

ASIAN DEVELOPMENT BANK

**ESTABLISHMENT OF A COOPERATION FUND IN SUPPORT OF
MANAGING FOR DEVELOPMENT RESULTS**

March 2004

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
MDG	–	Millennium Development Goal
OCO	–	Office of Cofinancing Operations
RMU	–	Results Management Unit
RSDD	–	Regional and Sustainable Development Department
SPD	–	Strategy and Policy Department
TA	–	technical assistance

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I. BACKGROUND

1. By adopting poverty reduction as its overarching objective in 1999, the Asian Development Bank (ADB) has increased its operations' focus, and development effectiveness. ADB is introducing a comprehensive system to measure, monitor, report, and manage development results, in line with similar approaches in other multilateral development banks and development institutions and agencies. The system will be designed to meet ADB's specific needs, be based on ADB results-oriented practices, and draw on other organizations' experiences and best practices.¹

2. ADB is committed to improve management to achieve development results and is taking steps to move beyond analysis to implementation. In doing so ADB will build on its initiatives to improve tracking of its contribution to development effectiveness.

3. ADB is also committed to helping its developing member countries (DMCs) achieve the Millennium Development Goals (MDGs) as well as placing targets for MDGs and related outcomes at the core of benchmarks for ADB operations. ADB has an equally important commitment to the process by which target achievement can be measured, monitored, and managed. This process, and the challenges it brings to ADB, are at the center of managing for development results.

II. THE ASIAN DEVELOPMENT BANK'S APPROACH TO MANAGING FOR DEVELOPMENT RESULTS

4. No standard model is applicable to managing for development results. However, the approaches that seem most successful have a number of components in common: (i) focus on desired results, (ii) ability to measure progress made toward those results, (iii) ability to use information on results to manage operations and resources to improve performance, (iv) accountability for results at all staff levels, (v) a merit-based human resource management system, and (vi) staff awareness and ownership.

5. An optimum phased approach to management for development results also aims to capture the following features over time:

- (i) **managing for development results at the country level** (with other funding agencies) to nurture DMCs' capacity to improve techniques to manage for development results in the design, and implementation of national development plans, and to achieve the MDGs and related targets;
- (ii) **managing for development results at institutional (ADB) level** to achieve a number of objectives, including the following:
 - (a) improve operations and processes at the project-program, country-sector, and corporate levels, among others;
 - (b) work with personnel department to nourish human resource management;

¹ Managing for development results is not a new concept, although much work is evolving in key areas such as indicator selection, linkage between outputs and outcomes, measuring agency effectiveness, and so on. ADB is building, as much as possible, on lessons learned from other agencies, including bilateral ones, and the substantial body of work on results-based management, generally, to craft the conceptual framework for moving forward.

- (c) strengthen and develop management through management training; and
- (d) develop technology support systems;

(iii) participation in partnerships to

- (a) enhance joint efforts with the United Nations (UN) (especially on MDGs), other international financial institutions, and bilateral funding agencies;
- (b) participate in global forums; and
- (c) take part in unified efforts to develop indicators and other monitoring and evaluation instruments.

III. RATIONALE FOR ESTABLISHMENT OF THE COOPERATION FUND

6. The Government of Canada (the Government) shares ADB's view that better measuring, monitoring, and managing for development results are important. The Government also believes that the agenda and action plan to adopt the managing-for-results approach in ADB and its DMCs are ambitious, and successful implementation requires support from donor countries in the form of grant financial resources as well as a sharing of expertise.

7. To start, the Government and ADB have agreed to create a cooperation fund in support of managing for development results (the Fund). Participation in the Fund is open to all ADB member countries (participating funding agencies).

IV. OBJECTIVE AND SCOPE OF THE FUND

8. The objective of the Fund is to help ADB promote results-management techniques within ADB and DMCs. In this way the Fund is expected to help achieve ADB's overarching objective of poverty reduction in the Asia-Pacific region.

9. The Fund covers the following activities:

- (i) Strengthen DMC capacity to prepare and implement results-oriented national development plans. The Fund will provide assistance aimed at, among other things, the following:
 - (a) conducting diagnostic assessments of results based-management strategies and implementation systems (including sector road maps and capacity building) at central and local levels;
 - (b) preparing results-oriented action plans;
 - (c) preparing and implementing capacity-building plans.
 - (d) increasing civil-society involvement in design, monitoring, and evaluation of results-oriented national and sector strategies.
 - (e) training activities for government officials. To the extent appropriate to maximize dissemination of good practices, selected representatives of

civil society organizations and national officers of ADB resident missions may also attend the training sessions.

- (f) assessing the state of results-management techniques in individual DMCs and providing advice on results-oriented approaches,
 - (g) piloting new schemes to better measure, monitor, and manage for results at the DMC level.
 - (h) aligning cooperation programs with country results, including assistance to produce high-quality sectoral road maps; and
 - (i) harmonizing results-reporting and improvement of statistical systems at the country level.
- (ii) Promote ADB's contribution to improve management-for-development results through regional activities to build capacity on standards and norms of results management, including facilitating participation of DMC officials at international seminars and workshops on results management.
 - (iii) Increase the results orientation of public sector management efforts and reform programs by applying results-based approaches to planning, budgeting, and implementation.
10. The outputs of the Fund are expected to be the following:
- (i) increased results-orientation of national development plans and high-quality sectoral road maps produced by DMCs,
 - (ii) DMC capacity-building workshops and materials for them, and
 - (iii) participation of DMC officials in international events on results.

V. IMPLEMENTATION ARRANGEMENTS

11. In accordance with the procedures and guidelines of ADB on Technical Assistance (TA), the Fund will finance the design, processing, and implementation of activities within the Fund's scope.

A. Eligibility

12. All ADB DMCs are eligible to receive assistance under the Fund. No geographical or other forms of pre-allocation apply. TA proposals should be in line with the needs of implementing ADB's action plan on Managing for Development Results as developed and updated by the Results Management Unit (RMU) in Strategy and Policy Department (SPD).

B. Processing Procedures

13. ADB policies and procedures will govern each Fund-supported TA project. Proposals for TA funding out of the Fund will be initiated by ADB's departments and offices. These will prepare a brief concept note (two pages at most) in consultation with the DMC government and, depending on the activities involved, in collaboration with NGOs, other community organizations, and/or other stakeholders in the DMC. RMU staff will help in this effort.

14. The RMU will collaborate closely with Office of Cofinancing Operations (OCO) and Regional and Sustainable Development Department (RSDD) staff to ensure that the process and selection of the proposal, timing of the review, and approval of funding are closely coordinated.

15. Upon Board approval of this paper, SPD will prepare a template to help departments prepare concept notes and proposals. ADB will process and implement Fund activities in the same manner as for TA activities and in accordance with established ADB procedures.

16. ADB will inform participating funding agencies of all the TAs to be financed under the program.

C. Consulting Services and Procurement

17. The recruitment of consultants will be carried out in accordance with ADB's *Guidelines on the Use of Consultants* as amended from time to time. Procurement of goods and services will conform to ADB's *Guidelines for Procurement* as amended from time to time.

D. Monitoring and Evaluation

18. ADB will monitor and evaluate Fund activities in the same manner as for ADB-financed technical assistance operations and in accordance with established ADB procedures. ADB will prepare an annual progress report on the Fund and its activities and will submit the report to each donor government participating in the Fund.

E. Executing Agencies

19. Executing agencies for Fund activities will, in general, be agencies in the DMC (at the central or local levels). However, depending on the activity, NGOs and community-based organizations could be involved in design, implementation, and monitoring, under contractual arrangements with executing agencies. Expenditures arising from Fund activities will be paid in accordance with ADB's standard procedures for disbursements.

F. Review Committee

20. A review committee will be established within ADB, comprising selected staff from various departments. The committee will meet once every three months to discuss and clear proposals in the pipeline based on the eligibility criteria.²

G. Responsibilities of the Strategy and Policy Department, Regional and Sustainable Development Department, and Office of Cofinancing Operations

21. Cooperation between various ADB departments is essential for the Fund's success. SPD will act as a focal point and a central channel of communications between various departments and participating donor countries for all technical and implementation matters relating to the Fund's performance.

² Depending on the experience, meetings can be held monthly.

22. OCO will act as the official channel of communication between the participating funding agencies and ADB on financial matters related to the Fund. OCO will monitor and report on the Fund's financial performance and liaise with participating funding agencies governments.

23. RSDD will be consulted regularly, and arrangements will be made for SPD and RSDD (particularly with staff who operate the Governance Cooperation Fund, Cooperation Fund in support of Formulation and Implementation of National Poverty Reduction Strategies, Poverty Reduction Cooperation Fund, and other relevant funds) to jointly review proposals received for funding to ensure efficiency and avoid overlap.

VI. FUNDING ARRANGEMENTS

24. The Government of Canada has proposed to make an initial lump-sum grant contribution of Can\$1 million. At its discretion, the Government may provide additional resources to the Fund. The lump-sum grant will be remitted when ADB and the Government sign the channel financing arrangement providing the first contribution to the Fund. Contributions from other funding agencies will be effected through the signing of similar arrangements, which will be approved by management and provided to the Board for information.

25. Contributions from participating funding agencies under the Fund will be deposited into a United States dollar interest-bearing account to be specified by ADB. Interest accrued on such amounts will be used for the Fund. The resources of the Fund may be freely exchanged by ADB into other currencies as required. Any fees, including the service charge for administering the Fund (para. 26) and charges relating to the purchase of such other currencies, will be paid out of the Fund.

26. The Fund will be held and administered by ADB separately from ADB's resources. A service charge will be paid to ADB in accordance with its policy on service charges for administration of grant cofinancing from bilateral sources.³ ADB may use part of the Fund (and any interest thereon) to cover the service charge.

27. ADB will maintain records and accounts in accordance with the normal procedures to show expenditures financed by the Fund. ADB will provide the participating funding agencies with periodic reports on the use of the Fund and the activities it has financed. Such reports will be made available to the Board. ADB and the participating funding agencies will periodically review the administration and operation of the Fund.

VII. RECOMMENDATION

28. It is recommend that the Board approve (i) the establishment of the proposed cooperation fund in support of managing for development results and its administration in accordance with the provisions set forth in this paper; and (ii) ADB entering into the channel financing arrangement with the Government of Canada in relation to its grant contribution to the Fund, substantially in the form of the draft attached.

³ ADB. 2000. *Review of Service Charges for the Administration of Grant Cofinancing from Bilateral Sources*. Manila (R68-00).

ADMINISTRATIVE ARRANGEMENT

between the

GOVERNMENT OF CANADA

and the

ASIAN DEVELOPMENT BANK

in regard to a Grant for the

COOPERATION FUND IN SUPPORT OF
MANAGING FOR DEVELOPMENT RESULTS

Dated as of _____

ARRANGEMENT between the Government of Canada (hereinafter referred to as the Government), as represented by the Minister for International Cooperation, acting through the Canadian International Development Agency (hereinafter referred to as CIDA), and the Asian Development Bank (hereinafter referred to as ADB).

WHEREAS, the Government wishes to provide a further grant for the reduction of poverty in Asia and the Pacific, specifically in the area of managing for development results;

WHEREAS, the Government wishes to facilitate closer working relationships, policy dialogue and collaborative programming with ADB;

WHEREAS, the Government has indicated its intention to make available to ADB a grant (hereinafter referred to as the Grant) for the Cooperation Fund in support of Managing for Development Results as described in the ADB Board Paper attached hereto as Annex 1 (hereinafter referred to as the Fund) for the purpose of financing all or part of the program of activities described in Article 3 of this Arrangement (hereinafter referred to as the Program), and has requested ADB to manage the Grant according to the terms of this Arrangement;

WHEREAS, the Government and ADB wish to conclude the present Arrangement for the purpose of setting out the terms and conditions concerning the provision and the management of the Grant for the Program;

NOW THEREFORE, the Government and ADB have reached the following Arrangement:

Article 1: Responsible Authorities

1.01 The Government designates CIDA as the Agency responsible for the implementation of its commitments under this Arrangement.

1.02 ADB designates the Office of Cofinancing Operations as the unit responsible for the implementation of ADB's commitments under this Arrangement pertaining to general communications and financial matters, and the Results Management Unit of the Strategy and Policy Department as the unit responsible for the implementation of ADB's commitments under this Arrangement pertaining to the implementation of the Program and related technical matters, or such other unit as ADB may specify.

1.03 This Arrangement is not an international treaty; it is an administrative arrangement between the Government and ADB.

Article 2: Amount of Grant

2.01 The Government, through CIDA, will provide, on an untied basis, a grant for the Fund in the amount of one million Canadian dollars (Can\$1,000,000) in accordance with Article 6.01 of this Arrangement. Such amount, together with any additional amounts the Government may provide from time to time for the purpose of the Program, will constitute the Grant.

Article 3: The Program

3.01 The Program will consist of activities that will assist ADB in its undertaking to promote results management techniques within both ADB and DMCs respectively. The activities eligible for funding under the Program are more fully described in Annex 1.

3.02 The Grant will fund technical assistance projects (hereinafter referred to as the Projects) for the provision of policy advice, training and capacity building, institutional support and other technical assistance services, and other activities which may be agreed upon between CIDA and ADB.

Article 4: Recipients of the Grant

4.01 The recipients of the Grant (hereinafter referred to as the Recipients) will be ADB's DMCs and institutions operating in such countries. All borrowing DMCs are eligible for assistance under the Program.

Article 5: Implementation of the Program

5.01 The identification, preparation, appraisal and supervision of a Project to be funded under the Program will be carried out by ADB in accordance with ADB's policies and procedures.

5.02 ADB will select, process, obtain the necessary approvals from ADB's Management or Board for, and subject to this Arrangement, establishing the terms and conditions of, Projects. Projects to be financed under the Program will be approved pursuant to the same procedures utilized for authorizing the use of resources administered by ADB.

5.03 The selection and engagement of consultants, negotiation and conclusion of contracts, procurement of equipment, and supervision of proposed Projects to be funded under the Program, and disbursements in connection therewith will be carried out by ADB. The selection and engagement of consultants will follow ADB's *Guidelines on the Use of Consultants*, as amended from time to time, and the procurement of goods and services will be in accordance with ADB's *Guidelines for Procurement*, as amended from time to time.

Article 6: Disbursement of the Grant

6.01 With the signing of the Arrangement, CIDA will deposit the full amount of the Grant of Can\$1,000,000 equivalent into a US dollar interest bearing account specified by ADB (hereinafter called the ADB account).

6.02 ADB will make withdrawals from the ADB account as necessary to meet expenditures on Projects under the Program as agreed between CIDA and ADB. If other currencies are required for payment to meet any eligible expenditure, ADB may purchase the required currencies with the proceeds of the Grant. Any fees and charges relating to such purchase will be paid out of the Grant.

6.03 For the purposes of this Arrangement, the funds referred to in Article 6.01 above will be held, administered and invested at the discretion of ADB. Pending disbursements, ADB may invest and reinvest the proceeds of the Grant, and any income earned in respect of such investment and reinvestment, as well as any interest earned in respect of the ADB account, will be credited to the ADB account and used for the purposes of the Program.

6.04 Payments due from CIDA are conditional upon appropriation by the Parliament of Canada for the fiscal year in which the payments are made.

Article 7: Approval of Projects

7.01 ADB will inform CIDA of all Projects to be financed under the Program, including their objectives, scope, beneficiaries, estimated costs and financing plan, executing agency, and implementation schedule.

Article 8: Administration Fee

8.01 ADB may use part of the Grant (together with any income and interest earned thereon pursuant to Article 6.03 of this Arrangement) to cover ADB's fee for the administration of the Grant, up to five percent (5%) of the amounts disbursed under the Grant.

Article 9: Reports and Audits

9.01 ADB will supervise and control the operations financed under the Grant in accordance with its standard procedures, and ADB will keep CIDA informed with respect to the implementation of each Project as part of ADB's normal procedures for reporting on the status of Projects.

9.02 ADB will, in accordance with its usual procedures: (i) furnish CIDA with such reports and information as CIDA may reasonably request concerning the progress of the Program; and (ii) inform CIDA promptly of any condition which interferes, or threatens to interfere, with the fulfillment by ADB of its commitments under this Arrangement.

9.03 ADB will maintain records and accounts in accordance with its normal procedures, to show contributions, interest income and expenditures financed by the Grant

9.04 ADB will make available to CIDA such documents and records concerning the Program as CIDA may reasonably require in connection with any audit of Program accounts conducted and financed by CIDA. Any expenses incurred by ADB to carry out any external audit required by CIDA will be borne by CIDA.

9.05 This Arrangement will not be assigned by either party without the prior consent of the other party.

9.06 Projects funded under this Arrangement will be only for the benefit of ADB and its DMCs in accordance with the objectives agreed to between CIDA and ADB from time to time pursuant to Article 3 of this Arrangement.

9.07 ADB will exercise the same care in the discharge of its functions under this Arrangement as it exercises with respect to the administration and management of its own affairs.

Article 10: Consultations and Review of Program

10.01 CIDA and ADB will hold consultations each year after the signature of this Arrangement enters into force to review the operation of the Program and the results being achieved, with a view to confirming or revising the future scope of activities.

10.02 CIDA and ADB will consult in particular whenever either party proposes to: (i) modify materially any agreement entered into for the implementation of this Arrangement; or (ii) suspend or terminate, in whole or in part, disbursements under this Arrangement. CIDA and ADB will also consult with each other whenever ADB identifies a major change of scope in relation to any activities financed out of the proceeds of the Grant.

10.03 CIDA may monitor, review and evaluate the Program activities, with the support of ADB.

Article 11: Replenishment

11.01 This Arrangement may be extended by mutual written understanding of both parties to cover any additional funds which the Government may from time to time make available for the purpose of the Program.

Article 12: Termination

12.01 This Arrangement will come into effect on the date it is signed by both parties.

12.02 If it appears to either party that the cooperation envisaged by this Arrangement can no longer appropriately or effectively be carried out, the Arrangement may be terminated by one party giving ninety (90) days notice to the other party. In the event of termination, ADB will have no claim against the Government by reason of such termination other than payment of expenses actually incurred under this Arrangement to the date of such termination, less any sums previously paid on account thereof; provided that such termination will not affect any agreements entered into between ADB and DMCs, consultants, other persons or third parties prior to ADB's receipt or giving of notice of such termination, and ADB will be entitled to continue to make disbursements and receive further advances from CIDA in respect of such agreements as if this Arrangement had not been so terminated. Unless otherwise agreed in writing by the parties, funds provided by the Government under this Arrangement prior to its termination will, after the termination of this Arrangement, continue to be governed by the terms of this Arrangement. Any unutilized funds will be returned by ADB through CIDA to the Receiver General of Canada.

Article 13: Environmental Protection

13.01 All Projects and activities funded under this Arrangement will be subject to and comply with ADB's policies and procedures related to environmental protection and environmental assessment.

Article 14: Anti-Corruption

14.01 In administering the Grant, ADB will fully implement its anticorruption policy.

Article 15: Canadian Members of Parliament

15.01 It is understood that no member of the Canadian House of Commons will be admitted to any share or part of this Arrangement or to any benefit to arise therefrom.

Article 16: Addresses

16.01 Unless otherwise specified in writing to the other party, correspondence relating to the implementation of this Arrangement will be addressed to the following:

(a) For the Government:

Canadian International Development Agency
200 Promenade du Portage
Hull, Quebec, Canada K1A 0G4

Facsimile Number: (819) 953-5348
Attention: The Director-General
International Financial Institutions
Multilateral Programmes Branch

(b) For the ADB:

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

(i) General Communications and Financial Matters:

Facsimile Numbers: (63-2) 636-2456 (Direct)
(63-2) 636-2444 (Central)
Attention: Principal Director, Office of Cofinancing Operations

(ii) Implementation and Technical Matters:

Facsimile Numbers: (63-2) 636-2182 (Direct)
(63-2) 636-2444 (Central)
Attention: Director, Strategic Policy, Planning and Interagency Relations Division,
Strategy and Policy Department

Article 17: Amendments

17.01 This Arrangement may be modified by an amendment signed by the Government of Canada and the ADB.

Article 18: Settlement of Disputes

18.01 The Government and ADB will seek amicably to settle any differences and disputes arising out of or in connection with the implementation of this Arrangement.

Signed:

For the GOVERNMENT OF CANADA

For ASIAN DEVELOPMENT BANK

Name: BRUCE MONTADOR

Title: Vice President

Canadian International Development Agency

Name: TADAO CHINO

Title: President