into the CPS and the sector road maps supporting it.
4. Review and recommend ways to enhance ADB support to middle-income countries and ordinary capital resources (OCR) borrowers	
<ul style="list-style-type: none"> <li>• Review the approaches and prepare a framework and action plan</li> </ul>	<b>Completed.</b> The paper outlining a coherent framework for various ongoing and planned initiatives in this area was finalized and discussed by the Board in August 2006. The initiatives were grouped into three main areas: (i) reducing the costs of doing business with ADB, (ii) expanding and enhancing ADB's operational instruments, and (iii) enhancing the quality of ADB's services.
<ul style="list-style-type: none"> <li>• Implement the action plan</li> </ul>	<b>Being implemented.</b> The initiative is a long-term activity and being pursued under the Innovation and Efficiency Initiative (IEI) on an on-going basis.

Reform Agenda Initiative	Current Status
5. Review the implementation of ADB's governance and anti-corruption policies <ul style="list-style-type: none"> <li>• Review the implementation of the policies and prepare a revised framework and action plan</li> <li>• Implement the action plan</li> </ul>	<p><b>Completed.</b> The second governance and anticorruption action plan (GACAP II) was adopted in July 2006.</p> <p><b>Being implemented.</b> Start-up phase is expected to be completed by 2007 while institutionalization phase by 2010. GACAP II is being applied to six new CPSs (e.g., Afghanistan, India, Maldives, Pakistan, People's Republic of China, and Sri Lanka), which will be completed in 2007. ADB committed \$4 million to support initial implementation of GACAP II that will enable DMCs in partnership with ADB to design and deliver better quality projects and programs.</p>
6. Review of approaches to strengthen developing member countries' capacity development <ul style="list-style-type: none"> <li>• Review the approaches and prepare a framework and action plan</li> <li>• Implement the action plan</li> </ul>	<p><b>Completed.</b> The new approach was adopted in January 2007. The framework and action plan is (i) institutionalizing capacity development focus in country programs and operations; and (ii) establishing internal support systems for capacity development.</p> <p><b>Being implemented.</b> Implementation is expected to be completed by 2008. A TA for Governance and Capacity Development Initiative approved in January 2007 is supporting the implementation of the action plan, in particular the preparation of capacity development-focused CPS. So far, 14 DMCs have prepared country specific action plans on mainstreaming capacity development focus in national development efforts.</p>
7. Review of ADB's Graduation Policy <ul style="list-style-type: none"> <li>• Review the policy and prepare a revised framework and action plan</li> <li>• Implement the action plan</li> </ul>	<p><b>Being implemented.</b> The review of the policy is ongoing and covers the following areas: (i) Asian Development Fund (ADF) eligibility criteria, country classification framework, and framework for graduation from OCR; and (ii) country classification review process and procedure. The revised framework and action plan is expected to be completed before the end of 2007.</p>
8. Strengthen the Performance-Based Allocation (PBA) Policy	<p><b>Completed.</b> The revision of the PBA Policy was completed in December 2004. ADF resource allocation is now fully linked to country performance. Country performance assessment (CPA) ratings are converted into allocation shares for ADF borrowers using a formula that takes into account CPA ratings and country needs at the same time paying special attention to the needs of smaller countries in the region as well as post-conflict or weakly performing countries.</p>
<b>B. Mainstreamed managing for development results</b>	
1. Establish the Results Management Unit	<p><b>Completed.</b> The Results Management Unit under the Strategy and Policy Department became functional in February 2004 and is implementing the managing for development results (MfDR) action plan.</p>
2. Design and implement an action plan for MfDR <ul style="list-style-type: none"> <li>• Design an action plan</li> <li>• Implement the action plan</li> </ul>	<p><b>Completed.</b> The revised action plan for MfDR was adopted in August 2006.</p> <p><b>Being implemented.</b> Implementation is expected to be completed by 2008. ADB continues to make sound progress in implementing MfDR. All CPSs are now results-oriented. Regional departments are pursuing country-level dialogue on MfDR and adopting improved project filters. DMC governments have increasingly adopted results frameworks for their national development strategies or national poverty reduction</p>

Reform Agenda Initiative	Current Status
	strategies. A community of Practice on MfDR (CoP-MfDR) was established with ADB sponsorship. ADB is undertaking a series of training programs to train DMC officials and ADB staff in improved results techniques.
<p>3. Implement the Project Performance Management Systems action plan</p> <ul style="list-style-type: none"> <li>• Prepare an action plan</li> <li>• Implement the action plan</li> </ul>	<p><b>Completed.</b> The action plan was adopted in April 2004.</p> <p><b>Completed.</b> The initiative has been mainstreamed in ADB operations. The revised design and monitoring framework (DMF) is helping identify results for projects early on, along with more specific indicators to monitor progress. Training on the preparation of DMFs during loan and TA processing are now continuing activities. Project readiness filters were adopted for all projects being prepared. All project Report and Recommendation to the President (RRP) are now required to include a Status Report on Project Readiness Criteria as a supplementary appendix.</p>
<b>C. Refined organizational process and structure</b>	
<p>1. Implement the Innovation and Efficiency Initiative (IEI)</p> <ul style="list-style-type: none"> <li>• Cost sharing and expenditure eligibility</li> <li>• New financing instruments and modalities</li> <li>• Procurement guidelines</li> <li>• Guidelines on consulting services</li> <li>• Country Strategies and Programs and business processes related to processing, approvals and implementation</li> <li>• Update of safeguards policies</li> </ul>	<p><b>Completed.</b> The new approach on cost sharing and expenditure eligibility was adopted in August 2005 and implementation is a continuing activity.</p> <p><b>Being implemented.</b> The new financing instruments and modalities such as multitranche financing facility, non-sovereign public sector financing facility, refinancing facility, and local currency loan product were adopted in August 2005. The first three instruments are being implemented on a pilot basis for an initial 3-year period (1 September 2005–31 August 2008) while the local currency loan product is already an approved mainstream offering.</p> <p><b>Completed.</b> The revisions to the guidelines on procurement and consulting services were adopted in February 2006 and became effective in April 2006. The amendments to the guidelines further streamlined the procedures, improved project implementation performance, and responded to borrowers' demands for more flexibility and modernization in procurement and consulting services.</p> <p><b>Completed.</b> The new business processes to improve the preparation of CPS was adopted in August 2006 and has been mainstreamed in ADB operations.</p> <p>The review of the safeguard policies is no longer being tracked under the IEI and continues to be an ongoing exercise with the Environment and Safeguards Division of the Regional and Sustainable Development Department (RSDD) taking the lead.</p>
<p>2. Conduct an independent assessment of the 2002 ADB reorganization and undertake follow-up actions</p>	<p><b>Completed.</b> The review of the 2002 reorganization was completed in November 2004. Follow-up actions were completed as of December 2006. Major accomplishments were the (i) reorganization of the RSDD, (ii) realignment of the regional departments, (iii) establishment of the independent Risk Management Unit, (iv) upgrading of external relations from an office to a department, (v) clarification on sector/thematic focal point assignments, (vi) establishment of the CoPs, and (vii) assessment of the Operations Evaluation</p>

Reform Agenda Initiative	Current Status
	<p>Department of the possibility of shortening the time gap between project performance evaluation audits and project completion. Other actions, such as improvement of staff skills mix and strengthening of resident missions, etc. are broad and open-ended recommendations and to be pursued on an ongoing basis over time.</p>
<p>3. Harmonize and align practices and procedures for aid effectiveness in agreed-on areas</p>	<p><b>Action Plan Completed.</b> The action plan was formulated and initiated in September 2004. The initiative is a long-term activity and being pursued on an ongoing basis over time. Key achievements under the action plan are:</p> <ul style="list-style-type: none"> <li>• ADB's PBA system is harmonized with the International Development Association and African Development Bank.</li> <li>• ADB is developing with other multilateral development banks (MDBs) good practice standards (GPS), and using the GPSs to assess and compare benchmarking studies.</li> <li>• ADB is developing with other MDBs a joint work program for Use of Country Systems; and consulting other MDBs on the safeguard policy updates.</li> <li>• ADB is collaborating with other MDBs on the financial management approach to governance and anticorruption, sector-wide approaches and policy-based lending, and country financial management diagnostics.</li> <li>• ADB agreed with other MDBs on a common framework for combating corruption and jointly issued a joint statement.</li> <li>• ADB prepared jointly with other MDBs country gender assessments for Viet Nam and People's Republic of China and collaborating currently on other country gender assessments.</li> <li>• ADB led the preparation of the first Common Performance Assessment System (COMPAS) Report released in 2005, which is a joint initiative to monitor MDB contributions to development results.</li> <li>• ADB is working with governments and other development partners in developing harmonized approaches to capacity development for improved results.</li> <li>• ADB and World Bank (WB) carried out joint surveys of the "Investment Climate" on a pilot basis.</li> <li>• ADB's procurement and consultant selection provisions have been harmonized with those of the WB.</li> <li>• ADB is working with other MDBs on (i) a common withdrawal application form, (v) imprest/special accounts and advance, (vi) anti-money laundering, and (viii) post-conflict/natural disaster recovery programs.</li> </ul>
<p>4. Solve year-end bunching problem</p>	<p><b>Completed.</b> The initiative to reduce bunching is a long-term activity. It will be pursued on an ongoing basis over time to maximize ADB's operational effectiveness and tighten planning and monitoring of Board schedules. Continuing activities to limit bunching include: (i) provision of monthly reports to Management on the emerging status regarding the scheduling of project approvals in the fourth quarter, (ii) inclusion of bunching issues in the Management Committee meetings on operations, and (iii) adoption of a checklist to monitor the status of each project-readiness filter before each project-processing stage by regional departments.</p>
<p><b>D. Reinforced knowledge management</b></p>	
<p>1. Implement a knowledge management action plan</p> <ul style="list-style-type: none"> <li>• Prepare a framework</li> </ul>	<p><b>Completed.</b> The framework and action plan were adopted in June 2004.</p>

Reform Agenda Initiative	Current Status
<ul style="list-style-type: none"> <li>Implement the action plan</li> </ul>	<p><b>Being implemented.</b> Implementation of the action plan is expected to be completed by 2009. CoPs on sector and thematic areas were formed and compact strategic views on these areas were developed. Five regional knowledge hubs with government and nongovernment partners were established. ADB launched the following IT tools: (i) C-Cube, a knowledge Collaboration, Communication and Coordination tool, which allows members to work virtually; (ii) Skills Knowledgebase System, a database of staff skills and expertise; and (iii) e-Star (Electronic Storage and Retrieval), which centralizes capturing and storing of documents for easier access and sharing, throughout the organization.</p>
<p>2. Prepare and implement a Public Communications Policy (PCP)</p>	<p><b>Completed.</b> The PCP adopted in April 2005 further increased accountability and transparency. It is a long-term activity and will be pursued on an ongoing basis over time. The first independent ADB perceptions survey report was also released in November 2006.</p>
<p>3. Implement the Information Systems and Technology Strategy, 2004–2009 (ISTS II)</p> <ul style="list-style-type: none"> <li>Prepare the strategy</li> <li>Implement the strategy</li> </ul>	<p><b>Completed.</b> ISTS II was adopted in June 2004.</p> <p><b>Being implemented.</b> Implementation is expected to be completed by 2009. Key projects completed include (i) a collaborative software solution for CoPs, (ii) the initial release of the document repository system, (iii) the reports automation of regional departments, and (iv) upgrading of the mainframe and e-mail server. ADB is preparing an approach and project plan for an integrated information system that will provide end-to-end project processing and portfolio management support for ADB operations.</p>
<p><b>E. Improved human resource management and staff incentives</b></p>	
<p>1. Formulate and implement a new human resources strategy</p> <ul style="list-style-type: none"> <li>Formulate a strategy</li> <li>Implement the action plan</li> </ul>	<p><b>Completed.</b> The new strategy was adopted in October 2004.</p> <p><b>Being implemented.</b> The implementation of most of the strategy’s action plan is expected to be completed or under progress by the end of 2007. ADB completed the second cycle of the new performance management system to continue the effort to promote a results-oriented work culture and established a systematic talent management process for identifying potential leadership and managing their development. Implementation of several ongoing initiatives will continue beyond 2007 to achieve the strategy’s objectives.</p>

## SAMPLE SECTOR RESULTS PROFILE: NEPAL TRANSPORT AND COMMUNICATIONS

Sector Outcomes	
Outcome Targets	Progress as of 31 October 2007
<p><b>A. National Outcomes</b></p> <ol style="list-style-type: none"> <li>Economic growth by removal infrastructure bottleneck <u>Indicator:</u> Annual GDP growth rate of 5% by 2010</li> <li>Poverty reduction by addressing regional divide through improving connectivity <u>Indicator:</u> Population below poverty line reduced to 24% in 2010</li> </ol> <p><b>B. Sectoral Outcome</b></p> <ol style="list-style-type: none"> <li>Improved mobility <u>Indicator:</u> Increased % of population served with 4 hrs walk in hills and 2 hrs walk in terai to SRN, from 62% in 2005 to 72% in 2010.</li> <li>Enhanced air transport services <u>Indicator:</u> Increased the number of air transport passengers per year in TIA from 992,641 in 2004 to 2,470,000 in 2010.</li> <li>Improved VDCs' access to communication services <u>Indicator:</u> <ul style="list-style-type: none"> <li>VDCs with telephone facility from 1761 in 2002 to 3590 in 2007</li> <li>1275 VDCs (30%) connected with computer networks by 2007</li> </ul> </li> </ol>	<p><b>A. National Outcomes</b></p> <ol style="list-style-type: none"> <li>Annual GDP: 2.5%</li> <li>Population below poverty line: 31%</li> </ol> <p><b>B. Sectoral Outcome</b></p> <ol style="list-style-type: none"> <li>On track. In 2006, about 65% of population served with 4 hrs walk in hills and 2 hrs walk in terai to SRN.</li> <li>In 2006, the number of passengers in TIA was 1,057,743.</li> <li>About 60% VDCs (about 2700) connected with phone facility. About 80% (59 districts) have internet connections.</li> </ol>
Output Targets	Progress as of 31 October 2007
<p><i>Policy and Institutional Reform</i></p> <ol style="list-style-type: none"> <li>By 2002, Heavy Vehicle Management Policy approved [L1876]</li> <li>By 2005, Road Fund Board fully operational financed by a road levy</li> <li>By 2005, the Master Plan for SRN approved</li> <li>By 2006, BOT Act, rules, regulation and guidelines enacted and approved</li> <li>By 2007, Guidelines on Enhancing Poverty Reduction Impact of Road Projects approved [TA 4760]</li> <li>By 2010, cross-border vehicle movement synchronized, custom procedures streamlined [L2096]</li> <li>By 2012, DOR's capacity in contract management strengthened [TA 4825]</li> <li>By 2004, Nepal Telecommunications Corporation converted into a public company under the Company Act</li> </ol>	<ol style="list-style-type: none"> <li>Approved by MPPW on 29 Aug 06. Submitted to Cabinet.</li> <li>Established in December 2003</li> <li>Priority Investment Plan (10 year plan) approved in Aug 07</li> <li>BOT Act enacted in August 2006. PPP rules, regulation and guidelines have been developed</li> <li>In the final stage and circulated to stakeholders.</li> <li>UNCTAD consultants were mobilized on 25 June 2007</li> <li>Consultants are being recruited.</li> <li>To be updated.</li> </ol>
<p><i>Physical Infrastructure</i></p> <ol style="list-style-type: none"> <li>Increased % of maintainable roads in SRN, from 92% in 2000 to 95% in 2010</li> <li>Increased the SRN by additional 1025 km during 2002-2007</li> <li>Connected district HQs, from 60 in 2002 to 70 in 2007</li> </ol>	<ol style="list-style-type: none"> <li>86% in 2006 and 84% in 2007</li> <li>736km of SRN are being extended (FY03 – 113km; FY04 – 93km; FY05 – 98km; FY06 – 152km; and FY07 – 280km)</li> <li>61 HQs connected in 2006 and 63 HQs in 2007</li> </ol>

Sector Outcomes	
Outcome Targets	Progress as of 31 October 2007
12. Increased total number of domestic airports in operation from 33 in 2005 to 40 in 2010 13. Telephone lines per 1000 population from 14 in 2002 to 36 in 2007	12. In 2007, out of total 46 domestic airports, only 33 airports are in operation. 13. In 2005, penetration rate is 6.48% (fixed telephones at 2.46% and mobile at 4.03%), concentrated in Kathmandu
ADB Supported Outputs	ADB Supported Outputs
1. By 2007, complete: <ul style="list-style-type: none"> <li>• periodic maintenance (pavement strengthening) of 140 km EWH [Nepal Output 9]</li> <li>• upgrading of 165 km feeder and district roads including 1 district HQ connection [Nepal Outputs 9, 10, and 11]</li> <li>• performance-based maintenance contract of 200-300km of SRN [Nepal Output 9]</li> </ul> 2. By 2010, improve <ul style="list-style-type: none"> <li>• cross border roads at Padam (12.4km), and Bhairawa-EWH (29km) [Nepal Outputs 6 and 9]</li> <li>• ICD at Kakarbita (ICD) and install ASYCUDA and equipments in cross borders facilities [Nepal Output 6]</li> </ul> 3. By 2013, complete improvement of 490km of feeder roads, including connections to 3 district HQs [Nepal Outputs 10-11] 4. By 2007, start improvement of airport(s) 5. By 2007, start development of ICT for public service delivery, including: <ul style="list-style-type: none"> <li>• Wireless broadband networks in all 75 districts</li> <li>• Village networks in 11 districts</li> </ul>	1. Status as of July 2007 (to be completed in 2008) <ul style="list-style-type: none"> <li>• EWH: physical progress xx% with 36km completed</li> <li>• Feeder &amp; district roads: physical progress xx% with 121km completed</li> <li>• 250 km PBM: resealing completed, maintenance ongoing</li> </ul> 2. Status as of July 2007 <ul style="list-style-type: none"> <li>• Cross border roads and facilities: procurement is ongoing</li> </ul> 3. 1 <sup>st</sup> phase (230km): Feasibility study completed and detailed design ongoing. 2 <sup>nd</sup> phase (270km): Feasibility study ongoing 4. PPTA fact-finding completed, for approval in 2007 5. The Loan is expected for approval in January 2008, to be completed in 2014.
Sector Inputs	
TA and Loan Program	Progress as of 31 October 2007
1. L1876-NEP: Road Network Development Project (\$53 million; 2003 – 2008) 2. L2097-NEP: Subregional Transport Facilitation Project (\$20 million; 2005 – 2010) 3. G0051-NEP: Road Connectivity Sector Project (\$55 million; 2006 – 2013) 4. TA 4760: Enhanced Poverty Reduction Impacts of Roads (\$350,000; 2006-2007) 5. TA 4825: Capacity Building in Road Feasibility (\$300,000; 2006-2012) 6. TA 4842: Preparing North-South Fast Track Project (\$850,000; 2006-2008) 7. ADTA for Preparing Civil Aviation Strategy (\$600,000; 2008 – 2010) 8. TA 4833: Preparing the ICT for Public Service Delivery Project (\$600,000; 2006 – 2008) 9. PPTA for Preparing Civil Aviation Improvement Project (\$600,000; 2008 – 2010)	1. Cumulative contract awards: \$ 41.4M Cumulative disbursement of \$ 30.3M 2. Cumulative contract awards: \$ 5.04M Cumulative disbursement of \$ 1.38M 3. Cumulative contract awards: \$5.97M Cumulative disbursement of \$ 0.73M 4. Cumulative contract awards: \$289,245 Cumulative disbursement of \$ 207,060 5. Cumulative contract awards: \$34,000 6. Cumulative contract awards: \$671,000 Cumulative disbursement of \$ 272,000 Ensuing loan is planned for 2008 Completed 7. Cumulative contract awards: \$500,000 Cumulative disbursement of \$ 444,000 Ensuing loan is being processed for approval in Jan 2008 8. Fact-finding completed, expected approval in Dec 2007. The ensuing loan is proposed for 2010

## STRENGTHENING OF RESIDENT MISSIONS

**Table A3.1: Growth in Resident Mission Activities**

<b>Resident Mission Activities</b> (Number and % of ADB Total)	<b>2000</b>	<b>2006</b>
Number of Resident Missions	13	23
Resident Missions Leading Country Programming	3 (23%)	20 (87%)
Public Sector Projects Processed	5 (7%)	3 (5%)
Public Sector Projects Administered	67 (15%)	175 (39%)

ADB = Asian Development Bank.

Source: Asian Development Bank

**Table A3.2: Growth in Resident Mission Resources**

	<b>2000</b>	<b>2006</b>
<b>A. Staffing</b>		
Professional Staff	40	103
National Officers	54	171
Administrative Staff	69	178
Resident Mission Total	163	452
ADB Total	1,994	2,458
Share of Resident Mission in Total ADB (%)	8	18
<b>B. Internal Administrative Expense</b>		
Resident Mission Total (\$ million)	16	41
ADB Total (\$ million)	205	313
Share of Resident Mission in Total ADB (%)	8	13

ADB = Asian Development Bank.

Source: Asian Development Bank.