

MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY ON RESIDENT MISSION POLICY AND RELATED OPERATIONS: DELIVERING SERVICES TO CLIENTS

On 13 December 2007, the Officer-in-Charge, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. We welcome OED's Special Evaluation Study (SES) on the Resident Mission (RM) Policy and Related Operations. We appreciate OED's efforts to bring this SES forward to enable the ongoing review of RM operations, currently being led by the Strategy and Policy Department (SPD), to use its findings. The draft SES contains valuable information that served as an important input to ADB's broader review exercise.

2. Since the approval of the RM policy in 2000, RM activities have significantly expanded, and as a result, RMs have become a vital part of ADB as the primary operational interface between ADB and the host DMCs. Between 2000 and 2006, the number of fully operational RMs increased from 13 to 23, with authorized staff positions growing from 8% of total ADB staff to almost 20%. Over the same period, internal administrative expenses (IAE) more than doubled in percentage term from just over 7% of ADB's total IAE to over 14%.

3. In line with the increase in their number and size, RMs have progressively been delegated a greater number of responsibilities. Country programming has now been almost entirely delegated to RMs. As of 2006, most RMs (20 out of 23) led the preparation of the country partnership strategy (CPS), CPS mid-term progress review and annual country operations business plans. Project administration and portfolio management is also being increasingly delegated to RMs, with almost 40% of ADB's total loan portfolio delegated to RMs for administration by end 2006. Finally, economic, thematic, and sector work has been selectively delegated to RMs. In particular, RMs have assumed additional responsibilities for country-level economic work, with the majority of country economists now based in RMs.

4. **Overall Assessment.** We endorse the SES key findings that the policy and RM operations have been successful. Evidence from a number of sources (quantitative evidence at the project level as well as perception surveys of internal and external stakeholders) suggests that delegation of responsibilities to RMs has had a positive impact on ADB's operations. This is consistent with the preliminary findings emerging from the ongoing RM review led by SPD.

5. **Long-Term Perspective on RM Operations.** The SES implies that in a longer-term perspective, ADB should decentralize fully. We note that this suggestion does not follow logically from the earlier analysis. The SES does not explain the basis for this proposition nor support it with empirical evidence from the practice of other similar organizations. The SES key findings are that RMs have performed well in terms of the set of functions and specific roles defined in

the RM policy. This result does not provide a sufficient basis to conclude that RMs would also perform well on significantly expanded responsibilities (as suggested in Section VII of the SES).

6. However, we agree with the SES observation that business processes and human and financial resource implications need to be considered, as ADB determines the extent of future decentralization. While in some cases, delegation to RMs (for example of loan disbursement operations) may reduce response time to the clients, there may be cases where, due to the low volume of operations in a country, greater efficiency can be achieved by streamlining or providing additional resources to the function performed by ADB headquarters (HQ). Delegation of further authority to RMs also needs to be closely coordinated with delegation processes at HQ, to ensure consistency throughout the organization.

II. Specific Comments on Key Recommendation

7. The SES recommends that ADB prepares a new decentralization strategy to guide RM management following the completion of the long-term strategic framework (LTSF) review exercise. Management cannot take a position on this recommendation at this stage, as the LTSF review is still ongoing. We note, however, that the preliminary findings emerging from ADB's internal ongoing review of RM operations indicate that the broad framework of the 2000 RM policy remains sufficiently robust to support further delegation of responsibilities to RMs. Nevertheless, we agree that several improvements are needed to strengthen the implementation of the policy. These include: (i) stronger integration of RM and HQ task teams, (ii) strengthening the incentive systems to attract and retain both international professional staff and national officers in RMs, (iii) further adjustments in staff complements and skills mix in selected RMs to match workload, and (iv) additional investment in information and communications technology facilities. These issues should be carefully examined before delegating further responsibilities to RMs. This is one of the objectives of the ongoing review of RM operations.

8. We will reassess our position on the need for a decentralization strategy, following completion of the LTSF review exercise. Indeed, the extent of further decentralization will need to be carefully considered in the context of specific operational needs and models emerging from the revised LTSF. This assessment must take into account the fact that ADB is based in the region it serves, the diverse levels of service requested of RMs depending on country circumstances, and overall resource considerations.